



FAST RETAILING

**ANNUAL
REPORT
2016**

Year ended
31 August 2016

**GREAT
CLOTHES
CAN CHANGE
OUR WORLD**



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FAST RETAILING

manages multiple brands worldwide, including UNIQLO, GU and Theory. The company is currently transforming itself into a digital-powered retailer and manufacturer of apparel, to better meet the needs of today's information-driven digital society, and to further expand its business. UNIQLO, the Fast Retailing Group's mainstay brand, offers high-quality, basic casualwear at reasonable prices via a network of 1,800 stores in 18 countries and regions. One of UNIQLO's competitive advantages is its ability to develop revolutionary products made from unique functional materials, such as HEATTECH and AIRism. In addition to Japan, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are likely to be the primary drivers of future growth. The low-priced GU casual fashion label, the Group's second pillar, is also growing rapidly as a brand offering fashion freedom and fun. Fast Retailing aims to offer clothes and services that enrich people's lives everywhere, and to pursue focused clothes-related social activities that help make the world a better place.

ULTIMATE CLOTHES FOR ULTIMATE EVERYDAY COMFORT

UNIQLO's 2016 Fall Winter Seamless Down Parka uses pressure bonding tape instead of stitching for a smoother, stylish shape. The water-repellent, windproof shell with waterproof zipper is unbelievably light and warm.





A photograph showing a child in the foreground holding a bundle of colorful, patterned clothing. In the background, a man in a blue vest with a logo and a lanyard is talking to a group of people, including a woman in a blue cap. The scene is outdoors, likely in a refugee camp or community center in Rwanda.

CLOTHING CAN CHANGE LIVES

Our All-Product Recycling Initiative distributes gently used clothes that customers bring into UNIQLO and GU stores to refugees, displaced persons and others in need around the world, in cooperation with the United Nations High Commissioner for Refugees (UNHCR), our global partner, as well as various NGOs worldwide. Photo: A child refugee in Rwanda.

MESSAGE FROM THE CEO

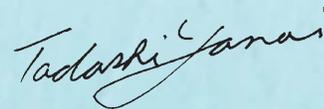
Fast Retailing is currently transforming itself into a pioneering digital-powered apparel retailer through sweeping changes across its entire supply chain from planning and design through materials procurement, production and retail. I am as excited today about this momentous transformation as I was 30 years ago about the chance to turn a small clothing store in regional Japan into an entirely new industry, and develop UNIQLO into the global casual apparel retailer it is today.

We create clothes that enrich people's lives by trying to answer a fundamental question: "Why do we get dressed?" The business environment is changing. Online sales are becoming increasingly important as more consumers use the internet to instantly research the latest fashion trends and shop online. We are changing too, developing a customer-centric supply-chain operation that facilitates concurrent clothes-making processes from planning through retail, revolutionizing both our core plant and manufacturing structure and also the way our individual employees work. As a successful digital-powered retailer, we plan to use feedback our customers give us to swiftly create and offer the exact products they want, while engaging them in relevant and exciting ways.

The aim is to increase revenue to ¥3 trillion and operating profit margin to 15% by 2020 as part of our drive to build Fast Retailing into the world's No.1 digital-powered apparel retailer. Our three-pronged strategy involves: 1) expanding UNIQLO's growth in international markets, 2) expanding online sales, and 3) consolidating GU's position as the Fast Retailing Group's second pillar alongside UNIQLO.

Just as Fast Retailing revolutionized the apparel industry, we are equally committed to using our business to promote meaningful social change. In addition to our All-Product Recycling Initiative, we promote a sustainable society by improving workplace conditions and reducing environmental impacts across our supply chain. We will continue undertaking focused clothes-related social activities that help make the world a better place.

January 2017



Tadashi Yanai

Chairman, President and CEO

REINVENTING OUR INDUSTRY



Our Digital Transformation



UNIQLO LifeWear: Ultimate Clothes for Every Day

UNIQLO's overriding aim is to create comfortable everyday clothes that enrich peoples' lives. UNIQLO LifeWear is completely different to what other apparel brands are offering. It is a new, unique category of truly great clothing, offering high-quality, fashionable everyday items at prices that everyone can afford—the ultimate everyday wear to make your life better.

A New Supply Chain Designed for Digital-powered Retailing

Today, everyone of all ages uses the internet, and that is dramatically influencing the way we shop. To stay abreast of changing needs, clothing manufacturer-retailers like ourselves have to mold a new, dynamic industry unfettered by conventional barriers between business fields.

Developing a comprehensive digital-powered retailing business model is definitely the right strategy. That means transforming our supply-chain system and using digital technology to capture a broad picture of true customer needs and to communicate directly with individual customers. That information, combined with opinions gathered from UNIQLO stores and store managers, can help us create the ultimate LifeWear. Shifting to a digital-powered retailing format can help speed up our business cycle, greatly reduce production lead times and enable us to deliver the exact products customers want, when they want them.



Bringing Together Physical and Digital

Seamless Physical and Online Store Network Ensures UNIQLO is Always Accessible

In order to build a digital-powered retailing supply chain, we must integrate our “real” stores and “virtual” online sales operation. Online sales currently account for 5% of total sales. We aim to expand this to 30% by launching services that enable consumers to buy UNIQLO goods whenever and wherever they want.

We recently established a new distribution system—we needed to overhaul our logistics to successfully expand online sales. Offering online customers the convenience of same-day or next-day

delivery, or the opportunity to pick up or return online orders at their nearest UNIQLO store or local convenience store, will help them feel more closely connected to the UNIQLO brand.

Since opening our Ariake distribution center in Tokyo in April 2016, we have launched new distribution centers in 10 other locations around Japan, giving us greater logistical control. This is a new challenge for us, but we believe the new distribution system will not only promote online sales, but also boost distribution efficiency for UNIQLO as a whole.

We are now looking to revolutionize UNIQLO distribution worldwide. We want to swiftly establish similar distribution systems in markets such as China and the United States where online sales account for a larger, and growing, proportion of overall revenue.

DIGITAL COMMUNICATION

CLICK & COLLECT

CUSTOMIZED CLOTHES

PERSONALIZED OFFERS

SPEEDY DELIVERY

BIG DATA

TARGETED COMMUNICATION



Closer Two-way Communication with Customers

Advances in digital communication continue to impact the way we offer information to customers. Traditionally, UNIQLO Japan used flyers and TV commercials as its primary means of advertising. Going forward, we will be able to analyze customer data and provide them with information that best suits their individual needs. At the same time, I believe the honest opinions and demands of customers collected through direct communication provide the exact input and impetus we need to improve UNIQLO LifeWear.

Perfecting LifeWear with Custom-fit Clothes

Creating clothes that fit perfectly is an important part of UNIQLO's ultimate LifeWear concept. We have already launched semi-made-to-order shirts and jackets for men, delivered a week after the order is placed. This service has generated extremely strong sales in the one year since it was launched. I want to introduce more semi-order made products so consumers can enjoy choosing the material, color, style or design of their sweater, the color or shape of their shirt, or the length of their dress.



UNIQLO INTERNATIONAL

Global Markets Driving Future Growth

UNIQLO Marché
Saint Germain store (France)

Greater China and Southeast Asia Fuel Growth

Greater China and Southeast Asia, with growing store networks and stable profitability, will likely fuel UNIQLO International's growth. UNIQLO's fledgling European operation is now profitable. The first store in Belgium, opened in fall 2015, got off to a great start, and we are opening more stores in France and Russia. UNIQLO USA remains in the red, but business is steadily improving.

UNIQLO Greater China performed strongly in fiscal 2016. Revenue rose 9.3% year on year to ¥332.8 billion while operating income declined 5.5% to ¥36.5 billion. Warm winter weather and sluggish economic conditions knocked operating profit lower in the first half, but profits rebounded better than expected in the second half. While the Chinese economic slowdown is still impacting Hong Kong, Taiwan and South Korea, consumption and consumer support for the UNIQLO brand in Mainland China continues to rise. UNIQLO Greater China had 560 stores at end August 2016. By adding 100 stores annually, the size of the Greater China network will soon overtake Japan and reach our initial target of 1,000 stores.

Strong Management to Kick Start North American Success

Business reforms at UNIQLO USA started to bear fruit in the second half. Having scrutinized our new store strategy, we focused on openings in major cities and premium shopping complexes, and actively closed unprofitable locations. We strengthened digital marketing to help expand the comparatively profitable U.S. online sales operation. We also capped head office costs, standardized store operations and cleared out unwanted inventory.

The huge success of our first UNIQLO store in Canada, opened in Toronto in fall 2016, is a testament to the growing global awareness of and interest in UNIQLO. It is hard to build brand awareness swiftly in a region the size of North America with its diverse range of consumers and cultures. Having said that, a strong presence in the pivotal North American market is vital if we are to build UNIQLO into a leading global brand. We will address every issue in minute detail to set the North American operation on solid footing, and put UNIQLO on the path to becoming the world's No.1 apparel brand.

New Pricing a Great Success

Attractive, Easily Recognizable Set Prices

In spring 2016, we decided to change our pricing strategy at UNIQLO Japan, introducing a limited number of attractive, instantly recognizable set prices, which remain the same whatever day of the week you shop. That move proved a good one, prompting a sharp uptick in sales and gross profit margin in the second half. While Japanese consumption remains fairly sluggish, customers appreciated the move to introduce straightforward, reasonable ¥1,990 and ¥2,990 price lines on core everyday wear.

Having introduced new price lines, we focused on marketing the high quality, unique features, feel and fashion of UNIQLO clothing—like the fresh, feminine appeal of stylish women’s skirts and maxi skirts.

With online sales expanding, we have considered how best to integrate and synergize our “real” physical stores and “virtual” online sales structure. Vitaly important is the training of in-store staff to ensure they can measure customers properly for custom-fit items, and better handle the delivery or return of items originally ordered online. In order to guarantee consistently high-level service, we continue to encourage contract staff to become permanent local store employees.

As part of our community-focused management, all UNIQLO Japan stores are now expected to establish deep roots in their local community. We concentrate on developing stores that meet the specific needs of communities, that participate in local events, and that work together with smaller retail outlets in the neighborhood to attract customers and preserve vibrant traditional shopping areas. I will do everything possible to ensure our customers love shopping in our stores, and our staff love working in them.



Our easy-to-wear maxi skirt

GU: Our Second Pillar Brand



Create a ¥1 Trillion Fast Fashion Brand from Japan

GU continued to grow strongly in fiscal 2016. Revenue expanded to ¥187.8 billion (+32.7%) and operating profit to ¥22.2 billion (+34.8%).

Ten years ago, in October 2006, when we opened the first GU store, we never imagined the brand would become such a fast-growing, profitable business. The key to GU's success is its ability to instantly commercialize the latest popular trends into fun fashion items at amazingly low prices.

The GU and UNIQLO concepts are very different. The two brands complement, rather than cannibalize, each other. In fact, neighboring UNIQLO and GU stores tend to generate strong sales thanks to valuable synergies. Customers are really good at mixing and matching the two brands, selecting, for example, a plain merino sweater from UNIQLO's bountiful color range, and coordinating it with a lace-patterned blouse from GU. I think we need more UNIQLO and GU stores located next to each other.

The challenge for GU will be improving staff training, organizational structure, product R&D, and low-cost store management. As GU sales increase from ¥100 to ¥300 billion and then ¥1 trillion, we will need to transform the company structure and business to accommodate growth at each stage. GU has overcome every developmental challenge to date, and I'm confident the brand will successfully attain its next annual sales target of ¥300 billion, and then the ¥1 trillion goal beyond that.

While there is plenty of opportunity to open more stores in Japan, expanding GU's presence in international markets is also vital to future growth. Since opening the first store in Shanghai in fall 2013, we have expanded GU's international network to 10 stores in Shanghai and Taiwan (August 2016). GU will take on a new market in spring 2017 with the opening of its first Hong Kong store.

Ten years on, I envision GU as a ¥1 trillion Japanese fast fashion brand.

Sharing the Group management statement and principles with staff from all over the world at our twice yearly convention in Japan.



Managerial Thinking at Every Level

FAST RETAILING WAY FR Group Corporate Philosophy

Changing clothes. Changing conventional wisdom. Change the world.

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

Encouraging All Staff to Think Like Managers

“Changing clothes. Changing conventional wisdom. Change the world.” Our corporate statement is the basis of how Fast Retailing develops as a truly good corporate group. We want employees to channel their individual creativity into promoting innovation and providing customers with truly great clothing and truly impeccable service.

For me, it's important to inspire employees worldwide to work passionately according to our Global One and Zenin Keiei management principles. This means that all Group businesses are encouraged to share their success stories throughout the Group. And unlike traditional retail set-ups, where managers make decisions and in-store staff follow orders, all Fast Retailing staff, from in-store part-timers to top managers, are encouraged to adopt a managerial mindset and strive to provide customers with the best products and the best services.

Becoming the World's No.1 Digital Apparel Retailer

Target ¥3 Trillion Sales, 15% OP Margin by 2020

It may seem ambitious at first glance, but I am determined that Fast Retailing achieve annual sales of ¥3 trillion and an operating profit margin of 15% by 2020. How? By transforming the company into a comprehensive digital-powered retailer, supported by a new information-driven, customer-centric business model.

Our three-pronged Group expansion strategy includes:

1. Promoting the future growth of UNIQLO International
2. Actively expanding online sales
3. Building GU into a second pillar brand with annual sales of ¥1 trillion

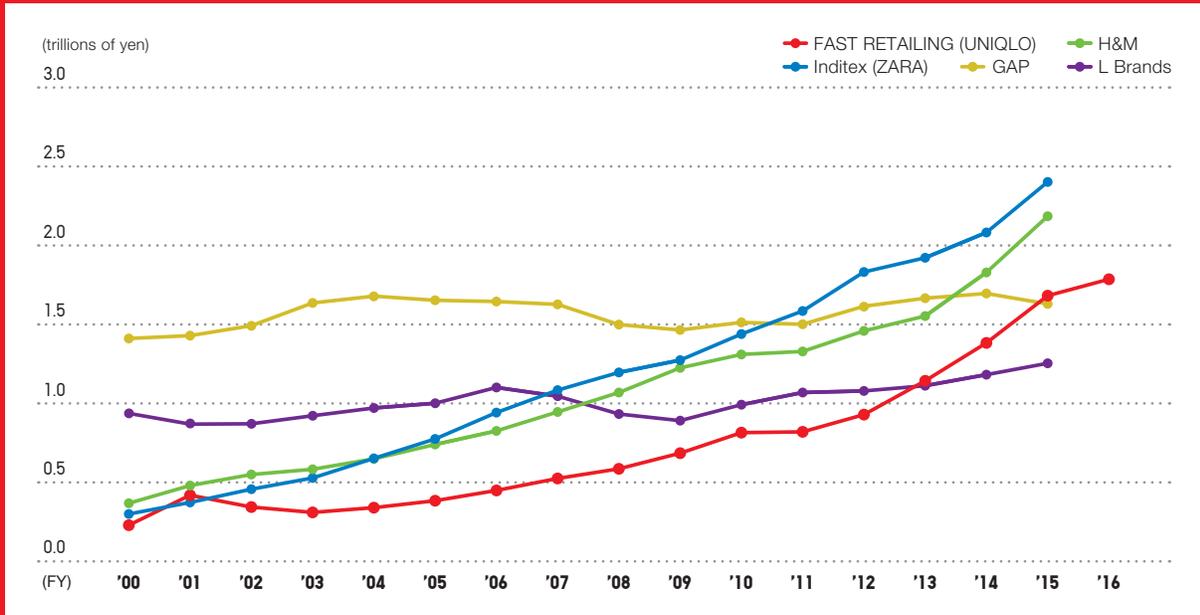
Simply focusing on expanding sales creates a bloated operation, so we must also secure strong profitability and a tight cost structure.

