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					
	2011	2010	2009	2008	2007	2006
For the year:						
Net sales	**¥820,349**	¥814,811	¥685,043	¥586,451	¥525,203	¥448,819
Operating income	**116,365**	132,378	108,639	87,493	64,963	70,355
EBITDA[1]	**115,714**	137,132	112,621	97,467	75,310	80,166
Income before income taxes and minority interests	**93,881**	116,867	95,487	81,994	62,713	72,752
Net income	**54,354**	61,681	49,797	43,529	31,775	40,437
Net cash provided by operating activities	**57,158**	88,623	59,214	87,336	18,847	57,477
Net cash used in investing activities	**(26,643)**	(23,389)	(34,273)	(15,421)	(28,783)	(41,907)
Free cash flow[2]	**30,515**	65,234	24,941	71,915	(9,936)	15,570
Net cash provided by (used in) financing activities	**(26,156)**	(28,897)	(16,847)	(19,054)	(12,759)	1,932
Cash and cash equivalents[3]	**202,104**	200,462	169,574	169,888	119,216	141,404
Depreciation and amortization	**18,755**	12,229	9,765	8,523	6,567	5,364
Capital expenditures	**33,993**	28,018	22,601	21,017	26,441	16,261
At year-end:						
Total assets	**¥533,777**	¥507,287	¥463,285	¥404,720	¥359,770	¥379,655
Total net assets	**319,911**	287,987	261,413	264,014	243,283	240,479
Interest-bearing debt	**28,263**	28,834	35,400	20,016	24,429	22,774
Reference indices:						
Operating profit margin (%)	**14.2**	16.2	15.9	14.9	12.4	15.7
ROE (%)	**18.1**	22.6	19.1	17.3	13.6	19.7
Equity ratio (%)	**59.0**	56.3	56.0	64.7	66.7	60.1
Debt-equity ratio (%)	**8.8**	10.0	13.5	7.6	10.0	9.5
Dividend payout ratio (%)	**33.7**	38.0	32.7	30.4	41.7	32.7
Per share data:						
Net income (EPS) (yen)	**¥ 533.93**	¥ 605.99	¥ 488.96	¥ 427.38	¥ 311.98	¥ 397.38
Net assets (yen)	**3,091.17**	2,804.34	2,550.86	2,572.09	2,357.79	2,240.77
Cash dividends (yen)	**180.00**	230.00	160.00	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	**98**	90	96	21	21	19
Total number of stores	**2,088**	2,203	2,258	1,958	1,828	1,632
Directly-operated stores in Japan	**[1,213]**	[1,370]	[1,454]	[1,310]	[1,233]	[1,093]
Directly-operated stores overseas	**[491]**	[474]	[397]	[294]	[247]	[196]
Franchise stores	**[384]**	[359]	[407]	[354]	[348]	[343]
Commercial complexes	**4**	4	4	4	1	—
Total sales floor space (m^2)[4]	**938,896m^2**	847,523m^2	740,489m^2	685,942m^2	626,998m^2	536,473m^2
Number of full-time employees[5]	**14,612**	11,596	11,037	8,054	6,514	3,990

Notes: 1. EBITDA = Income before income taxes + Interest expenses + Depreciation and amortization + Amortization of goodwill
2. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
3. Cash and equivalents include cash, time deposits with maturities of generally three months or less and marketable securities.
4. Total sales floor space includes only directly operated stores.
5. 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

Snapshot of Group Performance in Fiscal 2011 (Year to End August 2011)

- **Consolidated sales rise while income contracts**
  Net sales ¥820.3 billion (+0.7% YoY), operating profit ¥116.3 billion (-12.1% YoY)
- **Net earnings per share ¥533.93 (-11.9% YoY)**
- **Annual dividend per share ¥180 (down ¥50 YoY), consolidated dividend payout ratio 33.7%**

1 Operating Environment and Management Strategy

During fiscal 2011, China and other Asian nations enjoyed economic recovery and expansion, while the nascent recovery in the United States and Europe was hurt by high unemployment and persistent concerns about the stability of some nations' public finances. In Japan, a true economic recovery remained elusive in the wake of the March 2011 disaster: subsequent rolling electricity outages and energy-saving measures weighed on manufacturers. Other negative factors included higher cotton prices and rising manufacturing costs in China.

Against this background, the Fast Retailing Group recorded a rise in overall sales, but a drop in operating profit in fiscal 2011, the year to end August 2011. Consolidated net sales totaled ¥820.3 billion (+0.7% YoY), operating profit ¥116.3 billion (-12.1%), ordinary income ¥107.0 billion (-13.5%) and net income ¥54.3 billion (-11.9%). The key factor in this performance was a 16.8% drop in operating profit at the Group's mainstay UNIQLO Japan operation.

UNIQLO Japan showed signs of recovery in the second half of fiscal 2011 (March–August 2011) as a rebound in same-store sales boosted operating profit. However, this was not sufficient to offset the large drop in same-store sales during the first half of fiscal 2011 (September 2010–February 2011).

By contrast, operating profit at UNIQLO International increased 40.6% to ¥8.9 billion. A strong performance from our Theory operation also boosted operating profit at our Global Brands segment to ¥8.7 billion (+12.0%).

Aiming to become the world's number one apparel retailer, the Fast Retailing Group is continuing a drive to "promote globalization, strengthen Group management and refocus on entrepreneurial values." We will expand UNIQLO operations globally through the opening of stores in Asia, principally in China and Hong Kong, South Korea, Singapore, Taiwan and Malaysia. The opening of global flagship stores in major cities worldwide has also strengthened UNIQLO's operational base, and we are now seeking to expand our Theory and g.u. operations.

Number of Stores by Group Operation

FY	2011			2010	2009
Unit: Stores	**End Aug.**	Open	Close	End Aug.	End Aug.
UNIQLO Japan:	**843**	62	27	808	770
Directly-operated	**822**	61	27	788	750
Large-scale	**129**	27	0	102	71
Standard	**693**	34	27	686	679
Franchise	**21**	1	0	20	20
UNIQLO International:	**181**	53	8	136	92
China	**80**	28	2	54	33
Hong Kong	**15**	3	1	13	11
Taiwan	**1**	1	0	—	—
South Korea	**62**	14	0	48	30
Singapore	**5**	2	0	3	2
Malaysia	**2**	2	0	—	—
U.K.	**11**	1	4	14	14
U.S.	**1**	0	0	1	1
France	**1**	0	1	2	1
Russia	**3**	2	0	1	—
Footwear	**0**	0	90	90	279
g.u.	**148**	40	7	115	72
Cabin	**0**	0	197	197	205
Theory*	**371**	68	23	326	306
Comptoir des Cotonniers*	**386**	27	12	371	368
Princesse tam.tam*	**159**	4	5	160	166
Total	**2,088**	254	369	2,203	2,258

* 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.[1]
	Footwear[1, 2]
	Cabin[3]
Global Brands	Theory
	Comptoir des Cotonniers
	Princesse tam.tam

Group operational segments from FY2011

UNIQLO Japan	UNIQLO operations in Japan
	Footwear[1]
UNIQLO International	UNIQLO overseas operations
Global Brands	Theory
	Comptoir des Cotonniers
	Princesse tam.tam
	g.u.[1]

Notes: 1. Denotes operations that have changed category.
2. Our footwear operation merged with UNIQLO Co., Ltd. on April 1, 2010, and all specialty shoe stores were closed by end August 2011.
3. Cabin Co., Ltd. merged with Link Theory Japan Co., Ltd. effective September 1, 2010, and all Cabin-operated brands were discontinued by end February 2011. A number of stores transferred to PLST.

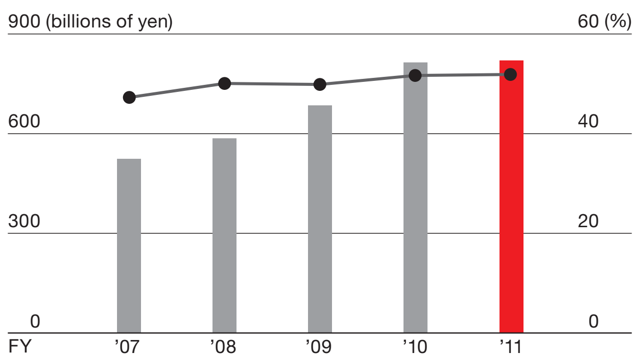
2 Net Sales

Consolidated net sales rose 0.7% year on year to ¥820.3 billion. Breaking down the ¥5.5 billion increase in sales: UNIQLO Japan sales fell ¥15.0 billion, UNIQLO International sales increased ¥20.9 billion and Global Brands sales fell ¥1.1 billion. The figure for Global Brands includes approximately ¥10.0 billion relating to the withdrawal of all labels formerly operated by Cabin Co., Ltd. by the end of February 2011.

3 Gross Profit Margin

Gross profit rose 1.2% year on year to ¥425.7 billion and the gross profit margin improved 0.2 point to 51.9%. Stripping out changes to accounting practices, the gross margin declined 1.6 points in real terms, caused mainly by a 2.2-point fall in the real gross margin at UNIQLO Japan.

Net Sales and Gross Profit Margin



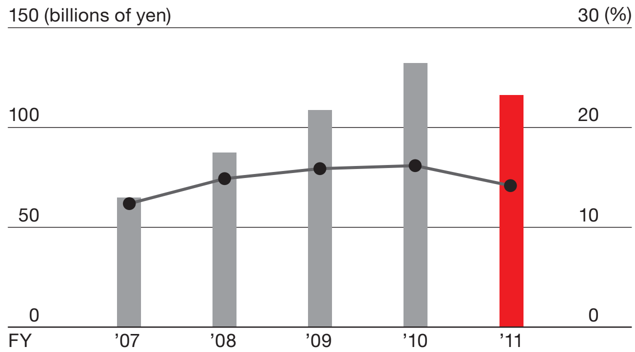
4 Selling, General and Administrative Expenses

SG&A expenses totaled ¥309.4 billion, and the SG&A to net sales ratio increased 2.3 points to 37.7%. Stripping out changes to accounting practices, the SG&A ratio increased by 0.3 point in real terms, caused mainly by a 0.8-point rise in the SG&A ratio at UNIQLO Japan.