Greater China and Southeast Asia will likely serve as key drivers of UNIQLO International growth, as we open large numbers of new stores there. I intend to train local managers to operate their businesses with a large degree of independence and a strong community focus. In developing our online sales operation, I want to effectively integrate our physical and virtual resources to promote further expansion and efficiency.

I want to develop GU into a global brand by carefully positioning it in the fiercely competitive world of fast fashion, and by making its business operation more efficient.



Sales of Leading Apparel Retailers



*Compiled from data disclosed in individual annual reports and calculated using end August 2016 exchange rates.

Aiming to Be World Number One

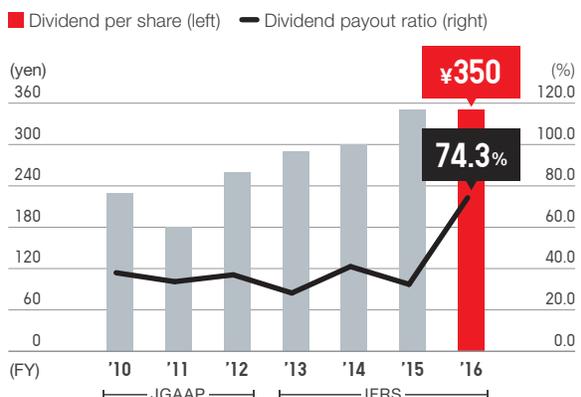
Back in 2000, Fast Retailing's sales totaled roughly 20% of GAP's. By 2015, they had grown to a comparative level. There are a number of successful global apparel manufacturing and retailing companies like us whose businesses span the entire supply chain from planning through design, production and retail, including GAP, Inditex (ZARA), H&M and L Brands. Our aim is to overtake these firms on sales to become the undisputed No.1 global apparel brand.

The LifeWear concept of comfortable everyday clothes differentiates UNIQLO from fast fashion brands such as ZARA and H&M. Most fashion brands chase the latest trends, but UNIQLO is striving for something quite different. I launched UNIQLO with the idea that clothes were parts you mixed and matched to suit your style. Individuality didn't come from clothes, but from the person wearing them. I still believe that. Our customers want comfortable everyday clothes, quality clothes that fit well and feel good, clothes that make their lives better, fun clothes that help express their individual style. These are the clothes that UNIQLO will keep on making.

Strong Performance, Strong Dividends

Our policy is to offer high dividends that closely reflect business performance. We use profits to fund future growth, while retaining earnings to ensure healthy finances and provide good shareholder returns. In fiscal 2016, we maintained our annual dividend at ¥350. Rewarding shareholders remains one of Fast Retailing's most important objectives.

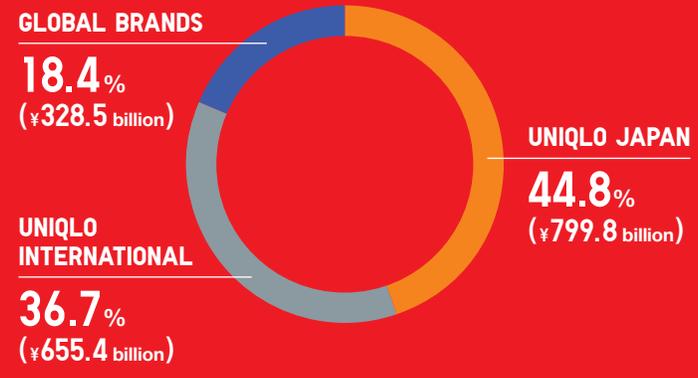
Dividend per Share



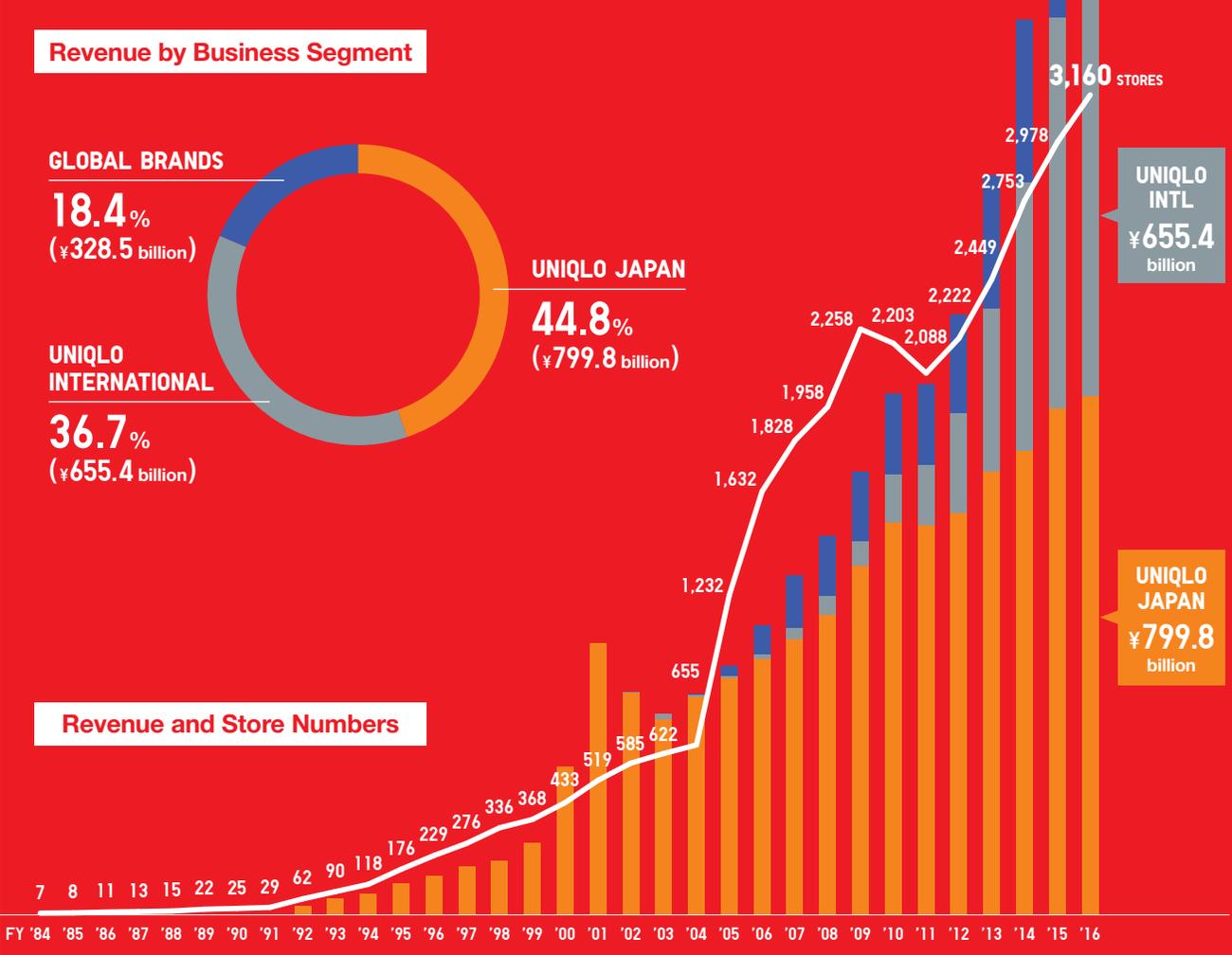
SNAPSHOT

- ▶ Revenue: ¥1.7864 trillion (+6.2% YoY), operating profit ¥127.2 billion (-22.6% YoY). Full-year profit down on warm winter in 1H, but profit recovered sharply in 2H.
- ▶ Profit attributable to owners of the parent declined sharply on foreign exchange losses resulting from the stronger yen and impairment losses at J Brand.
- ▶ GU continued strong, with revenue and profit increasing by over 30% YoY.

Revenue by Business Segment



Revenue and Store Numbers



UNIQLO JAPAN

FY2016

Revenue

¥799.8 billion

2.5%

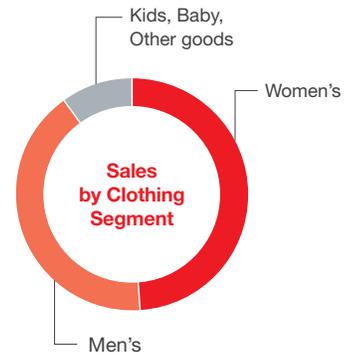
Operating profit

¥102.4 billion

12.6%

Future Outlook

- ▶ Expect continued stable growth on the back of strong expansion in online sales and stable same-store sales. We aim to expand online sales from the current 5% of total revenue to 30% going forward.
- ▶ Press ahead with easily recognizable set-price strategy. Control discounts and SG&A costs to help achieve 15% OP margin over the medium term.



UNIQLO INTERNATIONAL

FY2016

Revenue

¥655.4 billion

8.6%

Operating profit

¥37.4 billion

13.7%

Future Outlook

- ▶ Continued strong growth with approximately 170 new stores opening each year. UNIQLO operations in Greater China, Southeast Asia and Oceania expected to be the key drivers.
- ▶ Reduce losses at UNIQLO USA by closing unprofitable locations and improving overall store operations. The first UNIQLO stores in Canada (September 2016) got off to a strong start.



GLOBAL BRANDS

FY2016

Revenue

¥328.5 billion

11.3%

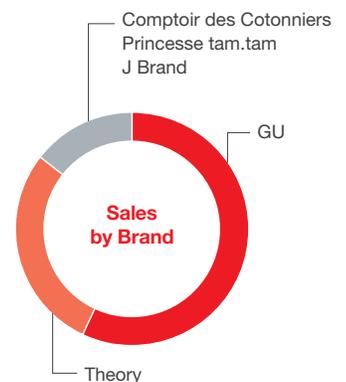
Operating profit

¥9.5 billion

34.0%

Future Outlook

- ▶ GU: Open approximately 40 stores annually in Japan and other markets. Open a GU store in Hong Kong in spring 2017 to boost awareness of GU as a fast fashion brand in Asia. Target: ¥1 trillion company within 10 years.
- ▶ Theory: Expect steady growth.





**WORKING TOGETHER
TO DO THINGS RIGHT**



MESSAGES FROM OUR EXTERNAL DIRECTORS



Toru Hambayashi
External Director

A Responsible, Accountable Public Company

Fast Retailing CEO Tadashi Yanai is an amazing businessman, and an ethical one, but it is important to continue the transition from a “my company” under Mr. Yanai to a “your company,” a more public corporation. My job is to vigilantly evaluate, on behalf of various stakeholders, whether Fast Retailing is generating sound results, and help the company become the world’s top apparel retailer.

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Appointed November 2005. Former president of Nichimen Corp. and chairman and co-CEO of Sojitz Holdings Corp. (currently Sojitz Corp.). Currently serving as an external director at UNITIKA LTD., MAEDA CORP. and DAIKYO INCORPORATED.



Nobumichi Hattori
External Director

Maximizing Corporate Value

I draw on my former career at a leading US financial institution to objectively assess Fast Retailing from a capital markets perspective, and attempt to improve its corporate value. As Fast Retailing continues to expand strongly, the role of the Board of Directors in resolutely highlighting any downside risks is becoming increasingly important. I intend to fulfill that role to the best of my ability.

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Appointed November 2005. Formerly worked at Goldman Sachs. Currently an M&A research specialist. Visiting professor at Waseda Graduate School of Finance, Accounting and Law. External director at Hakuhodo DY Holdings Inc. Special invited professor at the Graduate School of Business Administration at Keio University.



Toru Murayama
External Director

Actively Nurturing Management Skill

One important function of external directors is to put forward proposals based on different viewpoints and ways of thinking. As a true global retailer, Fast Retailing’s management team should strive to foster strong communication across all locations, businesses and operations in order to facilitate the swift resolution of problems. I am committed to helping instill Fast Retailing’s management principles in employees worldwide and nurture new management personnel.

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Appointed November 2007. Previously representative director, chairman and president of Accenture Japan Ltd. Currently a visiting professor in the Faculty of Science and Engineering of Waseda University, specializing in management design. External director at Meiji Holdings Co., Ltd.



Masaaki Shintaku
External Director

A Clear Path to Faster Globalization

I believe that Fast Retailing’s executive management and other employees are united in their aspirations, and that the Group has laid the necessary groundwork for successful growth across all global operations. Thanks to the successful integration of its personnel and systems, Fast Retailing is now more adept at pinpointing and overcoming issues, and pursuing growth with speed and conviction. I am eager to continue contributing to Fast Retailing’s growth as a member of its board.

Appointed November 2009. Previously executive vice president of Oracle Corp. (U.S.) and chairman of Oracle Corp. (Japan). Currently, vice chairman of Special Olympics Nippon Foundation and an external director at Works Applications Co., Ltd.



Takashi Nawa
External Director

Diversity-focused Management Advice

Throughout my career, I have advised many Japanese companies about global expansion. I always try to inject international viewpoints into our management discussion and ensure our debate considers sustainability and diversity. As an external director, it is my job to point out any misguided decisions, and to offer appropriate, objective advice regarding new business areas.

Appointed November 2012. Previously a director of McKinsey & Company. Currently a professor in the Graduate School of International Corporate Strategy at Hitotsubashi University, senior advisor to the Boston Consulting Group, and external director at NEC Capital Solutions Limited, DENSO CORPORATION and Ajinomoto Co., Inc.

MESSAGES FROM OUR AUDITORS



Keiko Kaneko
Statutory Auditor

Offering Multifaceted Advice

Fast Retailing is in uncharted waters, facing new issues and unforeseen challenges across all its operations. As statutory auditors, we should support the Group in its swift, determined pursuit of future growth opportunities, but our overriding priority must always be to minimize risk by offering advice from various specialist standpoints. The best way I can help Fast Retailing is to be vigilant and consistent in supporting the formation of solid systems and procedures.

Appointed November 2012. Currently a partner in the Anderson Mori & Tomotsune law firm. Also serves as statutory auditor at UNIQLO CO., LTD. and external statutory auditor at The Asahi Shimbun Company.



Takaharu Yasumoto
Statutory Auditor

Mr. Yanai's management style involves setting challenging targets and nurturing large numbers of capable managers and employees to achieve rapid growth. Managers must allocate resources effectively, from people and physical goods to infrastructure, finances and information. There is never a single right answer, but, as a strict and conscientious auditor, I can offer advice and support to help Fast Retailing grow into an even better company.

Appointed November 1993. Currently president of the Yasumoto CPA Office. Serves as statutory auditor for UNIQLO CO., LTD., LINK THEORY JAPAN CO., LTD., and external statutory auditor at ASKUL Corp. and FRONTEO, Inc.