5 Operating Profit

Operating profit fell 12.1% year on year to ¥116.3 billion. The operating profit margin decreased 2.0 points to 14.2%.

Operating Profit and Operating Profit Margin



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

Non-operating expenses totaled ¥11.1 billion. This figure includes foreign exchange losses of ¥8.3 billion stemming from transaction losses on material originally manufactured in Japan being exported and then reimported as finished products, and advance payments in foreign currencies by UNIQLO Japan to UNIQLO International subsidiaries.

The Group also posted an extraordinary loss of ¥13.4 billion. This figure includes a ¥9.6 billion lump sum relating to changes in accounting practices, an extraordinary loss of ¥1.0 billion relating to the March 2011 earthquake in Japan, an impairment loss of ¥0.8 billion, and a ¥0.8 billion provision for losses from the closure of specialty shoe shops.

7 Taxes

Taxes totaled ¥37.5 billion, representing corporate income taxes, resident taxes and enterprise taxes of ¥41.9 billion and deferred income taxes of ¥4.3 billion. The effective tax rate was 40.0%, 0.5 point lower than the statutory income tax rate of 40.5%. The decline can be explained by the growing contribution from Asian and other operations, where effective tax rates are low.

Breakdown of SG&A Expenses

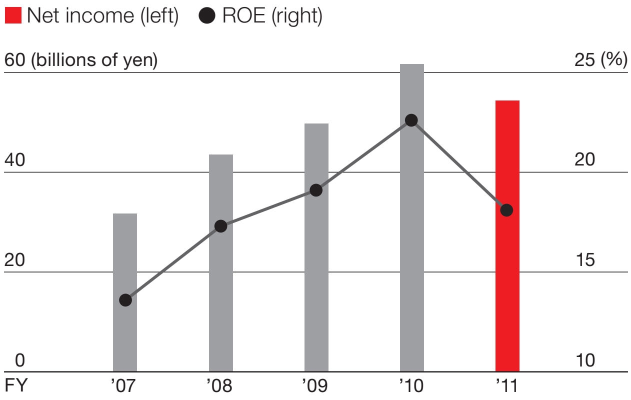
FY	2011			2010			2009		
	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change
Personnel	**¥101,459**	**12.4**	**+0.2**	¥101,303	12.4	+19.5	¥ 84,797	12.4	+10.2
Advertising and promotion	**35,871**	**4.4**	**−4.8**	37,665	4.6	+22.7	30,697	4.5	+10.4
Rent	**82,060**	**10.0**	**+3.7**	79,136	9.7	+33.5	59,287	8.7	+16.5
Depreciation/amortization	**14,704**	**1.8**	**+20.2**	12,229	1.5	+25.2	9,765	1.4	+14.6
Others	**75,307**	**9.2**	**+29.5**	58,170	7.1	+20.3	48,342	7.1	+15.0
Total	**¥309,401**	**37.7**	**+7.2**	¥288,503	35.4	+23.9	¥232,888	34.0	+12.9

Note: The portion of product storage and warehouse-to-store costs previously accounted under cost of sales has been standardized as an SG&A expense from fiscal 2011.

8 Net Income

Net income for fiscal 2011 fell 11.9% year on year to ¥54.3 billion. Net earnings per share (EPS) totaled ¥533.93, down ¥72.06 year on year. The annual dividend declined ¥50 per share to ¥180, but the consolidated dividend payout ratio of 33.7% was maintained at approximately one third of net earnings. ROE declined 4.5 points to 18.1%.

Net Income and ROE



9 Results by Group Operation

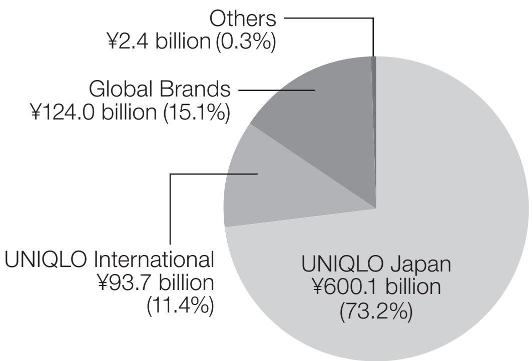
Sales by Group Operation

FY	2011 Billions of yen	YoY change Billions of yen	% change	2010 Billions of yen
UNIQLO Japan:				
Net sales	**¥600.1**	–¥15.0	–2.4	¥615.1
Operating profit	**106.2**	–21.4	–16.8	127.7
UNIQLO International:				
Net sales	**93.7**	20.9	+28.7	72.7
Operating profit	**8.9**	2.5	+40.6	6.3
Global Brands:				
Net sales	**124.0**	–1.1	–0.9	125.2
Operating profit	**8.7**	0.9	+12.0	7.8

Notes 1: The consolidated sales figure also includes revenue from the leasing of real estate reported by the holding company Fast Retailing Co., Ltd. The consolidated operating profit figure also includes operating profit and amortization of goodwill for Fast Retailing.

2: Fiscal 2010 results are displayed under the new business categories.

Breakdown of Net Sales by Operation



Note: "Others" includes revenue from the leasing of real estate reported by the holding company Fast Retailing Co., Ltd.

UNIQLO Japan

Sales at UNIQLO Japan, accounting for 73.2% of consolidated sales, fell 2.4% year on year to ¥600.1 billion. While the addition of 34 directly operated stores boosted the total sales floor area by 8.1% year on year, overall revenue declined on the back of a 6.0% fall in same-store sales and an outlay of ¥5.0 billion relating to the closure of specialty footwear operations.

The 6.0% fall in same-store sales breaks down as a 4.2% drop in customer numbers and a 1.9% fall in average customer spending. Warm weather throughout the fall/winter season and shortages of some core products led to a 9.9% contraction in same-store sales in the first half. Same-store sales rebounded 0.4% year on year in the second half despite a temporary dip in sales in the wake of the March 2011 disaster. Same-store sales recovered in June and July thanks to strong sales of summer business clothing ("Cool-Biz").

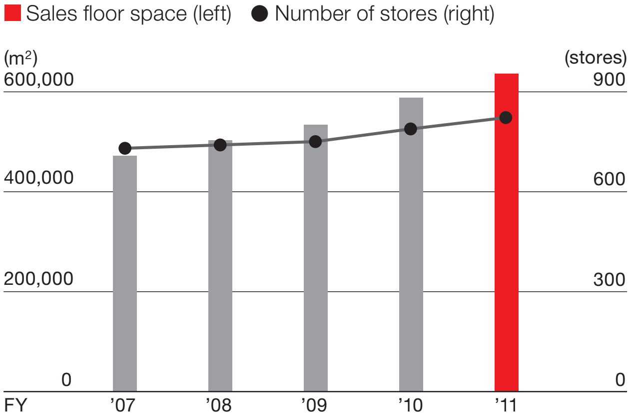
UNIQLO Japan is concentrating on large-scale stores to drive growth, gradually replacing regular-sized stores with large-scale ones. UNIQLO Japan opened 61 directly operated stores and closed 27 locations for a net increase of 34 stores, bringing the total number of stores, including franchises, to 843 at the end of fiscal 2011. Of this total, the number of large-scale stores with a shop floor of at least 1,600 square meters increased by 27 to 129 stores, and average per-store floor space rose 3.6% to 773 square meters.

The gross profit margin fell 0.1 point to 49.1%. However, the real gross margin, excluding the impact of changes to accounting practices, actually contracted 2.2 points year on year. The gross profit margin declined 3.4 points year on year in the first half, primarily due to increased discounting of fall clothing, more HEATTECH limited-period sales, and a smaller gain on foreign exchange differentials in fiscal 2011 when purchasing additional product at spot rates. Even with stronger control over discounting, the real gross profit margin also declined in the second half by 0.5 point year on year due primarily to the sharp rise in the price of cotton.

The ratio of SG&A expenses to sales increased by 3.0 points year on year, but only 0.8 point in real terms after stripping out the impact of changes to accounting practices. In the first half, the real SG&A ratio increased 1.1 points year on year despite earnest cost cutting measures. This was due primarily to the sharp fall in same-store sales and the resulting deterioration in business cost efficiency. However, the SG&A improved 0.4 point in the second half thanks to persistent cost-cutting measures and a rebound in same-store sales.

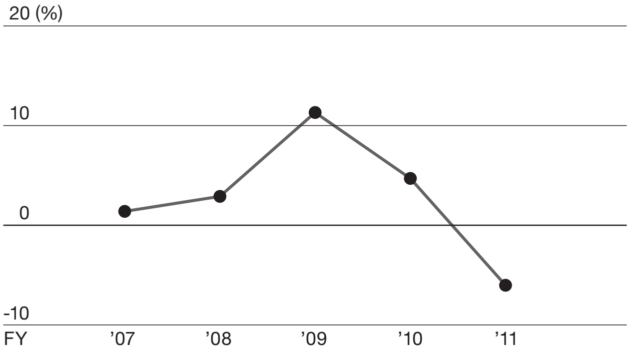
As a result, operating profit at UNIQLO Japan contracted 16.8% year on year to ¥106.2 billion and the operating profit margin declined 3.1 points to 17.7%. However, second-half operating profit did pick up, increasing 1.7% year on year to ¥35.8 billion.

■ 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

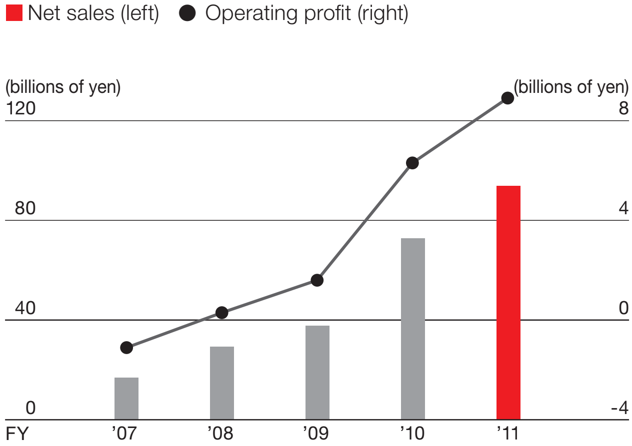
UNIQLO International

UNIQLO International achieved significant gains in both revenue and operating profit, with sales expanding 28.7% year on year to ¥93.7 billion, and operating profit rising 40.6% to ¥8.9 billion. The total number of UNIQLO International stores increased by 45 to 181 stores in fiscal 2011. We have been actively pursuing expansion opportunities in Asia. The 165 stores in Asia currently constitute roughly 70% of UNIQLO International's sales.

UNIQLO operations in China and Hong Kong generated considerable gains in both sales and operating profit, with continued double-digit growth in same-store sales and a rapidly expanding store network. Our operation in South Korea also attained a high level of profit, as TV commercials helped boost UNIQLO's brand appeal and fuelled continued double-digit gains in same-store sales. Sales at our first store in Taiwan, opened in October 2010, proved much stronger than expected, and the operation achieved a profit in its first year. Operations in Singapore and Malaysia performed well, and by the end of fiscal 2011 the network there had expanded to seven stores.

Our UNIQLO USA operation generated a good result, with our global flagship, the New York Soho Store, continuing to post double-digit gains in same-store sales. However, the operation ended the year in the red due to rental

■ UNIQLO International Sales, Operating Profit/Loss



obligations and preparations for the opening of our New York Fifth Avenue global flagship store in October 2011.

Our French operation performed well, with the Paris Opera global flagship store continuing to generate double-digit sales growth. Meanwhile, UNIQLO operations in the United Kingdom and Russia fell short of target, ending the year with a net operating loss.

Global Brands

Sales at Global Brands decreased 0.9% year on year to ¥124.0 billion, while operating profit rose 12.0% to ¥8.7 billion. The decline in revenue was due to the withdrawal of all brands formerly operated by Cabin Co., Ltd. at a cost of ¥10.0 billion, and also to the impact of a stronger yen.

Profits from our Theory operation in the United States grew strongly, fueled by continued double-digit growth in same-store sales and a strong wholesale business. Theory Japan suffered a temporary dip in sales in the wake of the March 2011 disaster, but both sales and operating profit increased over the full business year. Performance at our French women's fashion brand Comptoir des Cotonniers fell short of target and operating profit dropped, while our French corsetry, lounge wear and swimwear brand Princesse tam.tam performed roughly according to plan.

A trendy TV commercial and the opening of flagship stores in Osaka's Shinsaibashi and Tokyo's Ikebukuro propelled our low-price g.u. casualwear brand into the spotlight and same-store sales began to pick up in the second half. However, g.u. recorded a fall in operating profit for the full business year as costs related to the opening of the two flagship stores were absorbed.

10 Balance Sheets

Total assets at the end of fiscal 2011 were ¥533.7 billion, ¥26.4 billion higher than at the end of fiscal 2010. Current assets increased ¥24.3 billion to ¥369.9 billion, primarily due to an ¥18.6 billion year-on-year increase in inventories to ¥92.7 billion. Inventories at UNIQLO increased by ¥2.3 billion to ¥53.4 billion, due to a net increase of 34 stores and an early accumulation of winter stock. Inventories also increased by ¥13.8 billion at UNIQLO International as the number of total stores and same-store sales both expanded. In addition, inventories increased in preparation for the opening of global flagship stores in Taiwan, New York and South Korea, and multiple large-scale stores in other markets.

Inventories also increased at our Global Brands segment by ¥2.5 billion due to an increase in the number of new g.u. stores and strong sales from our Theory operation. Total cash and marketable securities stood at ¥202.1 billion at the end of fiscal 2011, similar to the previous year-end total.

Fixed assets grew ¥2.1 billion to ¥163.8 billion, primarily due to an increase in the number of UNIQLO stores both in Japan and globally.

Current liabilities fell ¥19.7 billion year on year to ¥182.8 billion, primarily due to a year-on-year fall of ¥16.7 billion in the total accounted for as unpaid corporate taxes at the end of the business year.

Long-term liabilities increased ¥14.3 billion to ¥31.0 billion. Total short-term and long-term interest-bearing liabilities fell ¥2.3 billion to ¥20.9 billion.

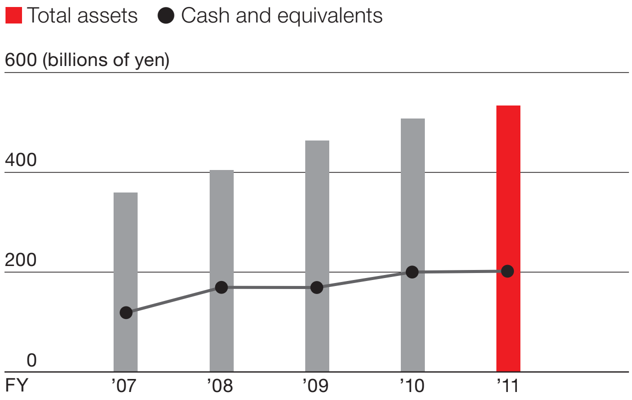
Net assets increased ¥31.9 billion to ¥319.9 billion. This was driven by an increase in net income of ¥54.3 billion, a ¥21.3 billion decrease from dividends on retained earnings and a ¥2.6 billion decrease in net unrealized losses on securities. As a result, the equity ratio rose 2.7 points to 59.0%.

Consolidated Subsidiaries

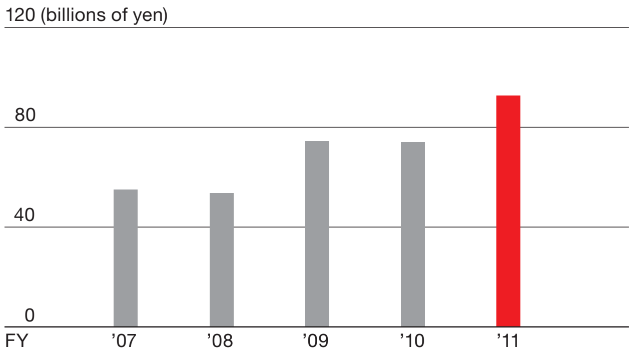
Company name	Share ownership
Holding Companies	
FAST RETAILING CO., LTD.	—
FAST RETAILING USA, Inc.	100.0%
FAST RETAILING FRANCE S.A.S.	100.0%
UNIQLO Business	
UNIQLO CO., LTD.	100.0%
FAST RETAILING (CHINA) TRADING CO., LTD.	100.0%
UNIQLO HONG KONG, LIMITED	100.0%
FRL Korea Co., LTD.	51.0%
UNIQLO (SINGAPORE) PTE. LTD.	51.0%
UNIQLO (U.K.) LTD.	100.0%
UNIQLO FRANCE S.A.S.	100.0%
Limited Liability Company UNIQLO (RUS)	100.0%
UNIQLO TAIWAN LTD.	100.0%
UNIQLO (MALAYSIA) SDN. BHD.	55.0%
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, 2011
* GOV RETAILING CO., LTD. changed its corporate name to G.U. CO., LTD. as of September 1, 2011.

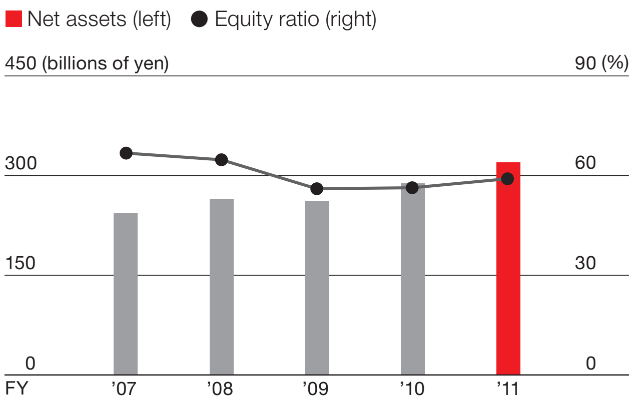
Total Assets and Cash and Equivalents



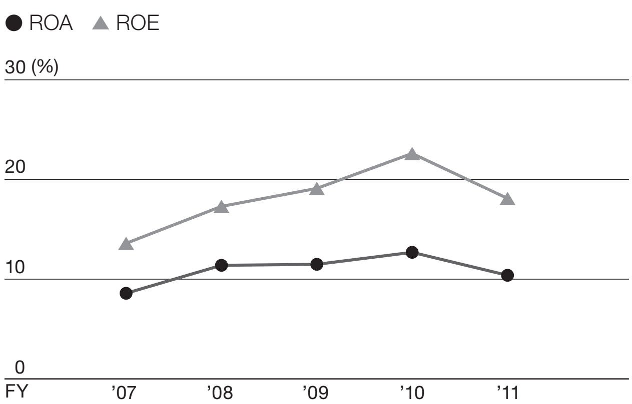
Inventories



Net Assets and Equity Ratio



ROA and ROE



11 Cash Flows

In fiscal 2011, net cash from operating activities was ¥57.1 billion, net cash used in investing activities was ¥26.6 billion, and net cash used in financing activities was ¥26.1 billion. As a result, total free cash flow from both operating and investing activities amounted to ¥30.5 billion, and the balance of cash and cash equivalents at the end of fiscal 2011 totaled ¥202.1 billion.