Akira Watanabe
Statutory Auditor

At Fast Retailing, the Human Resources, CSR, Disclosure, IT Investment, Code of Conduct, and Business Ethics Committees complement the functioning of the Board. An auditor is always present at committee meetings to contribute measured and earnest observations. We intend to offer consistent, solid support by voicing forthright opinions in our capacity as auditors.

Appointed November 2006. Lawyer, who also serves as external director for MAEDA CORP, MS&AD Insurance Group Holdings, Inc. Dunlop Sports Co., Ltd. and external statutory auditor at KADOKAWA DWANGO CORPORATION.



Akira Tanaka
Full-time Internal Corporate Auditor

Our stores are the most important part of our business, so I always make a point of speaking directly to store managers and staff. I will continue to offer proactive advice on such issues as personnel training to promote company growth and maximize employee satisfaction.

Appointed November 2006. Entered McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan) Ltd.) in September 1972 and rose within the company to become deputy president and advisor.



Masaaki Shinjo
Full-time Internal Corporate Auditor

My role is to act as a full-sweep antenna that picks up risks and problems in each of our businesses. I work closely with our external statutory auditors as well as our accounting auditor and Internal Audit Department. I always aim to use my broad experience at Fast Retailing to make proactive suggestions in a variety of areas.

Appointed November 2012. Served as director of FR Group Auditing, FR Group Corporate Transformation and FR Group Planning Management, as well as internal auditor of G.U. CO., LTD. and director of Store Operations Support at UNIQLO CO., LTD.

OUR APPROACH TO CORPORATE GOVERNANCE

As we seek to become the world's number one digital-powered apparel retailer, Fast Retailing undertakes corporate governance to ensure growth, proper management, and a responsive and transparent corporate structure. We have implemented measures to ensure the independence and robust surveillance powers of the Board.

Fast Retailing operates under a delegated authority system, in which the CEO and the Board delegate discretion over the execution of business administration to specific corporate officers. This is designed to separate decision-making and executive functions, and encourage dynamic

management. The majority of directors on the Board are external, to heighten the Board's independence and its surveillance ability.

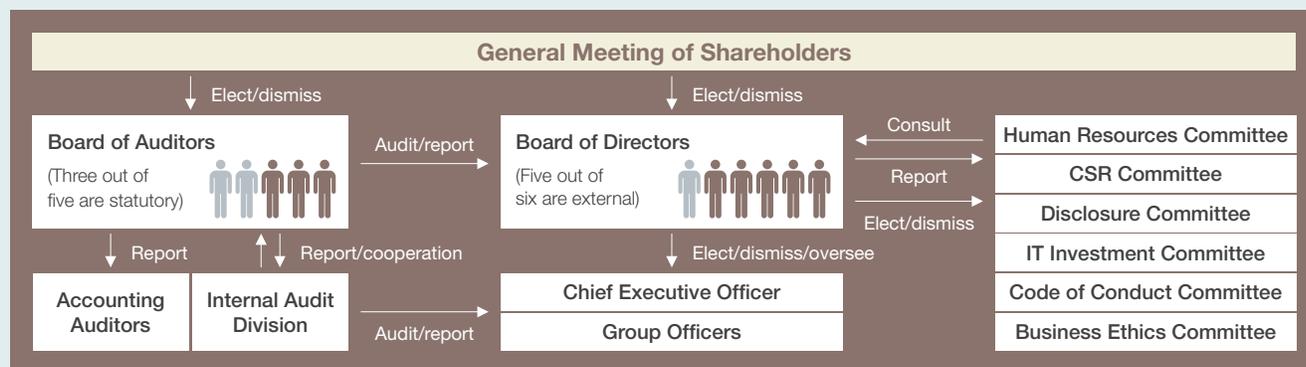
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. It also has separate governance committees which support the decision-making duties of the Board on human resources, corporate social responsibility (CSR), disclosure, IT investment, our Code of Conduct, and business ethics.

Outline of Corporate Governance (Year ended 31 August 2016)

Form of Organization	Corporate auditor governance model	
Chairman of the Board	Tadashi Yanai	
Number of Directors	6, including 5 external directors	
Number of Auditors	5, including 3 statutory auditors	
Board of Directors Meetings in Fiscal 2016	• Number of Meetings	13
	• Director Attendance*1	97.5%
	• Auditor Attendance*2	98.5%
	• Sample Agenda	Fiscal year budget, Approval of corporate results, Approval of group officer appointments, UNIQLO USA business, Ariake project
Board of Auditors Meetings in Fiscal 2016	• Number of Meetings	13
	• Auditor Attendance*2	98.5%
	• Sample Agenda	Auditing policy, Auditing planning, Discussion with Executive Board, Efforts to nurture FR employees, Key labor issues, Current Production Department issues, Auditing of UNIQLO Japan and UNIQLO International stores
Main Meetings Requiring Auditor Attendance	Board of Directors meetings, Human Resources Committee, CSR Committee, Disclosure Committee, IT Investment Committee, Code of Conduct Committee, Business Ethics Committee	
Election of Independent Directors	3 external directors and 3 statutory auditors elected	
Determination of Individual Director Remuneration	Overall limit approved at the general shareholders meeting. Individual remuneration determined by the Executive Board to reflect occupational duties, responsibilities, actual performance and contributions. Fiscal 2016 compensation to the six directors totaled 290 million yen, including 50 million yen to external directors.	
Determination of Individual Auditor Remuneration	Overall limit determined at the general shareholders meeting. Individual compensation decided through mutual consultation between auditors. Fiscal 2016 compensation to the five auditors totaled 65 million yen, including 30 million yen to statutory auditors.	
Accounting Auditor	Ernst & Young ShinNihon LLC	

*1 Average attendance of each director *2 Average attendance of each auditor

Corporate Governance at Fast Retailing (As of January 12, 2017)



ROLES AND ACTIVITIES OF THE COMMITTEES

■ Human Resources Committee

The Human Resources Committee, chaired by an external director discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board.

■ CSR Committee

The CSR Committee discusses and directs Fast Retailing's overall CSR strategy, from compiling and publishing the annual Sustainability Report to promoting environmental protection, social responsibility, compliance and diversity. The head of the Sustainability Department chairs the committee. Members include outside experts, external statutory auditors and Group officers.

■ Disclosure Committee

The Disclosure Committee, chaired by the individual in charge of disclosing information to the Tokyo Stock Exchange (TSE), boosts management transparency by “disclosing information that is timely, accurate, fair and easy to understand.” The committee is responsible for timely disclosure to the TSE and the Stock Exchange of Hong Kong, and for voluntary disclosure of information that may materially impact shareholder and investor decisions.

■ IT Investment Committee

This committee debates and advises on IT investments that will best achieve the Group's digital innovation targets, deliberating on the efficacy of individual investments and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate.

■ Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve violations of the Fast Retailing Group Code of Conduct (CoC), and make improvements. It advises on educating executives and employees about the CoC, and on operating the internal reporting system (hotline). The committee is chaired by the head of the Legal Department, and includes auditors and legal advisors.

■ Business Ethics Committee

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The head of the Sustainability Department chairs the committee. Members include auditors and legal advisors.

Composition of Committees (As of January 12, 2017)

●=Committee Member

		Human Resources Committee	CSR Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee
Internal Director	Yanai	●		●	Chairperson		
	Hambayashi	Chairperson					
External Directors	Hattori						
	Murayama				Observer		
	Shintaku				Observer		
	Nawa	●					
Internal Full-time Auditors	Tanaka	●	●			●	Observer
	Shinjo			●	●		●
External Statutory Auditors	Yasumoto		●				●
	Watanabe						●
	Kaneko	●				●	
Number of Group Officers, External Experts, etc.		1	9	4	2	6	4

Notes:

The head of the Sustainability Department chairs both the CSR Committee and the Business Ethics Committee.

The Disclosure Committee is chaired by the individual responsible for disclosing information to the Tokyo Stock Exchange.

The head of the Legal Department chairs the Code of Conduct Committee.

The required notification pertaining to independent directors has been submitted to the Tokyo Stock Exchange for Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku, Takaharu Yasumoto, Akira Watanabe and Keiko Kaneko.



Fast Retailing Head Office, Yamaguchi

INTERNAL CONTROL

Fast Retailing seeks to improve its corporate ethics and compliance through a number of internal controls designed to ensure strict adherence to Group policies and rules, including the Group's management principles, the Fast Retailing Way and the Fast Retailing Group Code of Conduct (CoC). Fast Retailing is committed to developing Group-wide

compliance systems and problem resolution mechanisms. The Internal Audit Department oversees the Fast Retailing Group internal control system. The Legal Department deals with compliance issues, and the executive officer for legal affairs is responsible for overall compliance.

Fast Retailing Code of Conduct (CoC) for Officers and Employees

We teach the Fast Retailing Group CoC principles to all officers and employees via a mandatory online course, and strongly encourage everyone to sign a written commitment to them. Anyone can report a potential violation of the CoC or discuss work concerns via our internal reporting system (hotline). Employees receive confidential advice pertaining to communication problems with managers, sexual harassment,

working hours and paid vacations, renewal of employment contracts, etc. In some cases, advice can be sought from external legal counsel. The Code of Conduct Committee regularly monitors the compliance system and hotline operation, and may offer advice or recommendations to relevant departments if necessary.

Guidelines to Prevent the Abuse of Superior Bargaining Power

Building equal and amicable relationships with our business partners is extremely important. The Fast Retailing Group is in a particularly strong position in terms of bargaining power given that it operates approximately 3,160 stores worldwide and has annual sales of 1.79 trillion yen. As a preemptive measure, the Business Ethics Committee established the

Guidelines to Prevent the Abuse of Superior Bargaining Power, which ensure that our partner factories and suppliers do not consider themselves under inappropriate pressure from us. The Business Ethics Committee sends surveys to the Group's principal business partners on an annual basis, and advises the relevant departments if any issues arise.

Stronger Compliance Training for Officers and Employees

The Legal Department aims to cultivate stronger ethical values and crisis response capabilities among all Group officers and employees by offering online courses and other training opportunities. The courses offer detailed, step-by-step advice on concrete considerations that are likely to

emerge in daily business activities. Online courses in fiscal 2016 focused on a variety of topics, including information handling, important points to consider when creating contracts, insider trading regulations, the use of social media, preventing harassment, and intellectual property.



**UNIQLO,
PROPELLING
CLOTHING
INNOVATION**

THE UNIQLO BUSINESS

Leading men's tennis player and UNIQLO Global Brand Ambassador Novak Djokovic sports a BLOCKTECH fleece parka. The parka's innovative stretch material and special coating improve traditional fleece by blocking wind and water. The end result is an entirely new item of clothing that's warm, easy to move around in, and incredibly sleek.

WHY UNIQLO IS

Why Do People Love Us?

UNIQLO produces such an amazing number of unique products because our business model unifies the entire clothes-making process from planning through design, production and retail. UNIQLO LifeWear is high-quality, innovative clothing that is universal in design and comfort and made for everyone, everywhere. UNIQLO leverages today's increasingly digital world to communicate directly with customers and instantly transform consumer desires into actual products. UNIQLO is always ready to embrace vibrant change as part of its drive to become the brand that everyone, everywhere loves best.

01 Procuring the World's Best Materials

Only UNIQLO can offer world-class cashmere, supima cotton, merino wool and other materials at such reasonable prices. We do this by procuring the very best raw materials at the source. Our Materials Development Team negotiates directly with natural materials manufacturers worldwide to secure a stable, long-term supply of high-quality materials. UNIQLO also achieves much higher cost savings than other manufacturers by placing mass orders for individual materials.

02 Creating Fresh Demand with New Functional Materials

Our unique heat-generating HEATTECH material is now close to perfection thanks to a long, partnership with leading synthetic materials manufacturer Toray Industries. Our cool-feel AIRism summer innerwear, our Ultra Light Down jackets made of lightweight, fluff-free, high-density material, and our BLOCKTECH fleece, coated with an ultra-thin wind-proof film, are all products of the same inventiveness and ingenuity. What's more, developing new high-function materials and products has helped create entirely new sources of demand.

03 Simple, Elegant, Quality Clothing

Unlike other apparel manufacturers, UNIQLO focuses on creating simple, everyday wear that can be worn by people of all ages. We enjoy a broad customer base and strong demand. Our clothing is the epitome of simplicity, elegance and quality. UNIQLO has established a network of product development centers in Tokyo, New York, London, Paris, Shanghai and Los Angeles, which channel relevant fashion information from all corners of the globe into the committed research and design of basic wear.

INNOVATIVE

The Best at Everything We Do

PRODUCTION

SALES

04 The Reassuring Feeling of High-quality Products

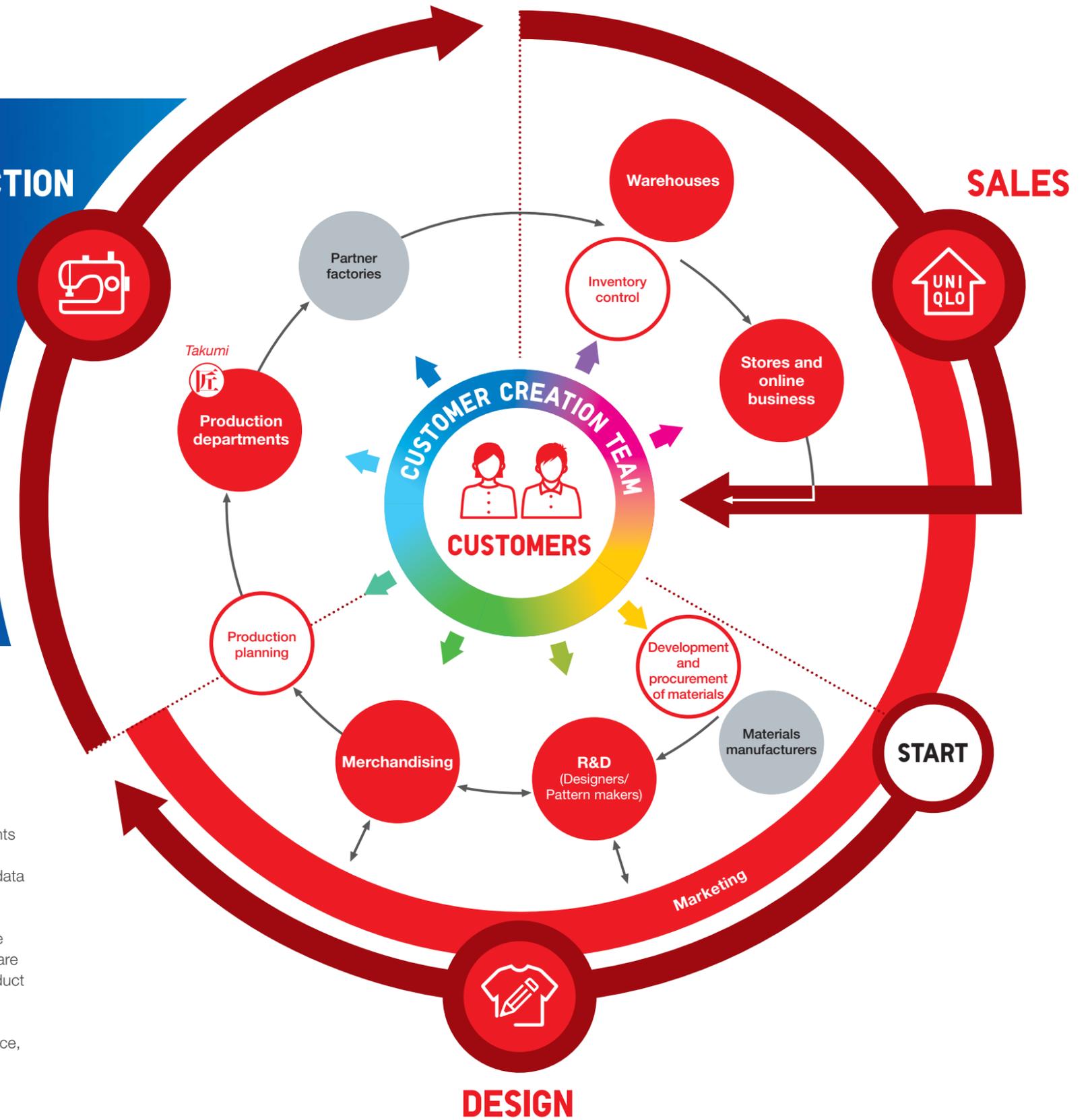
UNIQLO is proud of its high-quality products, which are based on the unrivaled traditional expertise of Japan's textile industry and UNIQLO's own *takumi* teams of highly skilled textile artisans. *Takumi* experts visit partner factories directly to help build technical expertise and strong mutual trust, and ensure committed and thorough quality management. We also work together with partner factories to build internationally compliant working environments. UNIQLO is committed to supplying consistently high-quality products at reasonable prices.