Fast Retailing seeks to ensure consistent, steady growth by using retained funds and free cash flow effectively for M&A investments that facilitate the expansion of the Group, and investment and loans to help strengthen the operational base of Group companies.

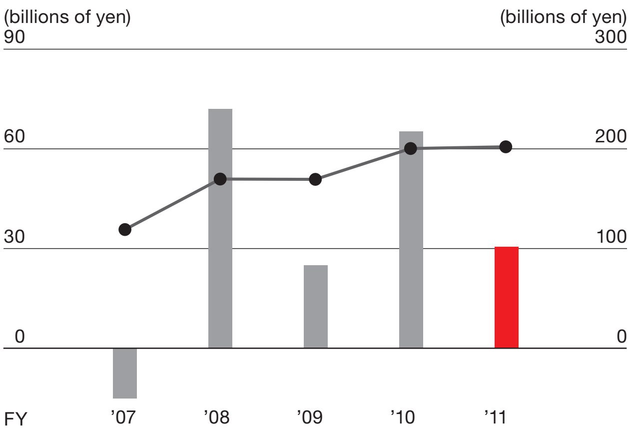
Net Cash Inflow from Operating Activities: ¥57.1 Billion
This total breaks down into net income before income taxes and minority interest in fiscal 2011 of ¥93.8 billion, depreciation and amortization of ¥18.7 billion, amortization of goodwill of ¥6.5 billion, and ¥2.9 billion to fulfill accounting standards on asset retirement obligations. Expenditure on working capital, inventories and increased purchasing debt taken together amounted to ¥17.3 billion. In addition, net income taxes paid amounted to ¥55.9 billion.

Net Cash Outflow for Investing Activities: ¥26.6 Billion
Cash used to purchase property and equipment, primarily to increase UNIQLO's global store network, totaled ¥18.9 billion, while payments for lease deposits totaled ¥7.0 billion. Capital expenditures totaled ¥33.9 billion on a consolidated basis, with UNIQLO Japan accounting for ¥10.0 billion of the total.

Net Cash Outflow for Financing Activities: ¥26.1 Billion
Dividends paid amounted to ¥21.3 billion. ¥3.8 billion was spent on reducing short-term debt, and ¥10.6 billion on repayment of long-term debt.

Free Cash Flow and Cash and Equivalents

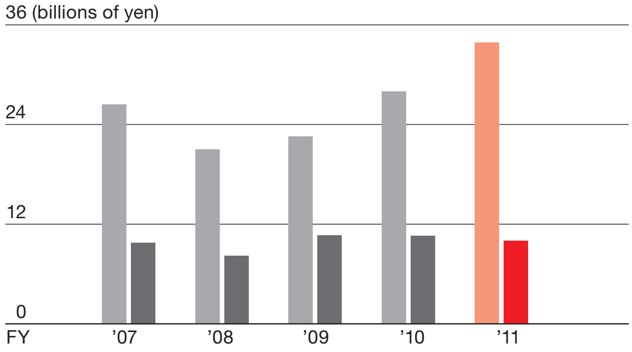
Free cash flow (left) ● Cash and equivalents (right)



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

Capital Expenditures (Consolidated and UNIQLO Japan)

Consolidated UNIQLO Japan

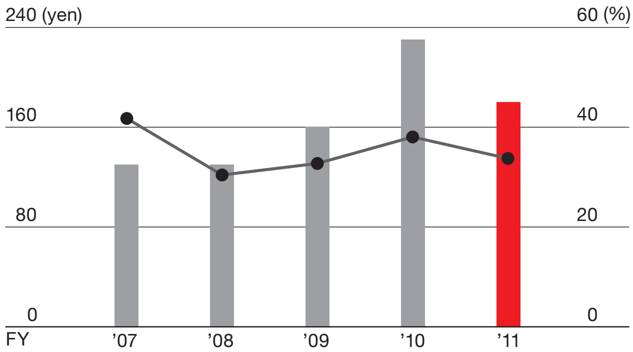


12 Dividend Policy

Fast Retailing regards returning a portion of profits to shareholders as a top priority. As such, the Group has adopted a basic policy of supporting consistent improvements in 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 paid an annual dividend of ¥180 per share in fiscal 2011. This translates into an annual dividend payout ratio of 33.7%, representing over one third of consolidated net income for fiscal 2011.

Cash Dividends per Share and Dividend Payout Ratio

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



13 Outlook for Fiscal 2012 (as of January 12, 2012)

In fiscal 2012, Fast Retailing forecasts rises in both revenue and income: net sales to ¥937.0 billion (+14.2% YoY), operating profit ¥130.5 billion (+12.1%) and net income ¥70.0 billion (+28.8%). We expect net earnings per share (EPS) of ¥687.49 and an annual dividend of ¥230 (¥115 interim dividend and ¥115 year-end dividend).

Outlook of Sales by Group Operation

FY	2012 (plan)	2011	YoY change	
	Billions of yen	Billions of yen	Billions of yen	% change
UNIQLO Japan:				
Net sales	**¥629.0**	¥600.1	¥28.9	+4.8
Operating profit	**106.5**	106.2	0.3	+0.3
UNIQLO International:				
Net sales	**160.0**	93.7	66.3	+70.7
Operating profit	**17.0**	8.9	8.1	+89.9
Global Brands:				
Net sales	**145.0**	124.0	21.0	+16.9
Operating profit	**13.5**	8.7	4.8	+53.6

Fiscal 2012 Store Forecast by Business

FY	2012 (plan)				2011
Units: Stores	Open	Close	Net increase	End Aug.	End Aug.
UNIQLO Japan:	30	22	+8	**851**	843
Directly-operated	29	21	+8	**830**	822
Large-scale	20	1	+19	**148**	129
Standard	9	20	–11	**682**	693
Franchise	1	1	0	**21**	21
UNIQLO International:	108	1	+107	**288**	181
China	60	1	+59	**139**	80
Hong Kong	1	0	+1	**16**	15
Taiwan	16	0	+16	**17**	1
South Korea	20	0	+20	**82**	62
Singapore	0	0	0	**5**	5
Malaysia	1	0	+1	**3**	2
Thailand	4	0	+4	**4**	—
Philippines	1	0	+1	**1**	—
U.K.	2	0	+2	**13**	11
U.S.	2	0	+2	**3**	1
France	1	0	+1	**2**	1
Russia	0	0	0	**3**	3
Footwear	—	—	—	—	0
g.u.	34	8	+26	**174**	148
Cabin	—	—	—	—	0
Theory*	18	19	–1	**370**	371
Comptoir des Cotonniers*	15	10	+5	**391**	386
Princesse tam.tam*	0	0	0	**159**	159
Total	205	60	+145	**2,233**	2,088

* Including franchise stores

UNIQLO Japan

UNIQLO Japan is anticipating 4.8% growth in sales to ¥629.0 billion and 0.3% growth in operating profit to ¥106.5 billion. Same-store sales are forecast to expand 0.7% and the total number of stores, including franchises, is expected to increase by 8 to 851 by the end of fiscal 2012. The total number of large-scale stores with a floor space of about 1,600 square meters is scheduled to increase by 19 to 148 stores.

UNIQLO plans to open a new global flagship store, the UNIQLO Ginza Store, in March 2012, and another global flagship store in Shinjuku in the fall. Our plan to actively expand our network of urban stores and outlets within department stores and shopping malls is designed to boost market share in major cities such as Tokyo, Osaka and Nagoya, where UNIQLO's presence has previously been comparatively low.

The gross profit margin is forecast to contract 0.6 point year on year to 48.5%. The high price of raw materials including cotton is expected to impact our cost of sales in the first half, but we expect the gross margin to increase in the second half, with raw materials prices settling down and discounting kept under strict control. The SG&A to net sales ratio is forecast to hold flat at 31.5%.

UNIQLO International

Continued strong gains in sales and operating profit are anticipated at UNIQLO International with a net sales forecast for fiscal 2012 of ¥160.0 billion (+70.7% YoY) and operating profit of ¥17.0 billion (+89.9%).

We will accelerate new store openings in Asia, with 61 new stores planned for China and Hong Kong, 20 stores in South Korea, and 16 stores in Taiwan. We also plan to penetrate new markets such as the Philippines. We plan to add as many as 107 new UNIQLO International stores, for a total of 288 by the end of fiscal 2012.

We are making steady progress in our plan to open global flagship stores in all of the world's major cities. Three global flagship stores opened in the second half of 2011: the UNIQLO Mingyao Department Store in Taipei in September, the UNIQLO New York Fifth Avenue Store in October and the UNIQLO Myeongdong Central Store in Seoul in November.

Global Brands

Both sales and operating profit are expected to increase significantly in our Global Brands segment in fiscal 2012, buoyed by strong sales from both our g.u. and Theory operations. Global Brands' sales are forecast to rise 16.9% year on year to ¥145.0 billion, and operating profit is expected to rise 53.6% to ¥13.5 billion.

We anticipate considerable gains in both sales and profit for the g.u. brand, with continued double-digit growth in same-store sales and a rapidly expanding store network. Having brought our mid-term plan forward by one year, we now expect g.u. sales to top ¥50.0 billion in fiscal 2012.

Our Theory operation is also expected to generate a rise in sales and profit in both the United States and Japan. However, given the challenging economic environment in Europe, our French brands Comptoir des Cotonniers and Princesse tam.tam are expected to record a flat performance year on year.

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, in consideration of the potential of these factors to make a material impact on the decisions of investors. As such, management engages in rigorous risk avoidance and risk management, and strives to be able to respond appropriately in adverse circumstances.

Management judges and anticipates future risks based on its latest financial report (November 25, 2011) and other available information.