05 In-store & Online Sales Make for Easy Shopping

We consider everyone a UNIQLO customer. Our vast range of men's, women's and kids wear means shopping at UNIQLO is a fun family event. Our well-organized displays make it easy to find what you want, and customers really appreciate our attentive in-store service. Our simple online interface enables customers to select easily from a full range of products (including some items available only online) designed to satisfy every need. We are constantly expanding our products and services to make online shopping even more enjoyable and convenient.

06 A Business Model to Satisfy Customer Needs

UNIQLO has a Customer Creation Team to ensure customer comments are incorporated directly into products. The team performs big data analysis of customer feedback, website behavior and purchasing history to gain a swift and accurate picture of customer needs, which are immediately incorporated into product development. The system also facilitates additional production of popular items and colors. In essence, we are building a swift, sensitive business model that provides customers with exactly what they want, when and how they want it.



LOVED

UNIQLO'S KEY STRATEGIC MATERIALS AND PRODUCTS



DESIGN



Christophe Lemaire
Artistic Director, UNIQLO Paris R&D Center



PRODUCTION



FINALIZE DESIGNS

Production Department

UNIQLO currently deploys about 450 production team staff and textile *takumi* (skilled artisans) to production offices in Shanghai, Ho Chi Minh City, Dhaka, Jakarta, Istanbul and Bangalore. Production teams visit partner factories each week to resolve outstanding production quality or management issues. Customer concerns regarding quality are communicated immediately to the Production Department, and improvements are made.



SET PRODUCTION VOLUMES

UNIQLO *Takumi* Teams

“By offering instruction on dyeing technology at UNIQLO’s partner factories, I can encourage workers to embrace a new production management philosophy and improve the factories they work in. Our cultures may be different, but our aim is the same—to make truly good products. I am proud to be passing on expert Japanese techniques to the next generation of technicians.”



Dyer *Takumi*
Kazuaki Iida



START PRODUCTION

Production Network

As UNIQLO expands globally, we have formed business relationships with partner factories worldwide in countries such as China, Vietnam, Bangladesh and Indonesia. We are looking to expand our manufacturing base by developing relationships with factories closer to UNIQLO stores in Europe, the United States and elsewhere.

UNIQLO Production Offices



SALES



SHIP TO INDIVIDUAL COUNTRIES

Inventory Control

The Inventory Control Department maintains the optimum level of store inventory. It does this by monitoring sales and stock on a weekly basis, and then dispatching necessary inventory and new products to fulfill orders. At the end of each season, merchandisers and the Marketing Department work together to coordinate the timing of any price changes to help ensure that inventory sells out.



Promotional flyer

START TV COMMERCIALS

Marketing

Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down jackets, AIRism and HEATTECH. During the campaigns, UNIQLO advertises the products' unique qualities and noteworthy features on TV and in other media. In Japan, for example, weekly flyers in the Friday edition of national newspapers, which are delivered to most households, offer 20–30% discounts through Monday to promote new items.



TV commercial

START ADDITIONAL PRODUCTION

Stores

UNIQLO Japan had 837 stores (including 39 franchise stores) at the end of August 2016. Since opening its first store outside Japan in 2001, UNIQLO International has expanded to 958 stores, including 560 in Greater China (Mainland China, Hong Kong and Taiwan), 173 in South Korea, 144 in Southeast Asia and Oceania, 36 in Europe and 45 in the U.S. New store openings have been especially rapid in Greater China and Southeast Asia.



Roadside UNIQLO store



IN-STORE AND ONLINE SALES

Online Sales

Online sales are increasingly important for UNIQLO. In China and the United States, these sales account for over 10% and 20% of our total revenue, respectively. The online sales operation in Japan accounted for just 5.3% of total sales, or ¥42.1 billion, in fiscal 2016. UNIQLO online sales generate a comparable profit margin to our physical stores, and we expect demand will increase much further as more consumers start buying goods online and delivery services improve.

Customer Creation Team

The UNIQLO Customer Creation Team analyzes customer purchasing data to help predict future demand and develop products customers are looking for. The company's expanding online sales operation provides big data on customer search and purchase preferences, which we carefully analyze. The team uses this valuable information to improve the accuracy of calculations such as how much additional volume of core products to order, and to ensure the creation of new products that appeal to customers.

CUSTOMERS



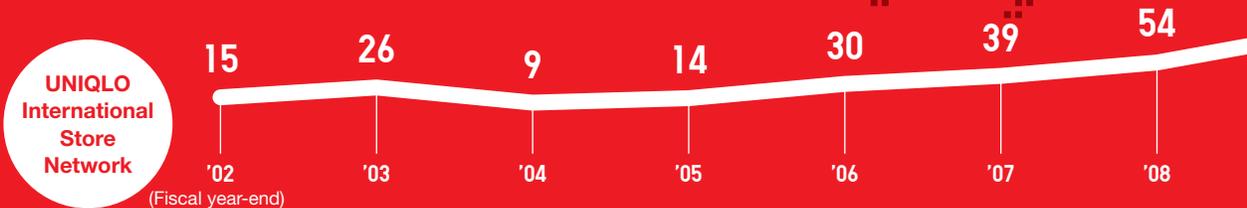
UNIQLO GLOBAL PRESENCE



SHARING THE JOY OF



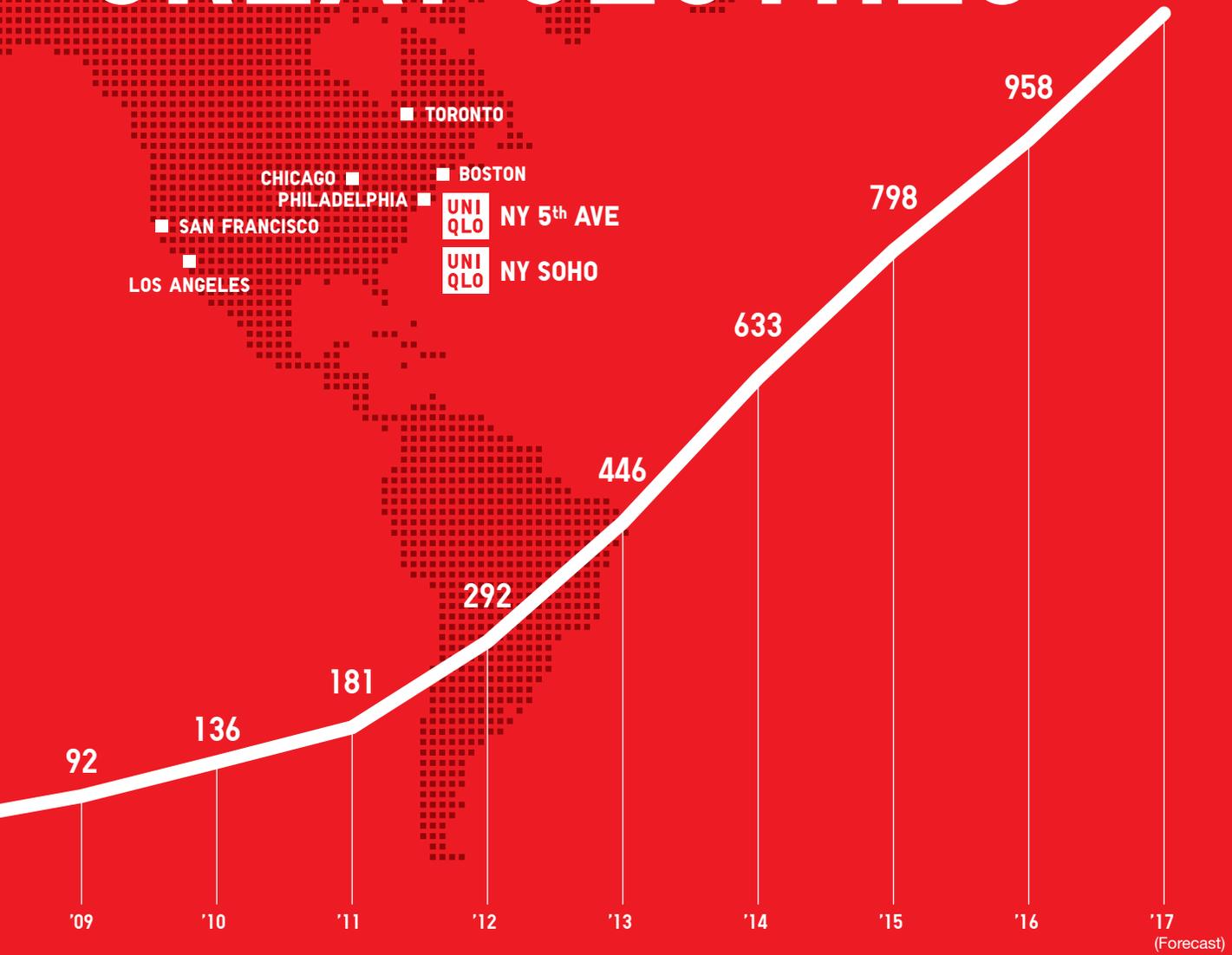
UNIQLO Global
Flagship and
Hotspot Stores





Estimate for end of August 2017
1,104

GREAT CLOTHES



- TORONTO
- CHICAGO
- PHILADELPHIA
- SAN FRANCISCO
- LOS ANGELES
- BOSTON
- UNIQLO NY 5th AVE
- UNIQLO NY SOHO



Becoming Europe's Best Loved Brand

UNIQLO Le Marais Store

PARIS

Over the next two or three years, we are looking to double the number of UNIQLO stores in Europe, currently around 40. Thanks to the success of the UNIQLO Le Marais store, opened in Paris in spring 2014, we can negotiate better conditions with developers, and are receiving invitations to open new UNIQLO stores all over Europe. We plan to expand our French operation to Bordeaux and Toulouse in fiscal 2017.

From the outset, we were determined to respect the historical surroundings of the Le Marais store and showcase a sophisticated mélange of Japanese and French culture. When I saw how the local community welcomed and embraced our arrival, I understood

what it meant to truly set down strong local roots.

It has been 16 years since UNIQLO opened its first store outside Japan, in London. In that time, UNIQLO has gradually extended its presence across Europe, with expansion into Berlin, Germany in April 2014 and Antwerp, Belgium in October 2015. UNIQLO Europe has grown into a profitable operation, in large part thanks to attentive community-building initiatives at each individual store.

The refurbished 311 Oxford Street global flagship store in London reopened in March 2016, boasting bright, colorful clothing displays and a collection of quintessentially British books and general goods. The store, with its exquisite mix of Japan-born UNIQLO culture and local British atmosphere, is a perfect place for customers to experience the true value and enjoyment of a quality Japanese brand. Light from the glass roof bathes the top two floors of the historic building, creating a vibrant and appealing exhibition space that has been perfect for a variety of art-related events. These events are great branding, attracting many customers and visitors to the store.

UNIQLO brand visibility remains fairly low outside major cities such as London and Paris, so we want to expand our online sales operation and use a seamless physical and virtual store network to boost UNIQLO brand appeal across the European continent.

European customers are very interested in UNIQLO's corporate social responsibility initiatives, including the reliability and accountability of our manufacturing processes, and exactly how we are contributing to global and local society. To my mind, earning customer respect for our strong management principles and dedicated CSR approach is a great way of expanding the number of UNIQLO fans worldwide, and growing UNIQLO into one of Europe's best loved brands.



Takao Kuwahara

Fast Retailing Group Executive Vice President
UNIQLO Europe CEO

LONDON



UNIQLO 311 Oxford Street Store
(Global flagship store)



SHANGHAI



UNIQLO Shanghai Store
(Global flagship store)



Hiroshi Taki

Fast Retailing Group Senior Vice President
UNIQLO USA CEO

Invigorating Sales at Every Store

We launched our UNIQLO operation in the United States a decade ago in fall 2006 with the opening of an impressive global flagship store in Soho, New York. The swift addition of a number of Manhattan stores, including the New York 5th Avenue global flagship store and the New York 34th Street large-format store, helped familiarize New Yorkers with the UNIQLO brand. Our Ultra Light Down, HEATTECH and cashmere sweater ranges drew an instant following, with customers attracted not only to the ranges' highly functional materials and superior quality, but also to their comfortable feel and rich color range. Today, New York consumers appreciate UNIQLO as a brand determined to make people's everyday lives more comfortable, convenient and fun through LifeWear.

NEW YORK



UNIQLO Soho Store
(Global flagship store)



TORONTO

As CEO of UNIQLO USA, my primary focus has been to reform the business and make it profitable. I have undertaken measures to boost sales at each individual store, including better customer service, stronger store management, more efficient staff routines, firmer inventory control, and more locally oriented product mixes. These efforts helped improve profit performance in the second half of fiscal 2016.

New store strategy is extremely important in a large country like the United States. That is why we shifted our new-store focus from less profitable suburban shopping malls to urban centers and premium shopping complexes. We are also considering concentrating new store openings in San Francisco and Los Angeles, important birthplaces of American casual fashion.

Expanding online sales is also vital. Online sales already account for a relatively high 20% of sales in the United States, and they are more profitable than sales at our physical stores. More consumers are buying clothes online, and this indicates strong growth potential. We are building easy-view, easy-purchase websites, encouraging mobile purchases, reducing delivery times, and more.

Our two new flagship-standard stores, opened in Toronto, Canada in fall 2016, have proved a great success. The Canadian retail market is fiercely competitive, with the strong presence of established global fashion brands such as H&M and FOREVER 21. However, with this enthusiastic response in Canada, we feel confident that we can make UNIQLO a popular brand across North America going forward.

I intend to do everything in my power to translate North American customer needs into superior products and services, and deepen customer affinity with the UNIQLO brand across the United States and Canada.



UNIQLO CF Toronto Eaton Centre Store





Uniqlo U from Paris Advances LifeWear

Uniqlo U line was launched in UNIQLO stores worldwide for the 2016 Fall/Winter season. The collection goes beyond fashion trends and seeks to offer clothes that help people create their own ideal style. Uniqlo U was developed by the visionary designer Christophe Lemaire, who was recently appointed Artistic Director of the UNIQLO Paris R&D Center.

We wear clothing every day, and that's exactly why Lemaire and his team were determined to design an innovative but carefully tailored, no-frills, no-fuss line. Uniqlo U also advances UNIQLO's LifeWear philosophy of creating ultimate everyday clothing that resonates with people worldwide. Popular collection items include gracefully draped dresses, minutely detailed Ultra Light Down jackets and superior fabric knitwear.

Christophe Lemaire

Artistic Director, UNIQLO Paris R&D Center

Born in 1965, Lemaire amassed a wealth of experience as a designer for world-class brands and as artistic director at Lacoste and Hermès. The UNIQLO AND LEMAIRE Collection, a collaboration between UNIQLO and Lemaire's own brand, was unveiled in the 2015 Fall/Winter season, earning an instant following among UNIQLO fans worldwide.

GLOBAL BRANDS



GU



Sights Set on ¥1 Trillion Annual Sales

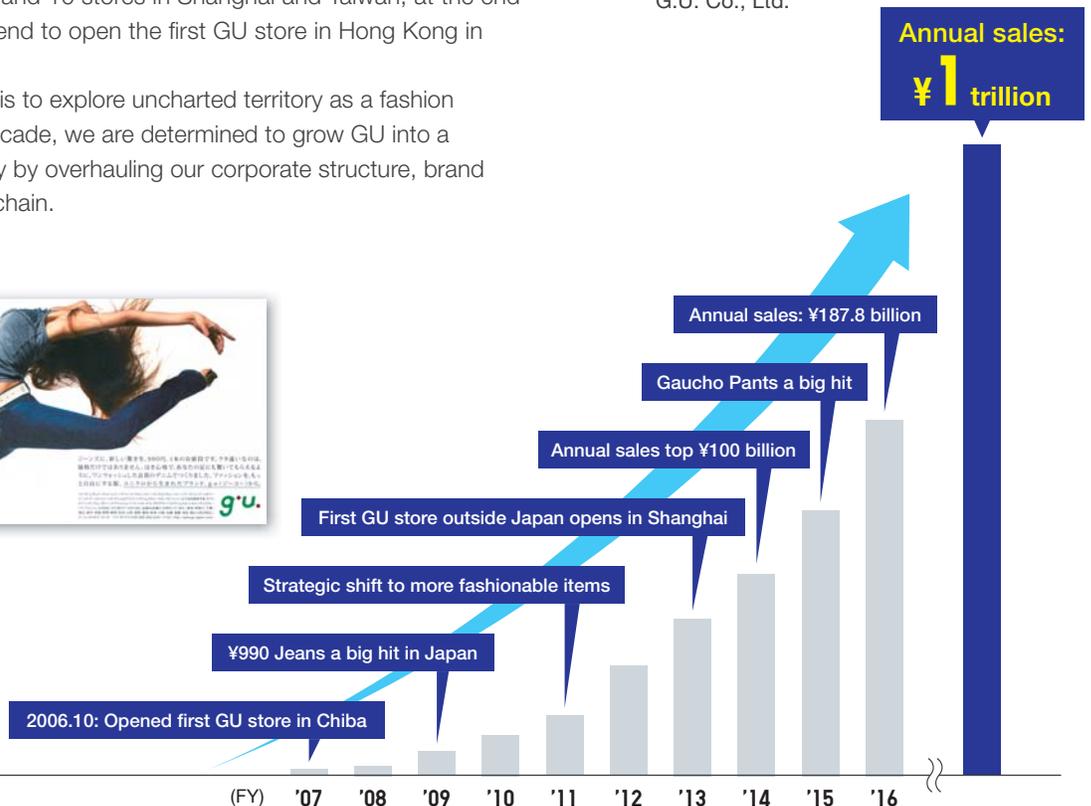
In October 2006, GU opened its first store, in Chiba, Japan. While that store attracted a great deal of interest at its launch, the next two years were touch and go. GU got a big break in March 2009 with the launch of its hugely popular ¥990 Jeans. Customers were lining up outside stores at opening time.

Once the ¥990 Jeans boom died down, the going got tough once again—customers viewed GU as simply a cheaper version of UNIQLO. I became CEO in 2010, and in 2011 we opened the GU flagship store in Ikebukuro. I declared that “GU would do what UNIQLO couldn’t.” We shifted our focus from being a low-cost brand to being a fashion-oriented one. There was untapped demand for fast fashion in Japan and few established players. In spring 2015, GU’s new Gauchu Pants became an instant hit and today, we offer a steady stream of new fashion items. New store development is also proceeding smoothly. We boasted a network of 340 stores in Japan, and 10 stores in Shanghai and Taiwan, at the end of August 2016. We intend to open the first GU store in Hong Kong in spring 2017.

GU’s overriding aim is to explore uncharted territory as a fashion brand. Over the next decade, we are determined to grow GU into a one-trillion yen company by overhauling our corporate structure, brand positioning and supply chain.



Osamu Yunoki
Chief Executive Officer
G.U. Co., Ltd.



Theory

Theory P L S T

HELMUT LANG

Shaping Contemporary Fashion

Launched in New York in 1997, Theory is popular with contemporary women. Theory collections showcase the brand's exquisite incorporation of the latest trends into elegant, silhouette-enhancing designs. Other brands under Theory include HELMUT LANG and the Japan-born PLST. At the end of August 2016, Theory boasted a total of 530 stores and sales of approximately ¥90 billion.



The Premium Denim Label from L.A.

J Brand is a Los Angeles-based contemporary fashion brand that specializes in denim. Many actresses and celebrities love J Brand clothing, which is recognized for its high-quality denim fabrics, sophisticated product design, beautiful silhouettes and perfect fit. J Brand is sold in specialty boutiques and department stores in roughly 20 countries, with a large presence in the United States.

J Brand

J BRAND

Comptoir des Cotonniers

COMPTOIR DES
COTONNIERS

Fashion, Flair and French Esprit

Originating in Paris, the Comptoir des Cotonniers (CDC) women's fashion brand is known for its quality fabrics, sharp silhouettes, and timeless, elegant collections full of French esprit that appeal to the modern city woman. This high-quality yet affordable luxury brand, with its chic city feel, is becoming increasingly popular. At the end of August 2016, CDC had a total of 348 stores worldwide, with a large presence in France.



Creative French Elegance Wins Loyal Customers

Princesse tam.tam (PTT) is a French brand offering lingerie, loungewear, swimwear and sportswear. PTT's original prints and bright colors, along with its brand concept of "lingerie made by women for women," encourage loyal customers. Benefitting from the skills of France's corsetry industry, PTT garments are crafted to the smallest detail. They are sold in leading European department stores and boutiques, and an increasing number of stores worldwide.

Princesse tam.tam

PRINCESSE tam • tam
PARIS







Many women working in UNIQLO partner factories in Bangladesh and Indonesia experience instability in their lives, sometimes lacking sufficient knowledge and skills to effectively treat or prevent illness in the home, or to ensure healthy pregnancy and childbirth. UNIQLO uses part of the profits from local collections to fund its Factory Worker Empowerment Project, which offers educational programs for female workers on topics including nutrition, hygiene and health management.

**WE BELIEVE
IN THE
POWER OF
CLOTHES**

Working with Society, for Society



- ▶ We closely monitor manufacturing processes to improve working environments, ensure product safety and minimize environmental impact across the entire supply chain from clothing manufacture to retail. We seek to ensure responsible procurement that protects workers' rights and the environment.
- ▶ Fast Retailing donates clothing to people in need through the All-Product Recycling Initiative and other CSR activities, so that more people can experience the joy and happiness of clothes.
- ▶ We revolutionized the apparel industry with our unique clothing business. Now we are determined to use clothes-focused CSR initiatives to transform society, and help make the world a better place.



WORKPLACE MONITORING

Ensuring Responsible Workplaces and Environmental Protection

Fast Retailing's Code of Conduct for Production Partners is designed to ensure its clothing is manufactured under safe and appropriate working conditions, and with minimal environmental impact. We employ external institutions to regularly inspect working environments at all primary partner sewing factories. Members of our Sustainability Department visit any factory that needs to make improvements, in order to offer practical advice and guidance. From September 2015, we also began monitoring working conditions and environmental

impacts at fabric manufacturers, as these partner factories constitute 70% of UNIQLO production volume.

To monitor working conditions more effectively, we are encouraging production partners to employ their own sustainability officers and develop internal inspection systems. In July 2015, we joined the Fair Labor Association (FLA), an international non-profit organization promoting adherence to international and national labor laws, to further safeguard the human rights of workers at partner sites.

■ Monitoring Results

Grade	Description	FY2013	FY2014	FY2015	FY2016
		FR Group (UNIQLO)	FR Group (UNIQLO)	FR Group (UNIQLO)	FR Group (UNIQLO)
A	No violations	11 (10)	1 (1)	5 (1)	55 (25)
B	One or more minor violations	134 (95)	175 (115)	202 (115)	239 (125)
C	One or more major violations	97 (45)	72 (32)	171 (73)	160 (65)
D	One or more severe violations	48 (19)	77 (17)	75 (28)	44 (16)
E	Highly unethical, serious offense (immediate review of contract)	4 (1)	7 (3)	19 (10)	13 (6)
Number of factories monitored		294 (170)	332 (168)	472 (227)	511 (235)

In fiscal 2016, direct visits from FR Sustainability Department experts and improved support boosted the number of A and B grade partner factories. FR plans to offer stronger guidance after finding many D-grade partner factories were having trouble incorporating legal changes to employee compensation and benefits.

We revised production orders for E grade partner factories.

ALL-PRODUCT RECYCLING INITIATIVE

One Item of Your Clothing Can Change the World

Fast Retailing's All-Product Recycling Initiative, started in 2006, collects gently used clothing from UNIQLO and GU customers and delivers it to those in need around the world, including refugees and displaced persons, with the help of our global partner, the United Nations High Commissioner for Refugees (UNHCR), and non-profit organizations worldwide.

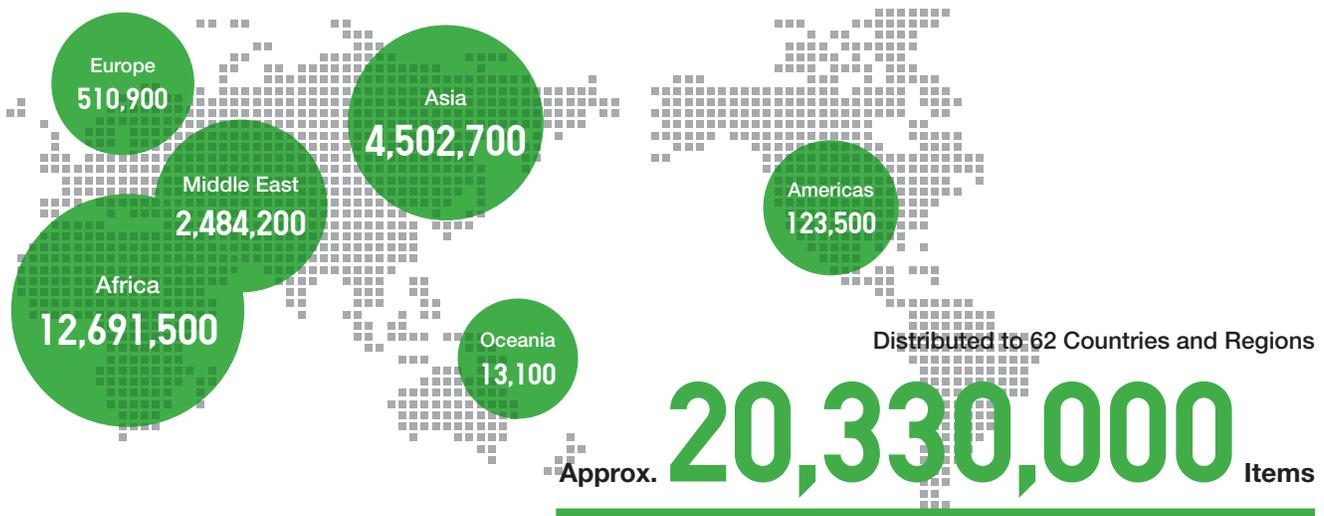
In fiscal 2016, our Ten Million Ways to Help project achieved its target of collecting 10 million items of clothing by Refugee Day on June 20. In fact, thanks to additional support from business partners and Group employees, the final total, 12.81 million items, far exceeded that initial target. A portion of the clothing was then distributed by UNIQLO and GU volunteers to refugees and displaced persons in Uganda, Rwanda, Malaysia, Russia and other countries. We are now looking to extend donations to Bangladesh and Zimbabwe.

Clothes protect people against not only heat and cold, but also injury and infection. They help give children the opportunity to go to school, and women the courage to participate in their local communities. We are determined to keep providing clothing to people who need it.



Grandmother with grandson
Kyrgyzstan

Total Number of Items Donated through Our All-Product Recycling Initiative (end August 2016)



For complete details, please see the volume
*Fast Retailing Co., Ltd. Consolidated
Financial Statements for the year ended
31 August 2016.*



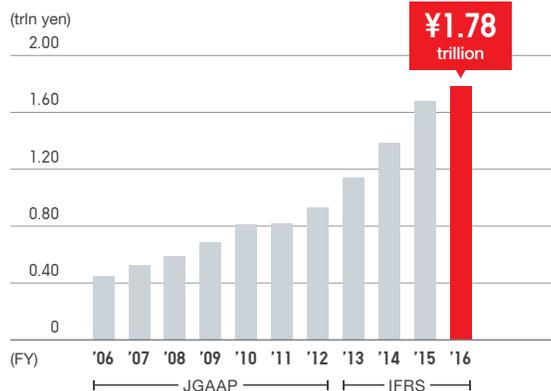
UNIQLO Global Brand Ambassador Novak Djokovic

FINANCIAL INFORMATION

FISCAL 2016 FINANCIAL HIGHLIGHTS

Revenue

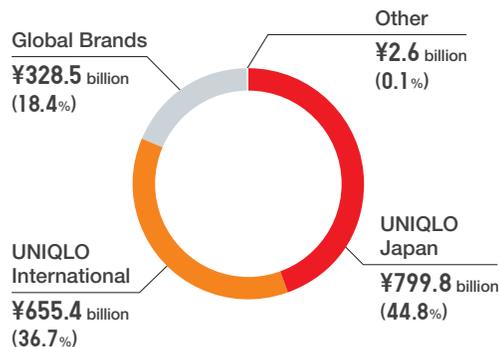
¥1.78 trillion 6.2% 



Consolidated revenue rose 6.2% year on year to ¥1.7864 trillion. Revenue increased at all three business segments (UNIQLO International: +¥51.7 billion, Global Brands: +¥33.2 billion, UNIQLO Japan: +¥19.6 billion).