(1) Specific risks associated with the implementation of corporate strategy

(a) Corporate acquisition risk

The Group engages in M&A activities as a management strategy for the expansion of operations. The Group seeks to maximize its corporate value by optimizing its business portfolio through the pursuit of synergies with other companies or industries. However, in cases where the Group is unable to realize the expected profit and benefits from M&A activities, this could have an adverse impact on the Group's business results.

(b) Management personnel risk

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

(c) Competitive risk

In each of its businesses, the Group's customers are always highly discriminating about merchandise, services and prices. The Group engages in tough competition with other companies in the same industry, in Japan and in other markets. Should the relative competitive strength of the Group deteriorate, this could have an adverse impact on the Group's business results.

(d) Risk of reliance on certain regions for production

Most items sold through the Group's core UNIQLO business operations are imports manufactured in China and other countries in Asia. For this reason, a major change in the political, economic and/or legal environment, or a natural disaster in China or another center of production, could have an impact on the Group's ability to supply products.

(e) Risk of operations outside Japan

The Group is developing its business through M&A and actively expanding its operations in markets outside Japan. As the Group opens multiple stores in countries around the world, the ratio of sales in markets outside Japan to overall net sales is expected to rise. In conjunction with this, changes in market needs and product trends, economic fluctuations, political and social turbulence, changes in legal regulations and/or other conditions in markets outside Japan, as well as difficulty in employing and training appropriate management and local employees, could have an adverse impact on the Group's business results.

(f) Foreign currency risk

For most products imported for the UNIQLO business, which is the Group's core business, transactions are conducted in U.S. dollars. The Group has concluded forward foreign exchange contracts to cover imports for approximately the next three years. By locking in the foreign exchange rate for its imports, the Group endeavors to stabilize its procurement costs. However, any major movements in exchange rates that persist for prolonged periods 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 its operations: (1) product liability, (2) leakage of confidential corporate and/or personal information, (3) weather conditions, (4) disasters, (5) disputes and lawsuits, and (6) changes in economic conditions and consumption trends.

Consolidated Balance Sheets

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2011	2010	2011
Current assets:			
Cash and deposits (Note 3)	¥ 64,386	¥ 62,466	$ 839,129
Notes and accounts receivable—trade	17,796	15,371	231,939
Less—allowance for doubtful accounts	(307)	(169)	(4,011)
Net trade receivables	17,488	15,201	227,928
Short-term investment securities (Notes 3 and 5)	137,728	139,472	1,794,981
Inventories (Note 4)	92,750	74,079	1,208,788
Deferred tax assets (Note 6)	31,802	29,715	414,474
Income taxes receivable	10,453	12,455	136,236
Other	15,361	12,233	200,197
Total current assets	369,971	345,625	4,821,735
Noncurrent assets:			
Property, plant and equipment:			
Buildings and structures	76,961	70,320	1,003,020
Furniture and equipment	9,453	8,830	123,200
Land	3,881	3,880	50,592
Leased assets (Note 17)	9,499	6,354	123,798
Construction in progress	6,913	869	90,096
Total	106,709	90,256	1,390,708
Less accumulated depreciation	(48,692)	(40,111)	(634,590)
Net property, plant and equipment	58,016	50,144	756,117
Intangible assets:			
Goodwill	21,648	28,798	282,139
Other (Note 12)	19,102	19,041	248,956
Total intangible assets	40,751	47,840	531,096
Investments and other assets:			
Investment securities (Note 5)	529	844	6,900
Deferred tax assets (Note 6)	7,417	4,494	96,674
Lease and guarantee deposits (Note 12)	39,310	40,415	512,327
Construction assistance fund receivables	15,331	16,044	199,813
Other	3,184	2,723	41,497
Less—allowance for doubtful accounts	(735)	(844)	(9,586)
Total investments and other assets	65,038	63,678	847,625
Total noncurrent assets	163,806	161,662	2,134,839
Total assets	¥533,777	¥507,287	$6,956,574

See accompanying notes to consolidated financial statements.

LIABILITIES	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Notes and accounts payable—trade	**¥ 59,395**	¥ 54,098	**$ 774,081**
Short-term loans payable	**3,978**	7,414	**51,852**
Current portion of long-term loans payable (Notes 7 and 12)	**3,243**	9,944	**42,272**
Forward exchange contracts	**59,640**	58,245	**777,281**
Income taxes payable (Note 6)	**14,721**	31,512	**191,863**
Provision	**6,987**	6,615	**91,070**
Other	**34,878**	34,786	**454,560**
Total current liabilities	**182,846**	202,618	**2,382,983**
Noncurrent liabilities:			
Long-term loans payable (Notes 7 and 12)	**13,688**	5,865	**178,396**
Provision	**63**	45	**828**
Other (Note 12)	**17,268**	10,771	**225,050**
Total noncurrent liabilities	**31,020**	16,681	**404,276**
Total liabilities	**213,866**	219,300	**2,787,259**
Net assets:			
Capital stock (Note 9)	**10,273**	10,273	**133,897**
Capital surplus (Note 9)	**5,223**	5,000	**68,081**
Retained earnings (Note 10)	**369,717**	336,739	**4,818,416**
Treasury stock, at cost (Note 11)	**(16,144)**	(16,260)	**(210,401)**
Valuation difference on available-for-sale securities	**(16,541)**	(13,917)	**(215,581)**
Deferred gains or losses on hedges	**(35,583)**	(34,940)	**(463,744)**
Foreign currency translation adjustment	**(2,215)**	(1,456)	**(28,871)**
Subscription rights to shares	**510**	—	**6,652**
Minority interests	**4,670**	2,548	**60,867**
Total net assets	**¥319,911**	¥287,987	**$4,169,315**
Commitments and contingencies (Note 13)			
Total liabilities and net assets	**¥533,777**	¥507,287	**$6,956,574**

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Net sales	¥820,349	¥814,811	¥685,043	$10,691,374
Cost of sales	394,581	393,930	343,515	5,142,468
Gross profit	425,767	420,881	341,528	5,548,906
Selling, general and administrative expenses (Note 14)	309,401	288,503	232,888	4,032,342
Operating income	116,365	132,378	108,639	1,516,563
Other income (expenses):				
Interest and dividends income	408	344	847	5,325
Penalty income	143	137	258	1,876
Equity in earnings (losses) of affiliates	—	—	(1,383)	—
Interest expenses	(532)	(500)	(917)	(6,937)
Foreign exchange gains (losses)	(8,382)	(7,559)	(5,793)	(109,247)
Gain on sales of noncurrent assets	134	—	—	1,759
Reversal of allowance for doubtful accounts	7	62	149	101
Reversal of provision for directors' retirement benefits	—	—	184	—
Gain on abolishment of retirement benefit plan	—	289	—	—
Reversal of provision for loss on business liquidation	—	205	—	—
Gain on insurance adjustment	—	144	—	—
Loss on changes of accounting treatment	(2,699)	—	—	(35,176)
Non-recurring depreciation on noncurrent assets	(4,050)	—	—	(52,788)
Loss on retirement of noncurrent assets	(567)	(772)	(836)	(7,402)
Loss on closure of stores	—	(447)	(448)	—
Impairment loss (Note 15)	(832)	(4,433)	(2,242)	(10,852)
Loss on disaster (Note 21)	(999)	—	—	(13,028)
Provision for loss on business liquidation (Note 20)	(800)	(985)	(1,571)	(10,426)
Office transfer expenses	—	—	(1,008)	—
Loss on business withdrawal	—	(395)	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	(2,913)	—	—	(37,965)
Other, net	(1,402)	(1,601)	(392)	(18,277)
Total	(22,484)	(15,510)	(13,152)	(293,039)
Income before income taxes and minority interests	93,881	116,867	95,487	1,223,524
Income taxes (Note 6):				
Current	41,906	54,363	44,939	546,157
Deferred	(4,336)	(147)	493	(56,519)
Total	37,569	54,215	45,433	489,637
Income before minority interests	56,311	—	—	733,886
Minority interests	1,956	971	257	25,501
Net income	¥ 54,354	¥ 61,681	¥ 49,797	$ 708,384

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the year ended August 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Income before minority interests	¥56,311	$733,886
Other comprehensive income:		
Valuation difference on available-for-sale securities	(2,624)	(34,204)
Deferred gains or losses on hedges	(642)	(8,373)
Foreign currency translation adjustment	(797)	(10,388)
Total other comprehensive income	¥ (4,064)	$ (52,966)
Comprehensive income	¥52,246	$680,920
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of FAST RETAILING CO., LTD.	¥50,328	$655,917
Comprehensive income attributable to minority interests	1,918	25,002

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, 2011, 2010 and 2009

	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 adjustment	Subscription rights to shares	Minority interests	Total net assets
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 (Note 10)	—	—	(14,258)	—	—	—	—	—	—	(14,258)
Increase in treasury stock (Note 11)	—	—	—	(697)	—	—	—	—	—	(697)
Decrease in treasury stock (Note 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 (Note 10)	—	—	(20,357)	—	—	—	—	—	—	(20,357)
Increase in treasury stock (Note 11)	—	—	—	(5)	—	—	—	—	—	(5)
Decrease in treasury stock (Note 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
Net income	**—**	**—**	**54,354**	**—**	**—**	**—**	**—**	**—**	**—**	**54,354**
Dividends from surplus (Note 10)	**—**	**—**	**(21,376)**	**—**	**—**	**—**	**—**	**—**	**—**	**(21,376)**
Increase in treasury stock (Note 11)	**—**	**—**	**—**	**(2)**	**—**	**—**	**—**	**—**	**—**	**(2)**
Decrease in treasury stock (Note 11)	**—**	**0**	**—**	**118**	**—**	**—**	**—**	**—**	**—**	**118**
Issuance of new shares (Exercise of subscription rights to shares)	**—**	**223**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**223**
Net change during the year	**—**	**—**	**—**	**—**	**(2,624)**	**(642)**	**(758)**	**510**	**2,122**	**(1,393)**
Balance at August 31, 2011	**¥10,273**	**¥5,223**	**¥369,717**	**¥(16,144)**	**¥(16,541)**	**¥(35,583)**	**¥(2,215)**	**¥510**	**¥4,670**	**¥319,911**