UNIQLO International's Contribution to Revenue

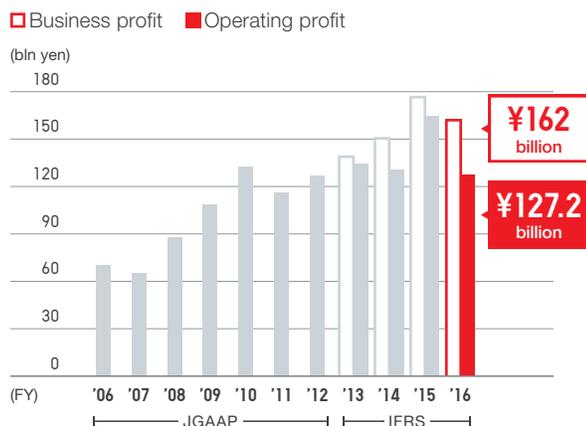
36.7% 0.8pt 



UNIQLO International contributed 36.7% of total revenue, up 0.8 point year on year. Strong performances from UNIQLO Greater China and UNIQLO Southeast Asia were the key drivers of overall growth. The Global Brands contribution to total revenue increased by 0.8 point on continued GU strength.

Operating Profit

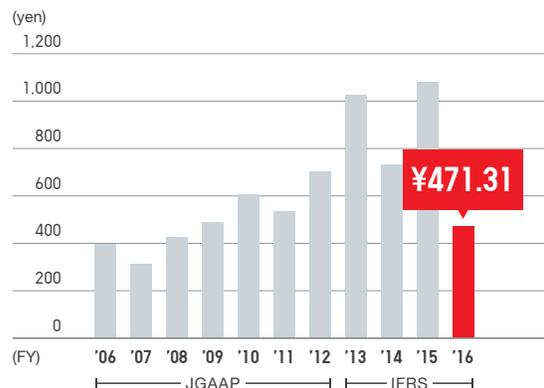
¥127.2 billion 22.6% 



Declined 22.6% year on year on poor first-half sales during the warm winter, impairment losses at UNIQLO USA stores and J Brand, and a considerable finance cost relating to yen appreciation. Business profit*¹, which doesn't include impairment or finance income/costs, declined by just 8.3% to ¥162.0 billion.

Earnings per Share

¥471.31 56.3% 



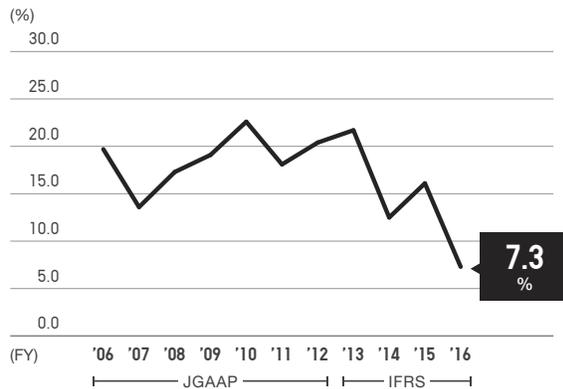
Basic earnings per share declined 56.3% year on year to ¥471.31. A ¥37.0 billion loss was recorded under finance income and costs after yen appreciation reduced the value of long-term foreign-currency holdings in yen terms.

*1 Business profit = Revenue - (Cost of sales + SG&A expenses)

ROE

7.3%

8.8pt 

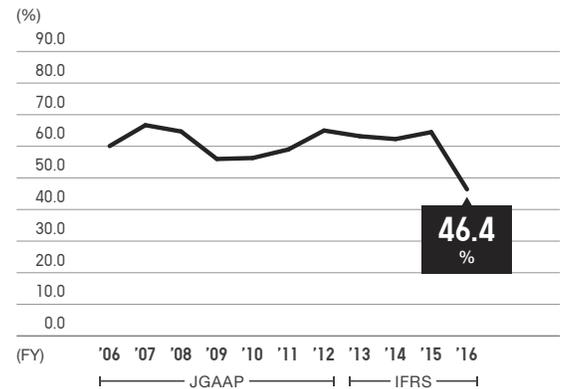


ROE declined 8.8 points to 7.3% following a significant 56.3% decline in profit attributable to owners of the parent.

Ratio of Equity Attributable to Owners of the Parent to Total Assets

46.4%

18.1pt 

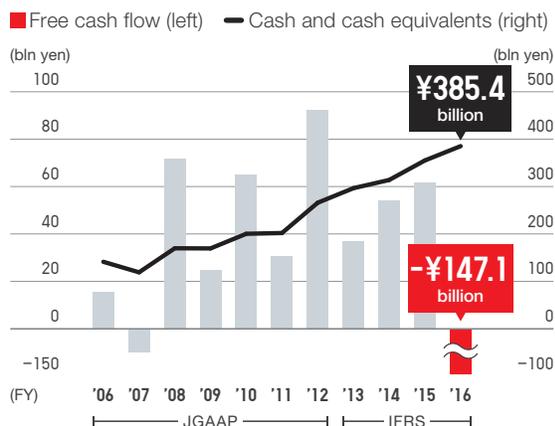


This ratio declined 18.1 points year on year to 46.4%. Liabilities increased by ¥251.5 billion partly due to our December 2015 corporate bond issue, and total net assets declined by ¥177.1 billion after yen appreciation resulted in a sharp decline in cash flow hedges.

Cash and Cash Equivalents

¥385.4 billion

8.5% 



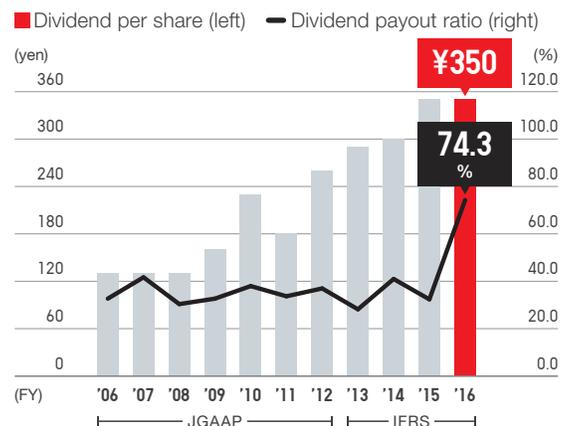
Net cash from operating activities totaled ¥98.7 billion while net cash used in investing activities totaled ¥245.9 billion, resulting in a ¥147.1 billion decline in free cash flow^{*2}. However, if the ¥186.5 billion placed in highly liquid bank deposits with maturity over three months is included free cash flow actually increased.

^{*2} Free cash flow = Net cash from operating activities + Net cash used in investing activities

Dividend per Share

¥350

±¥0 



We maintained an annual dividend of ¥350. However, yen appreciation reduced the value of foreign-currency denominated assets in yen terms, resulting in a ¥37.0 billion finance cost, and a sharp fall in EPS. As a result, the dividend payout ratio rose to 74.3%.

FINANCIAL SUMMARY

FAST RETAILING CO., LTD. and consolidated subsidiaries
Fiscal years ended August 31

	2007	2008	2009	2010
For the year				
Net sales/Revenue	¥ 525,203	¥ 586,451	¥ 685,043	¥ 814,811
Operating income/Operating profit	64,963	87,493	108,639	132,378
EBITDA *1	75,310	97,467	112,621	152,141
Income before income taxes and minority interests/ Profit before income taxes	62,713	81,994	95,487	116,867
Net income/Profit attributable to owners of the parent	31,775	43,529	49,797	61,681
Net cash provided by operating activities/ Net cash from operating activities	18,847	87,336	59,214	88,623
Net cash used in investing activities	(28,783)	(15,421)	(34,273)	(23,389)
Free cash flow *2	(9,936)	71,915	24,941	65,234
Net cash used in financing activities	(12,759)	(19,054)	(16,847)	(28,897)
Cash and cash equivalents *3	119,216	169,888	169,574	200,462
Depreciation and amortization	6,567	8,523	9,765	12,229
Capital expenditures	26,441	21,017	22,601	28,018
At year-end				
Total assets	¥ 359,770	¥ 404,720	¥ 463,285	¥ 507,287
Total net assets/Total equity	243,283	264,014	261,413	287,987
Interest-bearing debt	24,429	20,016	35,400	28,834
Reference indices				
Operating income margin/Operating profit margin (%)	12.4%	14.9%	15.9%	16.2%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	13.6	17.3	19.1	22.6
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	66.7	64.7	56.0	56.3
Debt-equity ratio (%)	10.1	7.6	13.6	10.1
Dividend payout ratio (%)	41.7	30.4	32.7	38.0
Per share data (yen, dollar)				
Net income/Profit attributable to owners of the parent (EPS)	¥ 311.98	¥ 427.38	¥ 488.96	¥ 605.99
Net assets/Equity attributable to owners of the parent	2,357.79	2,572.09	2,550.86	2,804.34
Cash dividends	130.00	130.00	160.00	230.00
Other data (at fiscal year-end)				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, \$ million) *4	¥ 720.2	¥ 1,180.6	¥ 1,182.7	¥ 1,228.3
Number of subsidiaries	21	21	96	90
Total number of stores	1,828	1,958	2,258	2,203
Directly-operated stores in Japan	[1,233]	[1,310]	[1,454]	[1,370]
Directly-operated stores overseas	[247]	[294]	[397]	[474]
Franchise stores	[348]	[354]	[407]	[359]
Commercial complexes	1	4	4	4
Total sales floor space (m ²) *5	626,998m ²	685,942m ²	740,489m ²	847,523m ²
Number of full-time employees	6,514	8,054	11,037	11,596

*1 EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Operating profit + Depreciation and amortization

*2 Free cash flow = Net cash from operating activities + Net cash used in investing activities

*3 Cash and cash equivalents (JGAAP) include cash, time deposits with maturities of generally three months or less and marketable securities.
Cash and cash equivalents (IFRS) include cash, bank deposits with maturity over three months and marketable securities.

Millions of yen		Millions of yen (except Per share data and Other data)					Thousands of U.S. dollars *4
JGAAP		IFRS *6					
2011	2012	2013	2014	2015	2016	YoY	2016
¥ 820,349	¥ 928,669	¥1,142,971	¥1,382,935	¥1,681,781	¥1,786,473	+6.2%	\$17,312,471
116,365	126,450	134,101	130,402	164,463	127,292	(22.6)	1,233,576
141,716	150,687	157,708	161,210	202,221	164,089	(18.9)	1,590,171
93,881	123,390	155,732	135,470	180,676	90,237	(50.1)	874,475
54,354	71,654	104,595	74,546	110,027	48,052	(56.3)	465,670
57,158	127,643	99,474	110,595	134,931	98,755	(26.8)	957,026
(26,643)	(35,313)	(62,584)	(56,323)	(73,145)	(245,939)	—	(2,383,365)
30,515	92,330	36,890	54,272	61,786	(147,184)	—	(1,426,339)
(26,156)	(29,056)	(24,226)	(44,060)	(41,784)	201,428	—	1,952,013
202,104	266,020	296,708	314,049	355,212	385,431	+8.5	3,735,160
18,755	18,573	23,607	30,808	37,758	36,797	(2.5)	356,595
33,993	40,184	39,681	58,814	62,461	52,387	(16.1)	507,683
¥ 533,777	¥ 595,102	¥ 901,208	¥ 992,307	¥1,163,706	¥1,238,119	+6.4%	\$11,998,445
319,911	394,892	589,726	636,041	774,804	597,661	(22.9)	5,791,850
28,263	23,194	37,259	37,561	38,035	283,465	+645.3	2,747,027
14.2%	13.6%	11.7%	9.4%	9.8%	7.1%	(2.7)pts.	7.1%
18.1	20.4	21.7	12.5	16.1	7.3	(8.8)	7.3
59.0	65.0	63.3	62.3	64.5	46.4	(18.1)	46.4
9.0	6.0	6.5	6.1	5.1	49.7	44.6	49.7
33.7	37.0	28.2	41.0	32.4	74.3	41.9	74.3
¥ 533.93	¥ 703.62	¥ 1,026.68	¥ 731.51	¥ 1,079.42	¥ 471.31	(56.3)%	\$ 4.57
3,091.17	3,797.04	5,598.12	6,067.40	7,366.07	5,634.35	(23.5)	54.60
180.00	260.00	290.00	300.00	350.00	350.00	—	3.39
106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	—	106,073,656
¥ 1,535.9	¥ 1,938.0	¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	¥ 3,854.7	(26.2)%	\$ 37,355
98	91	102	112	119	120	+1	120
2,088	2,222	2,449	2,753	2,978	3,160	+182	3,160
[1,213]	[1,250]	[1,331]	[1,406]	[1,444]	[1,463]	+19	[1,463]
[491]	[589]	[743]	[1,072]	[1,240]	[1,405]	+165	[1,405]
[384]	[383]	[375]	[275]	[294]	[292]	(2)	[292]
4	4	4	4	4	4	—	4
938,896m ²	1,170,353m ²	1,387,367m ²	1,835,095m ²	2,030,031m ²	2,188,688m²	+158,657m ²	2,188,688m²
14,612	18,854	23,982	30,448	41,646	43,639	+1,993	43,639

*4 Calculations are based on the closing share price of ¥36,340 at the end of August 2016 and an exchange rate of ¥103.19 to U.S.\$1.

*5 Total sales floor space includes only directly operated stores.

*6 Fast Retailing adopted IFRS from Fiscal 2014. Fiscal 2013 data recalculated using IFRS

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Group
Performance
in Fiscal 2016**

(Year to August 31, 2016)

- Revenue: ¥1.7864 trillion (+6.2% YoY), operating profit ¥127.2 billion (-22.6% YoY). Full-year profit down on warm winter in 1H, but profit recovered sharply in 2H.
- Basic earnings per share: ¥471.3 (-56.3% YoY) after yen appreciation reduced the value of foreign currency assets in yen terms, resulting in a ¥37.0 billion finance cost.
- Annual dividend per share held steady at ¥350

**1 Operating Environment and
Management Strategy**

While the broader Japanese economy recovered gently, average wages remained flat, making customers increasingly selective in their purchasing decisions, and prolonging the tough consumption environment. The outlook for the global economy was clouded by the UK's decision to exit the EU, the global refugee crisis and a less buoyant Chinese economy.

Our retail operation faced difficult challenges including sluggish consumption in Japan, a global slump in demand during the warm winter, upward pressure on manufacturing costs from higher raw material prices and rising distribution-related costs in Japan. As a result, while consolidated revenue increased 6.2% year on year to ¥1.7864 trillion in fiscal 2016, operating profit declined by 22.6% to ¥127.2 billion.

Full-year consolidated revenue was supported by an expanding UNIQLO International store network and subsequent rising sales, and a significant increase in revenue at our low-priced GU casual fashion brand. Full-year operating profit declined after warm winter weather worldwide in the first half (September 2015 to February 2016) stifled demand in Japan, Greater China, South Korea and the United States. However, performance rebounded in the second half (March to August 2016) at UNIQLO Japan and UNIQLO International, thanks to robust sales, improved gross profit margins and cost controls.

The Group recorded a ¥13.8 billion impairment loss on J Brand in the second half, along with ¥9.3 billion in store-closure losses and impairment loss at UNIQLO Japan and

■ Number of Stores by Group Operation

(Unit: Stores)

(FY)	2015	2016		
	End Aug.	End Aug.	Open	Close
UNIQLO Japan	841	837	36	40
Directly operated	811	798	27	40
Large-scale	208	205	7	10
Standard	603	593	20	30
Franchise	30	39	9	0
UNIQLO International	798	958	176	16
Mainland China	387	472	92	7
Hong Kong	25	25	0	0
Taiwan	55	63	8	0
South Korea	155	173	20	2
Singapore	23	24	2	1
Malaysia	25	35	10	0
Thailand	23	32	9	0
The Philippines	23	32	9	0
Indonesia	8	9	1	0
Australia	6	12	6	0
U.S.	42	45	8	5
U.K.	9	10	1	0
France	8	10	2	0
Russia	8	11	4	1
Germany	1	3	2	0
Belgium	—	2	2	0
Global Brands	1,339	1,365	99	73
GU	319	350	50	19
Theory*	504	530	39	13
Comptoir des Cotonniers*	368	348	7	27
Princesse tam.tam*	145	137	3	11
J Brand	3	0	0	3
Total	2,978	3,160	311	129

* Including franchise stores

Note: This table does not include mina or Grameen UNIQLO.

■ Performance by Group Operation

(FY)	2015			2016		
	Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
UNIQLO Japan						
Revenue	¥780.1	¥ 64.4	+9.0	¥799.8	¥19.6	+2.5
Operating profit	117.2	10.9	+10.3	102.4	(14.7)	(12.6)
UNIQLO International						
Revenue	603.6	190.0	+45.9	655.4	51.7	+8.6
Operating profit	43.3	10.4	+31.6	37.4	(5.9)	(13.7)
Global Brands*						
Revenue	295.3	44.0	+17.6	328.5	33.2	+11.3
Operating profit	14.4	18.6	—	9.5	(4.8)	(34.0)

* Global Brands includes GU, Theory, CDC, PTT, J Brand.

Note: Consolidated revenue also includes items reported by the holding company, Fast Retailing Co., Ltd., such as real estate leasing.

Consolidated operating profit includes Fast Retailing operating profit.

UNIQLO USA. The Group also recorded a ¥37.0 billion finance cost as the appreciating yen reduced the yen value of foreign-currency denominated assets. As a result, profit attributable to owners of the parent contracted sharply, down 56.3% to ¥48.0 billion.

The Group's medium-term vision is to become the world's No.1 digital-powered apparel retailer. To this end, we are focusing on expanding UNIQLO International and GU, boosting store numbers in each national operation, and opening global flagship stores and large-format stores in major cities worldwide to consolidate UNIQLO's position as a key global brand. We are expanding GU, our second pillar brand, by opening more GU stores within Japan and developing the brand's international presence.

We are also transforming our entire supply chain from design, raw materials and procurement to manufacturing and retail in order to support a new business model more suited to today's digital era. This business revolution will transform us into a leading digital-powered retailer capable of immediately translating customer feedback into new, better products, and actively offering the latest information on lifestyles, fashion trends, and exciting but comfortable modern clothing.

2 Revenue

Consolidated revenue rose 6.2% year on year to ¥1.7864 trillion, a ¥104.6 billion increase. This breaks down into ¥51.7 billion from UNIQLO International, ¥33.2 billion from Global Brands and ¥19.6 billion from UNIQLO Japan. UNIQLO International contributed to overall revenue gains by opening an additional 160 stores, taking the network from 798 stores in August 2015 to 958 in August 2016 (Greater China: +93, Southeast Asia & Oceania: +36, South Korea: +18, Europe: +10, USA: +3). Within Global Brands, GU performed strongly, reporting a 32.7% increase in revenue to ¥187.8 billion.

Same-store sales at UNIQLO Japan were hit hard by warm winter weather, declining 1.9% in the first half. However, that

same measure subsequently expanded 4.9% in the second half following the introduction of affordable, easily recognizable pricing, and strong sales of new trendy clothing such as skants, and items made from anti-perspiration high-function materials that featured in our sportswear campaign.

3 Gross Profit Margin

Gross profit rose 1.9% year on year to ¥864.9 billion. The gross profit margin shrank 2.1 points to 48.4% on the back of a 2.9 point contraction in gross profit margin at UNIQLO International caused by warm winter weather. A 3.5 point contraction in UNIQLO Japan's first-half gross profit margin led to a 1.4 point full-year decline. However, the gross profit margin rebounded by 1.4 points in the second half after we reduced the number of weekend discounts and introduced new affordable, easily recognizable prices.

4 Selling, General and Administrative Expenses (SG&A)

SG&A expenses totaled ¥702.9 billion. The SG&A to net sales ratio declined 0.6 point year on year to 39.3%, following our Group-wide cost-cutting drive in the second half. The drive was especially successful at UNIQLO International and UNIQLO Japan, generating significant reductions in business cost ratios of 3.5 and 1.9 points, respectively.

5 Other Income/Expenses

Other income and expenses totaled -¥34.7 billion in fiscal 2016, including i) a ¥11.0 billion foreign exchange loss relating to temporary advances paid by overseas subsidiaries on purchases after the yen strengthened against the U.S. dollar from ¥121 to ¥103 over the period, ii) a ¥13.8 billion J Brand impairment loss, and iii) ¥9.3 billion impairment losses on UNIQLO Japan and UNIQLO USA stores, retirement and store-closure losses.

Breakdown of SG&A Expenses

(FY)	2014			2015			2016		
	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change
Advertising and promotion	¥ 60,941	¥ 8,247	+15.7	¥ 68,474	¥ 7,533	+12.4	¥ 71,611	¥ 3,136	+4.6
Rental expenses	138,652	27,376	+24.6	166,437	27,784	+20.0	171,356	4,918	+3.0
Depreciation and amortization	30,808	7,200	+30.5	37,758	6,949	+22.6	36,797	(961)	(2.5)
Outsourcing	22,953	5,768	+33.6	29,324	6,371	+27.8	33,602	4,277	+14.6
Salaries	184,864	44,752	+31.9	230,815	45,950	+24.9	242,033	11,218	+4.9
Others	110,975	29,671	+36.5	139,053	28,077	+25.3	147,555	8,502	+6.1
Total	¥549,195	¥123,017	+28.9	¥671,863	¥122,668	+22.3	¥702,956	¥31,093	+4.6

6 Operating Profit

Operating profit decreased 22.6% year on year to ¥127.2 billion. The operating income margin decreased 2.7 points to 7.1%.

7 Finance Income/Costs

Net finance income and costs totaled -¥37.0 billion at the end of August 2016, compared to +¥16.2 billion at the end of August 2015, after the yen's appreciation from ¥121 to ¥103 against the U.S. dollar over the period greatly reduced the carrying amount of foreign-currency denominated assets.

8 Income Taxes and Other Taxes

Income taxes totaled ¥36.1 billion in fiscal 2016. The effective corporate tax rate after tax effect accounting was 40.0%, 7.0 points higher than Japan's statutory tax rate of 33.0%, largely because of an increase in unrecognized deferred tax assets.

9 Profit Attributable to Owners of the Parent and Dividend

Profit attributable to owners of the parent totaled ¥48.0 billion (-56.3% YoY). Basic earnings per share declined ¥608.11 to ¥471.31. The annual dividend was maintained at ¥350 per share (dividend payout ratio 74.3%). The sharp decline in profit attributable to owners of the parent resulted in an 8.8 point decline in return on equity (ROE) to 7.3%.

10 Results by Business Segment

UNIQLO Japan

UNIQLO Japan reported rising revenue but falling profit in fiscal 2016. Revenue totaled ¥799.8 billion (+2.5% YoY) and operating profit ¥102.4 billion (-12.6%). Revenue was supported by a 0.9% rise in same-store sales and a buoyant 30.1% increase in e-commerce. The 12.6% decline in operating profit was due largely to a 1.4 point contraction in the gross profit margin, and a 0.5 point increase in the SG&A ratio.

However, UNIQLO Japan operating profit rebounded in the second half to report a healthy 38.0% year-on-year gain. Same-store sales expanded 4.9% on strong sales of trendy items such as jogger pants and skants, and a strong performance by sportswear campaign items featuring AIRism and DRY technologies. The second-half gross profit margin also improved by 1.4 points as new attractive, readily recognizable pricing for every day of the week bore fruit, reducing discounting. Cost-cutting in advertising, outsourcing, etc. generated a 1.9 point improvement in the SG&A ratio.

We opened 27 new directly operated stores, closed 32 stores, and converted 8 to employee franchise stores. The UNIQLO Japan network stood at 798 (excluding 39 franchise stores) at the end of fiscal 2016.

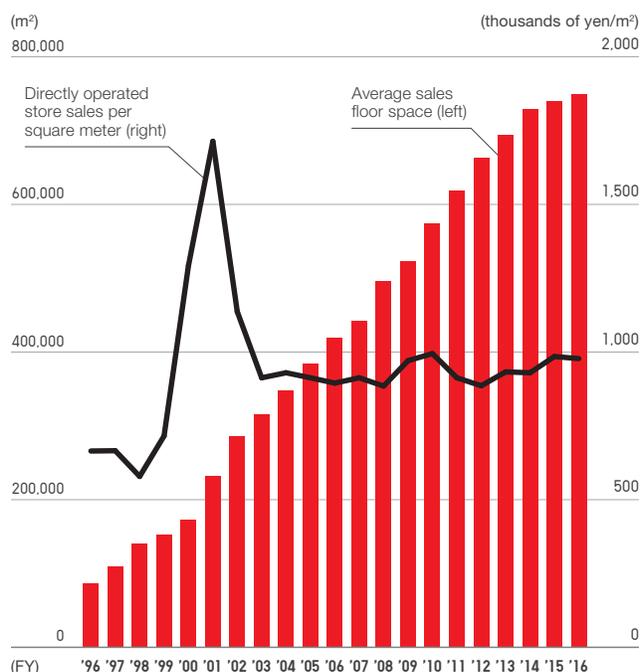
UNIQLO International

UNIQLO International also reported rising revenue but falling profit. Revenue totaled ¥655.4 billion (+8.6%) and operating profit ¥37.4 billion (-13.7%). However, operating profit rebounded in the second half to 15 times the previous year's number thanks to marked improvements in profitability in Greater China, Southeast Asia and Oceania, and Europe.

UNIQLO Greater China generated revenue of ¥332.8 billion (+9.3%) and operating profit of ¥36.5 billion (-5.5%). While full-year operating profit declined slightly, Greater China reported a much stronger profit rebound than expected in the second half. In Mainland China, the impact of the warm winter was contained within the first quarter and same-store sales rebounded from the second quarter onwards. The impact of a slowing economy on our business was limited. Conversely, UNIQLO operations in Taiwan and Hong Kong were more adversely impacted by the slowing Chinese economy, and reported a fall in both revenue and profit in fiscal 2016. The ordinarily strong UNIQLO South Korea operation also reported lower results due to a worsening consumer environment.

UNIQLO Southeast Asia and Oceania, and the now profitable UNIQLO Europe reported rising revenue and profits. UNIQLO USA, hit hard by the warm winter, reported an

UNIQLO Japan: Sales Floor Space and Sales per Square Meter



increased first-half operating loss. The subsequent thorough overhaul of business operations, including store closures as well as inventory and cost controls, started to bear fruit, leading to improved second-half profitability. However, the full-year operating loss expanded after UNIQLO USA accounted a ¥7.4 billion temporary loss from impairment losses on stores and losses related to asset retirement and store closures.

To extend its global presence and improve brand visibility worldwide, UNIQLO International opened its first UNIQLO stores in Belgium in October 2015, and in Canada in September 2016. In March 2016, UNIQLO International opened the avidly awaited refurbished 311 Oxford Street global flagship store in the U.K., and, in September 2016, opened the first global flagship store in Southeast Asia: the UNIQLO Orchard Central Store in Singapore.

The UNIQLO International network expanded by 160 stores to 958 at the end of fiscal 2016.

Global Brands

Global Brands reported a rise in revenue but a fall in profit in fiscal 2016. Revenue expanded 11.3% to ¥328.5 billion. Operating profit contracted 34.0% to ¥9.5 billion after the recording of a ¥13.8 billion impairment loss on J Brand.

Our low-priced GU fashion casualwear brand reported an overwhelmingly strong performance in its 10th anniversary year, with revenue expanding 32.7% to ¥187.8 billion, and operating profit 34.8% to ¥22.2 billion. GU achieved double-digit same-store sales growth with the help of strong trendy women's knitwear, skants and wide pants. The GU network increased by 31 to 350 stores (including 10 stores outside Japan) at the end of August 2016.

Meanwhile, Comptoir des Cotonniers reported a loss in fiscal 2016. Princesse tam.tam and J Brand generated persistent losses, while Theory reported increased profits.

11 Balance Sheet

Total assets rose ¥74.4 billion year on year to ¥1.2381 trillion. Current assets increased ¥50.1 billion to ¥924.5 billion (cash, cash equivalents and other current financial assets: +¥191.8 billion, inventory assets: +¥10.0 billion, derivative financial assets: -¥156.9 billion).

Cash from our December 2015 corporate bond issue and increased cash flow contributed to the ¥191.8 billion rise in total cash and cash equivalents and other current financial assets to ¥569.6 billion.

Inventory assets rose by ¥10.0 billion to ¥270.0 billion (UNIQLO International: -¥1.3 billion, UNIQLO Japan: +¥3.8 billion, Global Brands: +¥7.3 billion). UNIQLO International inventory declined on yen appreciation and a rundown of inventory in South Korea and Hong Kong. The targeted

expansion of GU increased inventory at Global Brands.

Derivative financial assets decreased by ¥156.9 billion to ¥0.5 billion after the average exchange rate on the company's forward currency contracts fell below the actual exchange rate at the end of August 2016, turning derivative financial assets into liabilities.

Non-current assets increased by ¥24.2 billion to ¥313.5 billion. This increase includes a ¥33.3 billion rise in deferred tax assets but a ¥16.0 billion fall in intangible assets, following the reporting of year-end impairment losses at J Brand, etc.

Current liabilities increased by ¥45.8 billion to ¥338.0 billion, due largely to a ¥72.2 billion increase in derivative financial liabilities and a decrease of ¥27.1 billion in income taxes payable.

Non-current liabilities increased by ¥205.7 billion to ¥302.4 billion due to a ¥248.5 billion increase in non-current financial liabilities.

Total equity decreased by ¥177.1 billion to ¥597.6 billion, including a ¥54.0 billion increase in net profit for the year, a ¥39.9 billion decrease in retained earnings following dividend payments, and a ¥193.4 billion decrease in other comprehensive income (including cash flow hedges). As a result, the ratio of equity attributable to owners of the parent contracted 18.1 points to 46.4%.

■ Consolidated Subsidiaries (at end of August 31, 2016)

Company name	Share ownership
Holding Companies	
FAST RETAILING CO., LTD.	—
FAST RETAILING (SINGAPORE) PTE. LTD.	100.0%
FAST RETAILING FRANCE S.A.S.	100.0%
Fast Retailing USA, Inc.	100.0%
UNIQLO Business	
UNIQLO CO., LTD.	100.0%
UNIQLO EUROPE LIMITED	100.0%
FAST RETAILING (CHINA) TRADING CO., LTD.	100.0%
FRL Korea Co., Ltd.	51.0%
LLC UNIQLO (RUS)	100.0%
UNIQLO TRADING CO., LTD.	100.0%
UNIQLO (THAILAND) COMPANY LIMITED	75.0%
PT. FAST RETAILING INDONESIA	75.0%
UNIQLO AUSTRALIA PTY LTD	100.0%
FAST RETAILING (SHANGHAI) TRADING CO., LTD.	100.0%
Global Brands	
G.U. CO., LTD.	100.0%
LINK THEORY JAPAN CO., LTD.	100.0%
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	100.0%
J Brand, Inc.	100.0%

*The Fast Retailing Group comprises 120 consolidated subsidiaries.