	Thousands of U.S. dollars (Note 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 adjustment	Subscription rights to shares	Minority interests	Total net assets
Balance at August 31, 2010	$133,897	$65,168	$4,388,625	$(211,914)	$(181,376)	$(455,371)	$(18,982)	$ —	$33,211	$3,753,258
Net income	**—**	**—**	**708,384**	**—**	**—**	**—**	**—**	**—**	**—**	**708,384**
Dividends from surplus (Note 10)	**—**	**—**	**(278,594)**	**—**	**—**	**—**	**—**	**—**	**—**	**(278,594)**
Increase in treasury stock (Note 11)	**—**	**—**	**—**	**(35)**	**—**	**—**	**—**	**—**	**—**	**(35)**
Decrease in treasury stock (Note 11)	**—**	**1**	**—**	**1,548**	**—**	**—**	**—**	**—**	**—**	**1,549**
Issuance of new shares (Exercise of subscription rights to shares)	**—**	**2,911**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,911**
Net change during the year	**—**	**—**	**—**	**—**	**(34,204)**	**(8,373)**	**(9,889)**	**6,652**	**27,655**	**(18,159)**
Balance at August 31, 2011	**$133,897**	**$68,081**	**$4,818,416**	**$(210,401)**	**$(215,581)**	**$(463,744)**	**$(28,871)**	**$6,652**	**$60,867**	**$4,169,315**

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, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net cash provided by (used in) operating activities:				
Income before income taxes and minority interests	**¥ 93,881**	¥116,867	¥ 95,487	**$1,223,524**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**18,755**	12,229	9,765	**244,433**
Impairment loss	**832**	4,433	2,242	**10,852**
Amortization of goodwill	**6,596**	7,534	6,450	**85,968**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**2,913**	—	—	**37,965**
Increase (decrease) in allowance for doubtful accounts	**62**	510	(283)	**815**
Increase (decrease) in provision for retirement benefits	**18**	(245)	57	**238**
Increase in other provision	**371**	3,932	1,542	**4,846**
Interest and dividends income	**(408)**	(344)	(847)	**(5,325)**
Interest expenses	**532**	500	917	**6,937**
Foreign exchange losses	**314**	5,237	1,396	**4,101**
Equity in losses of affiliates	**—**	—	1,383	**—**
Loss on retirement of noncurrent assets	**567**	772	836	**7,402**
Decrease (increase) in notes and accounts receivable—trade	**(2,097)**	(578)	63	**(27,331)**
Increase in inventories	**(21,051)**	(1,478)	(17,576)	**(274,361)**
Increase (decrease) in notes and accounts payable—trade	**5,767**	(1,878)	(1,150)	**75,160**
Decrease (increase) in other assets	**2,067**	(2,177)	(1,061)	**26,945**
Increase in other liabilities	**3,455**	829	393	**45,029**
Other, net	**1,563**	1,051	896	**20,376**
Subtotal	**114,141**	147,197	100,513	**1,487,579**
Interest and dividends income received	**408**	347	897	**5,325**
Interest expenses paid	**(526)**	(521)	(1,053)	**(6,863)**
Repayments of debt associated with reorganizing subsidiary	**(916)**	(475)	(512)	**(11,939)**
Income taxes paid	**(69,043)**	(62,810)	(47,680)	**(899,819)**
Income taxes refund	**13,093**	4,886	7,049	**170,642**
Net cash provided by (used in) operating activities	**57,158**	88,623	59,214	**744,926**
Net cash provided by (used in) investing activities:				
Decrease (increase) in time deposits	**1,465**	(1,299)	95	**19,098**
Proceeds from sales and redemption of short-term and long-term investment securities	**498**	14	31	**6,495**
Purchase of property, plant and equipment	**(18,902)**	(17,150)	(9,910)	**(246,354)**
Proceeds from sales of property, plant and equipment	**164**	6	145	**2,142**
Purchase of intangible assets	**(6,636)**	(4,172)	(3,123)	**(86,486)**
Payments for lease and guarantee deposits	**(7,080)**	(5,689)	(8,029)	**(92,279)**
Proceeds from collection of lease and guarantee deposits	**5,002**	4,538	2,487	**65,194**
Payments for construction assistance fund receivables	**(1,373)**	(1,005)	(1,537)	**(17,906)**
Collection of construction assistance fund receivables	**2,137**	2,247	2,143	**27,853**
Payments for purchase of shares of consolidated subsidiary	**—**	—	(14,465)	**—**
Increase in loans receivable	**(812)**	—	—	**(10,593)**
Other, net	**(1,105)**	(880)	(2,110)	**(14,403)**
Net cash provided by (used in) investing activities	**(26,643)**	(23,389)	(34,273)	**(347,237)**
Net cash provided by (used in) financing activities:				
Net increase (decrease) in short-term loans payable	**(3,814)**	(3,647)	6,838	**(49,708)**
Proceeds from long-term loans payable	**11,484**	—	6,000	**149,676**
Repayments of long-term loans payable	**(10,608)**	(2,811)	(3,541)	**(138,258)**
Payment for treasury stocks, net	**(2)**	(5)	(696)	**(35)**
Redemption of bonds	**—**	—	(11,070)	**—**
Cash dividends paid	**(21,370)**	(20,350)	(14,257)	**(278,515)**
Other, net	**(1,845)**	(2,081)	(120)	**(24,053)**
Net cash provided by (used in) financing activities	**(26,156)**	(28,897)	(16,847)	**(340,895)**
Effect of exchange rate changes on cash and cash equivalents	**(3,142)**	(5,449)	(8,488)	**(40,957)**
Net increase (decrease) in cash and cash equivalents	**1,215**	30,887	(396)	**15,836**
Cash and cash equivalents at beginning of period (Note 3)	**200,462**	169,574	169,888	**2,612,566**
Increase in cash and cash equivalents from newly consolidated subsidiary	**427**	—	82	**5,565**
Cash and cash equivalents at end of period (Note 3)	**¥202,104**	¥200,462	¥169,574	**$2,633,968**

See accompanying notes to consolidated financial statements.

1 Basis of Presentation and Financial Statement Translation

(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, 2011 and 2010 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 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 ¥76.73=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2011. This translation should not be construed as a representation 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 98 subsidiaries (90 in 2010) over which the Company has power of control through substantial ownership of majority voting rights.

UNIQLO (MALAYSIA) SDN. BHD. and UNIQLO TAIWAN LTD., accounted as non-consolidated subsidiaries in the year to August 31, 2010, commenced operations and thus

The main subsidiaries are as follows:

Consolidated subsidiaries As of August 31	Ownership percentage 2011	 2010
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%
FAST RETAILING 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%
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%**	100%
UNIQLO (MALAYSIA) SDN. BHD.	**55%**	—
UNIQLO TAIWAN LTD.	**100%**	—

increased in importance during the fiscal year ended August 31, 2011. These companies have therefore been included within the scope of consolidation from the fiscal year under review.

Fast Retailing (Shanghai) Business Management Consulting Co., Ltd. has increased in importance as a company and has therefore been included as a consolidated subsidiary from the fiscal year ended August 31, 2011. Newly established companies UNIQLO Social Business Bangladesh Ltd., Theory Houston LLC, Theory Hilton Head LLC, Theory 1157 Madison LLC, Theory Riverhead LLC, Theory Westport LLC, and Theory Philadelphia LLC have also been included in the scope of consolidation from the fiscal year under review.

In the fiscal year ended August 31, 2011, Cabin Co., Ltd. was absorbed by LINK THEORY JAPAN CO., LTD. and Comptoir des Cotonniers Korea Co., Ltd. was liquidated. Therefore, both companies were removed from the scope of consolidation in the fiscal year under review.

The financial year closing date at FAST RETAILING (CHINA) TRADING CO., LTD., Theory Shanghai International Trading Co., Ltd., UNIQLO TRADING CO., LTD. and Fast Retailing (Shanghai) Business Management Consulting Co., Ltd. is December 31. Therefore, financial statements from these companies based on a provisional settlement of accounts compiled at the consolidated closing date have been used.

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 a provision 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 in the fiscal year under review.

(f) Inventories

Most inventories are stated at the lower of cost or market. Cost is mainly determined by the specific identification method.

(g) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the straight-line method. The ranges of principal estimated useful lives are as follows:

Buildings and structures	3 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 basis 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

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases, except for the finance lease transactions executed on or before August 31, 2008 that do not involve a transfer of ownership. They 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. However, 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 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 adjustment, 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" issued 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 periodically compares cumulative changes in hedging instruments with those of hedged items when assessing hedge effectiveness. In cases where crucial terms of assets or liabilities designated for hedges are identical, the Company does not perform such assessment.

(n) Asset Retirement Obligations

Effective the fiscal year beginning September 1, 2010, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The effect of adopting this new standard was to decrease both operating income and ordinary income by ¥712 million ($9,281 thousand), and income before income taxes and minority interests by ¥3,625 million ($47,246 thousand).

(o) Reclassifications

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

(p) Accounting Changes

(1) Previously, the Company and its consolidated subsidiaries in Japan primarily used the declining-balance method to calculate depreciation of tangible fixed assets whereas consolidated subsidiaries outside of Japan tended to use the straight-line method. However, from the fiscal year ended August 31, 2011, the straight-line method has been applied exclusively. In addition, the Company has changed the applicable serviceable period to reflect the actual usage of individual assets.

This change and adjustment of depreciation accounting practice comes as the Company develops and expands its worldwide operations and seeks to unify decision-making and management methods at a group and global level. Following the launch of the common global system on September 1, 2010, this adoption of a common standard for depreciation accounting and calculation of serviceable periods at the group and global level will help refine our profit and loss management, stabilize earnings and rate of application at each individual store, and recognize the actual reduction in the lifespan of individual stores.

The net impact of this change and adjustment to depreciation accounting is an increase of ¥628 million ($8,188 thousand) in total depreciation and a decrease of ¥628 million ($8,188 thousand) in both operating and ordinary income compared to the former accounting method. This impact is comparatively insignificant and therefore has been listed as a net total. In addition, extraordinary depreciation costs of ¥4,050 million ($52,788 thousand) have been accounted for under other losses, resulting in a decrease of ¥4,678 million ($60,976 thousand) in income before income taxes and minority interests.

(2) Previously, a number of consolidated subsidiaries accounted for a portion of the distribution cost incurred after a product was delivered to the warehouse, such as separate storage or transportation from warehouse to store, under cost of sales. However, from the fiscal year ended August 31, 2011, distribution costs incurred prior to warehouse delivery are accounted for as cost of sales while any distribution costs incurred beyond that point are accounted for as an SG&A or administrative expense.

This change in the accounting of distribution costs comes as the Company develops and expands its worldwide operations and seeks to unify decision-making and management methods at a group and global level. Following the launch of the common global system on September 1, 2010, this new integrated treatment of distribution costs will help refine our profit and loss management and define a common scope for cost of sales at a group and global level.

This change in the accounting of distribution costs resulted in a net shift of ¥15,466 million ($201,574 thousand) from total cost of sales to SG&A and administrative expenses compared to the former accounting practice. In addition, the Company recognized another loss of ¥2,699 million ($201,574 thousand) as an adjustment in inventory assets at September 1, 2010. As a result, income before income taxes and minority interests declined by ¥2,699 million ($35,176 thousand).

(3) Effective the fiscal year ended August 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). In accordance with this new standard, consolidated statements of comprehensive income for the year ended August 31, 2010 and 2009 are not presented. The comparative information for the year ended August 31, 2010 is disclosed in Note 16.

3 Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2011, 2010 and 2009 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Cash	**¥ 64,386**	¥ 62,466	¥ 43,876	**$ 839,129**
Time deposits with maturities over three months	**(10)**	(1,476)	(177)	**(141)**
Marketable securities	**137,728**	139,472	125,875	**1,794,981**
Cash and cash equivalents	**¥202,104**	¥200,462	¥169,574	**$2,633,968**

4 Inventories

Inventories as of August 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Merchandise	**¥90,195**	¥72,776	**$1,175,487**
Supplies	**2,555**	1,303	**33,301**
Total	**¥92,750**	¥74,079	**$1,208,788**

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 Investment Securities

Investment securities as of August 31, 2011 and 2010 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, 2011 and 2010:

	Millions of yen		
As of August 31, 2011	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**¥ —**	**¥ —**	**¥ —**
Other	**305**	**313**	**7**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**313**	**196**	**(116)**
Other	**138,110**	**137,463**	**(647)**
Total	**¥138,729**	**¥137,973**	**¥(756)**

	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)

	Thousands of U.S. dollars		
As of August 31, 2011	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**$ —**	**$ —**	**$ —**
Other	**3,983**	**4,083**	**99**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**4,085**	**2,565**	**(1,519)**
Other	**1,799,956**	**1,791,522**	**(8,434)**
Total	**$1,808,025**	**$1,798,171**	**$(9,853)**

6 Income Taxes

The Company and subsidiaries are subject to a number of taxes based on income. The aggregate statutory tax rate for the Company was approximately 40.5% for the years ended August 31, 2011, 2010 and 2009.

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 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Statutory income tax rate:	—%	40.5%	40.5%
Increase in reserves for valuation changes	—	4.3	2.9
Amortization of goodwill	—	2.6	2.8
Impairment of goodwill	—	1.0	0.7
Lower income tax rates applicable to income in certain foreign countries	—	(1.2)	—
Other	—	(0.8)	0.7
Effective income tax rates	—%	46.4%	47.6%

A reconciliation for the year ended August 31, 2011 has not been presented as the difference between the statutory income tax rate and the effective income tax rate was less than 5%.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2011 and 2010 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets—current	¥ 31,802	¥ 29,715	$ 414,474
Total gross deferred tax assets:			
Accrued business tax	932	2,172	12,154
Accrued bonus	2,147	2,260	27,989
Loss on impairment	998	1,102	13,008
Operating loss carryforward	14,617	18,408	190,510
Deferred losses on hedges	23,888	23,299	311,329
Other	19,199	12,507	250,220
	61,784	59,751	805,213
Valuation allowance	(21,798)	(25,540)	(284,097)
	39,985	34,210	521,116
Total gross deferred tax liabilities:			
Other	(3,526)	(2,521)	(45,966)
	(3,526)	(2,521)	(45,966)
Net deferred tax assets	¥ 36,458	¥ 31,689	$ 475,150

A breakdown of net deferred tax assets as of August 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets—current	¥31,802	¥29,715	$414,474
Deferred tax assets—non-current	7,417	4,494	96,674
Deferred tax liabilities—current	(131)	(17)	(1,712)
Deferred tax liabilities—non-current	(2,630)	(2,503)	(34,284)
Net deferred tax assets	¥36,458	¥31,689	$475,150

7 Long-Term Debt

Long-term debt as of August 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured loans mainly from Japanese financial institutions, with weighted average interest of 1.67% due 2012 through 2017	¥16,931	¥15,809	$220,669
Less current portion	3,243	9,944	42,272
	¥13,688	¥ 5,865	$178,396

The annual maturities of long-term debt subsequent to August 31, 2011 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 3,243	$ 42,272
2013	3,474	45,283
2014	3,281	42,767
2015	3,118	40,643
2016	3,013	39,275
Thereafter	800	10,426
	¥16,931	$220,669

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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligations	¥63	¥45	$828
Less: Plan assets	—	—	—
Unfunded benefit obligations	63	45	828
Unrecognized actuarial loss	—	—	—
Accrued retirement and severance obligations	¥63	¥45	$828

The components of net retirement benefit costs for the years ended August 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost	¥ 18	¥147	¥152	$ 237
Interest cost	—	60	75	—
Expected return on plan assets	—	(69)	(88)	—
Expenses related to defined contribution plans	335	324	293	4,378
Others	—	29	94	—
	¥354	¥491	¥526	$4,615

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 was authorized for issuance of 300 million shares of common stock with no par value as of August 31, 2011. Issued and outstanding shares were 106,073,656 shares for each of the three years in the period ended August 31, 2011.

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 among 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 ¥85 ($1.10) per share, aggregating to ¥8,654 million ($112,789 thousand). These dividends were approved at the meeting of the Board of Directors held November 7, 2011 in respect of the fiscal year ended August 31, 2011.

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, 2011, 2010 and 2009 are summarized as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
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	
Repurchase of common stock	412	5	
Issuance of treasury stock, net	—	—	
Balance as of August 31, 2010	4,288,758	16,260	$211,914
Repurchase of common stock	216	2	35
Issuance of treasury stock, net	(31,331)	(118)	(1,548)
Balance as of August 31, 2011	**4,257,643**	**¥16,144**	**$210,401**

12 Pledged Assets

As of August 31, 2011 and 2010, the following assets are pledged as collateral for debts and other liabilities:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Pledged assets:			
Other intangible assets	**¥268**	¥485	**$3,505**
Lease and guarantee deposits	—	5	—
	¥268	¥490	**$3,505**
Corresponding liabilities:			
Portion of long-term debt due within one year	**¥152**	¥214	**$1,986**
Long-term debt	**116**	270	**1,519**
Other long-term liabilities	—	5	—
	¥268	¥490	**$3,505**

13 Commitments and Contingencies

The Company had the following contingent liabilities as of August 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loan guarantees for:			
Employees' benefit society	**¥20**	¥25	**$267**

14 Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended August 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Advertising and promotion	**¥35,871**	¥37,665	¥30,697	**$ 467,501**
Salaries	**77,003**	76,408	62,911	**1,003,562**
Rent	**78,891**	74,825	55,521	**1,028,164**
Depreciation	**14,704**	12,229	9,765	**191,644**
Amortization of goodwill	**6,596**	7,534	6,450	**85,968**
Allowance for doubtful accounts	**—**	—	64	**—**

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. They are largely independent of the cash inflows from other assets or groups of assets.

Impairment loss was recognized for store assets with a significant decline in profitability. Total impairment loss of ¥255 million ($3,330 thousand), ¥1,395 million and ¥510 million, which represents the amount by which the carrying amount exceeds the recoverable amount, was recognized as other expense for the years ended August 31, 2011, 2010 and 2009, respectively. They consisted of the following assets:

	Millions of yen			Thousands of U.S. dollars
Assets	**2011**	2010	2009	**2011**
Buildings and structures	**¥234**	¥ 953	¥386	**$3,057**
Furniture and equipment	**20**	135	27	**272**
Leased assets	**—**	97	—	**—**
Land	**—**	—	97	**—**
Other	**—**	208	—	**—**
	¥255	¥1,395	¥510	**$3,330**

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 ¥577 million ($7,522 thousand), ¥3,037 million and ¥1,731 million, corresponding to the portion of the unamortized balance determined to be unrecoverable due to profitability decreases was recorded as an extraordinary loss for the years ended August 31, 2011, 2010 and 2009, respectively. The recoverable value of goodwill is estimated based on discounting the anticipated future cash flows at a discount rate of 10% per annum.

16 Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended August 31, 2010:

	Millions of yen
Valuation difference on available-for-sale securities	¥ (4,564)
Deferred gains or losses on hedges	(10,650)
Foreign currency translation adjustment	(476)
Total other comprehensive income (loss)	¥(15,691)
Total comprehensive income attributable to:	
Shareholders of FAST RETAILING CO., LTD.	¥ 46,189
Minority interests	771
Comprehensive income	¥ 46,961

17 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		
	2011		
	Furniture, equipment and other	Buildings and structures	Total
Acquisition costs	**¥6,612**	**¥260**	**¥6,873**
Accumulated depreciation	**5,540**	**196**	**5,736**
Impairment	**188**	**—**	**188**
Net balance	**¥ 883**	**¥ 64**	**¥ 948**

	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

	Thousands of U.S. dollars		
	2011		
	Furniture, equipment and other	Buildings and structures	Total
Acquisition costs	**$86,180**	**$3,401**	**$89,581**
Accumulated depreciation	**72,205**	**2,556**	**74,762**
Impairment	**2,462**	**—**	**2,462**
Net balance	**$11,512**	**$ 845**	**$12,357**

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Lease payments	**¥1,871**	¥2,428	¥3,136	**$24,387**
Reversal of allowance for loss on impairment of leased assets	**13**	40	91	**170**
Depreciation expenses	**1,765**	2,293	2,967	**23,008**
Interest expenses	**46**	92	168	**610**
Impairment loss	**—**	—	13	**—**

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2011 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 940	$12,252
2013 and thereafter	242	3,156
	¥1,182	$15,409

Future minimum lease payments relating to operating leases as of August 31, 2011 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 4,452	$ 58,031
2013 and thereafter	46,457	605,465
	¥50,910	$663,496

18 Per Share Data

Net income per share for the years ended August 31, 2011, 2010 and 2009 is as follows:

	Yen			U.S. dollars
	2011	2010	2009	**2011**
Basic	**¥533.93**	¥605.99	¥488.96	**$6.95**
Diluted	**533.66**	—	—	**6.95**

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 and 2009 has been presented because there was no item with dilutive effect for those years.

Net assets per share as of August 31, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Basic	**¥3,091.17**	¥2,804.34	**$40.28**

19 Related Party Transactions

There were no related party transactions during the years ended August 31, 2011 and 2010.

20 Provision for Loss on Business Liquidation

The provision for loss on business liquidation for the year ended August 31, 2011 accompanied a decision to close stores due to the cessation of operations involving the footwear business.

21 Loss on Disaster

Losses related to the March 11, 2011 earthquake and tsunami in Northeast Japan are accounted for under "Loss on disaster".

A breakdown of the main components for the year ended August 31, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
Public donations	**¥200**	**$ 2,606**
Restoration of damaged assets to their original state, etc.	**193**	**2,525**
Loss on disposal of inventories	**151**	**1,972**
Fixed costs incurred during temporary store closures	**42**	**557**
Other	**411**	**5,366**
	¥999	**$13,028**

22 Derivatives

Derivatives transactions not applicable under hedge accounting criteria as of August 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Contract value	**¥10,304**	¥2,568	**$134,291**
Portion of contract value exceeding one year	**—**	386	**—**
Market value	**(170)**	2,562	**(2,224)**
Appraisal loss	**(170)**	(6)	**(2,224)**

Derivatives transactions applicable under hedge accounting criteria as of August 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Contract value	**¥546,979**	¥601,133	**$7,128,625**
Portion of contract value exceeding one year	**324,210**	347,007	**4,225,342**
Market value	**(59,470)**	542,894	**(775,057)**

23 Financial Instruments

(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 amounts of financial instruments, their fair values and the difference between them as of August 31, 2011 and 2010 are as follows:

	Millions of yen		
	2011		
	Balance sheet amount	Fair value	Difference
Cash and deposits	**¥ 64,386**	**¥ 64,386**	**¥ —**
Short-term investment securities	**137,728**	**137,728**	**—**
Lease and guarantee deposits	**39,310**	**38,435**	**(875)**
Notes and accounts payable—trade	**(59,395)**	**(59,395)**	**—**
Income taxes payable	**(14,721)**	**(14,721)**	**—**
Derivatives transactions	**(59,640)**	**(59,640)**	**—**
Derivatives transaction not applicable under hedge accounting criteria	**(170)**	**(170)**	**—**
Derivatives transactions applicable under hedge accounting criteria	**(59,470)**	**(59,470)**	**—**

	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)	—
Derivatives transaction not applicable under hedge accounting criteria	(6)	(6)	—
Derivatives transactions applicable under hedge accounting criteria	(58,239)	(58,239)	—

	Thousands of U.S. dollars		
	2011		
	Balance sheet amount	Fair value	Difference
Cash and deposits	**$ 839,129**	**$ 839,129**	**$ —**
Short-term investment securities	**1,794,981**	**1,794,981**	**—**
Lease and guarantee deposits	**512,327**	**500,920**	**(11,406)**
Notes and accounts payable—trade	**(774,081)**	**(774,081)**	**—**
Income taxes payable	**(191,863)**	**(191,863)**	**—**
Derivatives transactions	**(777,281)**	**(777,281)**	**—**
Derivatives transaction not applicable under hedge accounting criteria	**(2,224)**	**(2,224)**	**—**
Derivatives transactions applicable under hedge accounting criteria	**(775,057)**	**(775,057)**	**—**

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.

• Short-term investment securities

The fair value of short-term investment 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.

24 Asset Retirement Obligations

(a) Breakdown of asset retirement obligations

Asset retirement obligations include the obligation to restore assets to their original state, etc. relating to real estate lease agreements on the head office and other office buildings, and stores.

(b) Method for calculating the total amount of asset retirement obligations

The Company primarily estimates a five-year period of potential use from acquisition to end of serviceable life and uses a discount rate of 0.27% when calculating total asset retirement obligations.

(c) Change in total asset retirement obligations

Year ended August 31, 2011	Millions of yen	Thousands of U.S. dollars
Balance as of August 31, 2010	¥5,190	$67,649
Increase due to acquisition of tangible fixed assets	**787**	**10,266**
Accretion adjustment	**24**	**313**
Decrease on settlement of asset retirement obligations	**(288)**	**(3,762)**
Other	**9**	**117**
Balance as of August 31, 2011	**¥5,722**	**$74,585**

25 Subsequent Event

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

At the Board of Directors' meeting held on October 12, 2011, the Company decided to introduce stock-based compensation in the form of stock options to employees of the Company and its subsidiaries, and granted the options to the employees on November 15, 2011.

26 Segment Information

Segments of the Company are distinct structural units for which financial information is available for review by the Board of Directors to determine the distribution of business resources and evaluate business performance.

The Company's main retail clothing business is divided into three major business segments, UNIQLO Japan, UNIQLO International and Global Brands, each of which is used to frame and form the group's strategy.

The main operations covered by each reporting segment are as follows:

UNIQLO Japan: UNIQLO clothing and footwear operations within Japan

UNIQLO International: UNIQLO clothing operations outside of Japan

Global Brands: Theory, Comptoir des Cotonniers, Princesse tam.tam, g.u. and Cabin clothing operations

The method of calculating data for business segments to be disclosed is the same as that detailed in Note 2, entitled Basis of Consolidation and Summary of Significant Accounting Practices. Income figures for each business segment correspond to operating income.

Please note, the Company does not assign assets and liabilities to individual business segments.

Information by Business Segment

	Millions of yen						
Year ended August 31, 2011	UNIQLO Japan	UNIQLO International	Global Brands	Total	Others	Adjustment	Consolidated
Sales	**¥600,148**	**¥93,717**	**¥124,065**	**¥817,931**	**¥2,417**	**¥ —**	**¥820,349**
Segment income	**106,217**	**8,952**	**8,789**	**123,959**	**49**	**(7,643)**	**116,365**
Depreciation and amortization	**6,201**	**2,234**	**2,413**	**10,849**	**162**	**3,692**	**14,704**

	Millions of yen						
Year ended August 31, 2010	UNIQLO Japan	UNIQLO International	Global Brands	Total	Others	Adjustment	Consolidated
Sales	¥615,149	¥72,792	¥125,200	¥813,142	¥1,668	¥ —	¥814,811
Segment income (loss)	127,701	6,367	7,849	141,918	(241)	(9,298)	132,378
Depreciation and amortization	4,271	2,201	3,601	10,074	209	1,945	12,229

	Thousands of U.S. dollars						
Year ended August 31, 2011	UNIQLO Japan	UNIQLO International	Global Brands	Total	Others	Adjustment	Consolidated
Sales	**$7,821,557**	**$1,221,399**	**$1,616,913**	**$10,659,870**	**$31,504**	**$ —**	**$10,691,374**
Segment income	**1,384,296**	**116,674**	**114,555**	**1,615,526**	**649**	**(99,613)**	**1,516,563**
Depreciation and amortization	**80,823**	**29,121**	**31,455**	**141,400**	**2,116**	**48,127**	**191,644**

Notes: 1. "Others" includes real estate leasing business, etc.
2. Adjustments for the year ended August 31, 2011 include a total of ¥6,596 million ($85,968 thousand) in goodwill amortization (unamortized balance of goodwill: ¥21,648 million ($282,139 thousand)) which has not been allocated to each individual segment.
3. The income or loss totals for each business segment are adjusted according to the operating income data on the consolidated balance sheet.

Information by Geographic Area

	Millions of yen	Thousands of U.S. dollars
Net sales for the year ended August 31, 2011:		
Japan	**¥669,040**	**$ 8,719,409**
Countries outside Japan	**151,308**	**1,971,965**
	¥820,349	**$10,691,374**
Property, plant and equipment as of August 31, 2011:		
Japan	**¥ 36,690**	**$ 478,178**
North America	**7,708**	**100,459**
Other countries/ regions outside Japan	**13,618**	**177,479**
	¥ 58,016	**$ 756,117**

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, 2011 and 2010, 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, 2011 and consolidated statement of comprehensive income for the year ended August 31, 2011, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended August 31, 2011, 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, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

November 25, 2011