12 Cash Flow Information

In fiscal 2016, net cash received from operating activities totaled ¥98.7 billion, net cash used in investing activities totaled ¥245.9 billion and net cash received from financing activities totaled ¥201.4 billion. As a result, free cash flow (net cash received from operating activities + net cash used in investing activities) totaled -¥147.1 billion. However, if the ¥186.5 billion invested in highly liquid bank deposits with maturities over three months is included then free cash flow actually totaled a positive ¥39.3 billion. Overall, the balance of cash and cash equivalents increased by ¥30.2 billion to ¥385.4 billion, and if you factor in other highly liquid current financial assets, which include the above bank deposits, the total figure is ¥569.6 billion.

The Group seeks to ensure consistent, steady growth by using retained funds and free cash flow to make effective investments and loans to strengthen our operational base.

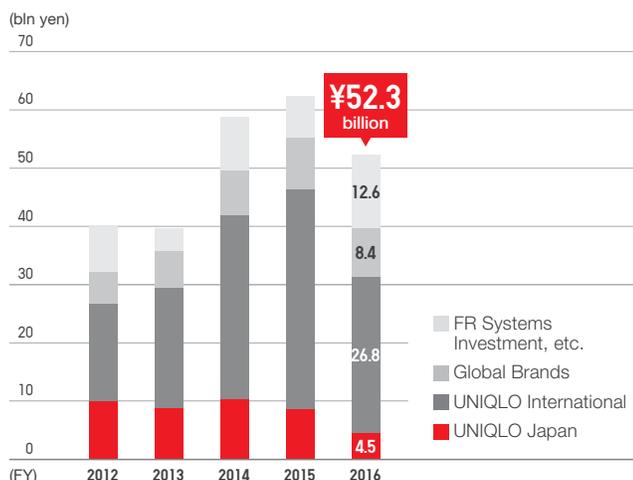
Net Cash from Operating Activities: ¥98.7 Billion

Net inflows included ¥90.2 billion in profit before income taxes, ¥36.7 billion in depreciation and amortization and ¥22.3 billion in impairment losses. Working capital outflow, calculated from trade receivables, inventories and trade payables, totaled ¥18.6 billion. Net income taxes paid totaled ¥70.5 billion.

Net Cash Used in Investing Activities: ¥245.9 Billion

This includes a ¥186.5 billion increase in bank deposits with maturities over three months, ¥34.1 billion in acquisitions of property, plant and equipment to help expand UNIQLO International and Global Brands store networks, and ¥9.4 billion for the acquisition of non-tangible assets such as systems investment. Consolidated capital expenditure totaled ¥52.3 billion (UNIQLO Japan: ¥4.5 billion, UNIQLO International: ¥26.8 billion, Global Brands: ¥8.4 billion, Fast Retailing systems investment, etc.: ¥12.6 billion).

Capital Expenditure



Net Cash from Financing Activities: ¥201.4 Billion

Including ¥36.7 billion in cash dividend payments and ¥249.3 billion in proceeds from our December 2015 bond issuance.

13 Dividend Policy

Returning a portion of our profits to shareholders is a top priority. Our policy is to pay a high dividend after considering the funds required to expand Group operations, increase profits and maintain financial soundness. The Group paid an annual dividend of ¥350 per share in fiscal 2016. This translates into an annual dividend payout ratio of 74.3%.

14 Outlook for Fiscal 2017 (as of January 12, 2017)

We forecast rises in consolidated revenue and profit, with revenue reaching ¥1.8500 trillion (+3.6% YoY), operating profit ¥175.0 billion (+37.5%), profit before income taxes ¥175.0 billion (+93.9%) and net profit attributable to owners of the parent ¥100.0 billion (+108.1%). We forecast net earnings per share (EPS) of ¥980.74, and an annual dividend per share of ¥350 (¥175 interim and year-end dividends).

All three business segments are expected to generate gains in revenue and profit. At UNIQLO Japan, we expect same-store sales growth of 2.0%. While the gross profit margin is expected to remain flat, cost-cutting is expected to boost the operating profit margin slightly. We forecast a significant increase in operating profit at UNIQLO International due to higher profit contributions from UNIQLO Greater China and UNIQLO Southeast Asia & Oceania, and a reduced loss from North America (USA+Canada). We also forecast significantly higher operating profit at Global Brands, thanks to expected revenue and profit gains from GU and the absence of any scheduled impairment losses.

We expect the Fast Retailing Group store network will expand to 3,336 stores, including 837 UNIQLO Japan directly operated and franchise stores, 1,104 UNIQLO International stores and 1,395 Global Brands stores.

Store Openings by Segment

(Unit: Stores)

(FY)	2016	2017			
	End Aug.	Open	Close	Net	End Aug.
UNIQLO	1,795	196	50	+146	1,941
UNIQLO Japan*	837	30	30	+0	837
UNIQLO International	958	166	20	+146	1,104
Global Brands*	1,365	60	30	+30	1,395
Total	3,160	256	80	+176	3,336

* Including franchise stores

Note: This table does not include mina or Grameen UNIQLO.

15 Risk

Risk factors that investors may regard as potentially having a significant impact on the businesses of the Company and the Group are stated below. The Company, aware of the possibility that these risks may occur, has planned preventive actions and thoroughgoing administrative procedures and strives to take appropriate measures when they occur.

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (27 November 2016).

(1) Risk specific to management strategy

Risks specific to the management strategy of the Group are as follows:

i) Management personnel risk

Our Representative Director, Chairman and CEO Tadashi Yanai and the other members of the Group management team all play vital roles in the operational areas for which they are responsible. If any of our executives should become unable to perform his or her duties, or if they should become unable to play these vital roles, this could have a negative impact on the Group's earnings.

ii) Competitive risk

In all the Group's businesses, our customers are ordinary consumers, who are keenly selective when it comes to products, services and prices, and we are engaged in intense competition with rivals both domestically and internationally. If our customers should choose to do business with our competitors, and if our business competitiveness wanes in relative terms, this may have a negative effect on earnings.

iii) Risk of dependency on production in specified geographic locations

Most products sold through Group companies are manufactured in China, other Asian countries and Turkey. For this reason, if there is a dramatic political, economic, security, or legal change in countries where we produce, or a strike by factory personnel or dock workers, or an earthquake, flood or other major natural disaster, this could have an impact on supply of our products. Also, if there is a sharp rise in prices for cotton, cashmere, down or other raw materials, this could have a negative impact on our earnings.

iv) Risk of corporate acquisitions

One element of the Group's management strategy is to expand the business through M&A. Our aim is to maximize the enterprise value of the Group by pursuing synergies with target companies and businesses, and striving for optimization of our business portfolio, but there is a possibility of negative impact on results if we are unable to achieve anticipated revenues and effects.

v) Overseas business risk

As the Group expands its business through M&A, we are steadily expanding our presence overseas. As we open more stores in more countries, it is expected that our overseas business will make up a higher portion of the Group's total revenues. If the goods we sell do not match the market needs and product trends in each country, or if there are economic fluctuations, social and political turmoil,

changes in law, or major currency market volatility, or other factors that affect our ability to hire and train well-qualified management personnel and local staff who can smoothly manage our business in each country, this could have a negative impact on earnings.

vi) Currency risk

Most products sold through the UNIQLO business, which is the Group's core business, are denominated in US dollars. For products to be imported to Japan, we hedge our currency risks for about three years ahead, using forward currency agreements to equalize our exchange rate exposure for imported products and stabilize our purchasing costs. If the yen continues to weaken further against the dollar going forward, this could have a negative impact on earnings at UNIQLO Japan, which is the Group's core business.

(2) General business risk

In management of the Group and operation of businesses, we are cognizant of risks in several categories:

i) Manufactured product liability risk

If gross quality defects are found in products sold by the Group, such as contamination by hazardous materials or toxins, this may require global product recalls, or compensation for harm to the health of customers, which may have a negative impact on earnings, as well as causing damage to customers' trust.

ii) Risk of leaks of business secrets, or customer personal information

In the course of doing business, the Group gathers information (including personal information) about customers, and it also handles trade secrets and other confidential information. Leaks or losses of customer information or confidential information may require that the information be recovered, necessitating apologies to customers, and possible payment of compensation for damages, which may have a negative impact on earnings, as well as causing damage to customers' trust.

iii) Risk due to weather

Global warming may cause a trend toward warmer winter weather, which may reduce sales of products sold by the group, which could have a negative impact on earnings.

iv) Risk due to natural disaster

Fires, floods, explosions, building collapse, or other disasters affecting factories that produce or stores that sell the Group's products, or in their immediate vicinity, may have a negative impact on the Company's ability to supply or to sell its products.

v) Risk of disputes and litigation

In the event of disputes or litigation between the group and tenants of its stores or others with whom it transacts, or customers, resolution of such disputes may cost large sums of money, which could have a negative impact on earnings.

vi) Risk of change in the business climate and consumer trends

Changes in the business climate or consumer trends in countries where the Group carries out business may have the effect of reducing product sales or increasing inventories, which could have a negative impact on earnings.

HISTORY

1949.3

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

1963.5

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

1984.6

The first UNIQLO store opens in Hiroshima (closed in August 1991).

UNIQUE CLOTHING WAREHOUSE



1985.6

First UNIQLO roadside store opens.



1991.9

Company name is changed to FAST RETAILING CO., LTD.

1994.7

Company stock is listed on the Hiroshima Stock Exchange.

1998.2

Head office is constructed in Yamaguchi Prefecture, Japan.



1998.10

1,900-yen fleece campaign succeeds in attracting large public attention.



1998.11

First urban UNIQLO store opens in the fashionable Harajuku district of Tokyo (closed in 2012).



1999.2

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

1999.4

Shanghai office is established to further enhance production management.

2000.10

E-commerce business launches.

2001.9

First UNIQLO overseas store opens in London.



2002.4

UNIQLO Design Studio (current R&D Center) is established.



2002.9

First UNIQLO China store opens in Shanghai.

2002.11

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

2004.1

Fast Retailing invests in Link International Co., Ltd. (now LINK THEORY JAPAN CO., LTD.), developer of Theory brand apparel.



2004.9

UNIQLO makes Global Quality Declaration, and cashmere campaign generates high level of consumer interest.



2004.12

UNIQLO Design Studio, New York, Inc. is established.

2005.3

Footwear retail chain Onezone Corp. becomes a subsidiary (comes under UNIQLO CO., LTD. in April 2010).

2005.5

Comptoir des Cottonniers is acquired.

2005.9

First UNIQLO South Korea store opens in Seoul.

2005.9

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

2005.11

Holding company structure is adopted at Fast Retailing.

2006.2

Princesse tam.tam is acquired.

2006.4

Fast Retailing invests in women's apparel company Cabin Co., Ltd.



2006.6

Strategic business partnership is established between UNIQLO and Toray Industries, Inc.

2006.9

UNIQLO All-Product Recycling Initiative commences.



2006.10

First GU store opens in Chiba Prefecture, Japan.

2006.11

First UNIQLO global flagship store opens in Soho, New York City.



2007.11

Global flagship store, UNIQLO 311 Oxford Street Store, opens in London.

2007.12

First UNIQLO France store opens in Paris.

2009.3

LINK THEORY JAPAN CO., LTD. becomes a subsidiary.

2009.4

First UNIQLO Singapore store opens.

2009.10

Global flagship store, Paris Opera Store, opens.



2010.4

First UNIQLO Russia store opens in Moscow.

2010.5

Global flagship store, UNIQLO West Nanjing Road Store, opens in Shanghai.



2010.10

Global flagship store, UNIQLO Shinsaibashi Store, opens in Osaka.



2010.10

First GU flagship store opens in Shinsaibashi, Osaka.

2010.10

First UNIQLO Taiwan store opens in Taipei.

2010.11

First UNIQLO Malaysia store opens in Kuala Lumpur.

2011.2

Global Partnership Agreement with UNHCR is established, reinforcing All-Product Recycling Initiative.

2011.9

First UNIQLO Thailand store opens in Bangkok.

2011.9

Global flagship store, UNIQLO Mingyao Department Store, opens in Taipei.

2011.10

Global flagship store, UNIQLO New York 5th Avenue Store, opens in New York City.



2011.11

Global flagship store, UNIQLO Myeongdong Central Store, opens in Seoul.

2012.3

Global flagship store, UNIQLO Ginza, opens in Tokyo.



2012.3

GU flagship store opens in Ginza, Tokyo.

2012.6

First UNIQLO Philippines store opens in Manila.

2012.9

Global hotspot store, BICQLO Shinjuku East Exit Store, opens in Tokyo.



2012.12

U.S.-based premium denim company J Brand Holdings, LLC is acquired.

2013.4

Global flagship store, UNIQLO Lee Theatre Store, opens in Hong Kong.

2013.6

First UNIQLO Indonesia store opens in Jakarta.

2013.9

First GU overseas store opens in Shanghai.

2013.9

Global flagship store, UNIQLO SHANGHAI, opens in China.



2014.3

Fast Retailing Hong Kong Depository Receipts (HDR) are listed on the Stock Exchange of Hong Kong.



2014.3

Global hotspot store, UNIQLO Ikebukuro Sunshine 60 Street Store, opens in Tokyo.

2014.4

First UNIQLO Australia store opens in Melbourne.

2014.4

First UNIQLO Germany store, Taentzien global flagship, opens in Berlin.



2014.4

Global hotspot store, UNIQLO Okachimachi Store, opens in Tokyo.

2014.10

Global hotspot store, UNIQLO Kichijoji Store, opens in Tokyo.

2014.10

Global flagship store, UNIQLO OSAKA, opens in Osaka.

2015.4

Fast Retailing and Daiwa House Industry Co., Ltd. set up ON HAND CO., LTD. to promote new distribution systems.

2015.9

Fast Retailing and Accenture plc set up Wearex Co., Ltd. to accelerate the introduction of advanced IT systems.

2015.10

First UNIQLO Belgium store opens in Antwerp.

2015.10

First store in the U.S. Midwest, the UNIQLO Michigan Avenue Store, opens in Chicago.



2016.3

The newly refurbished 311 Oxford Street global flagship store opens in London.



2016.4

Construction is completed on state-of-the-art distribution center in Ariake, Tokyo.



2016.9

UNIQLO Orchard Central store opens as the first UNIQLO global flagship store in Southeast Asia.

2016.9

The newly refurbished UNIQLO Soho global flagship store opens in New York.



2016.9

First UNIQLO Canada store opens in Toronto.

2016.9

UNIQLO stores worldwide start retailing the new Uniqlo U line developed by Artistic Director Christophe Lemaire and his team at the UNIQLO Paris R&D Center.

INVESTOR INFORMATION (As of August 31, 2016)

Stock Exchange Listing

Tokyo Stock Exchange (First Section)
Securities Code: 9983

The Stock Exchange of Hong Kong (Main Board)
Securities Code: 6288

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares (including treasury stock)	106,073,656
Number of shareholders (including holders of treasury stock)	9,131

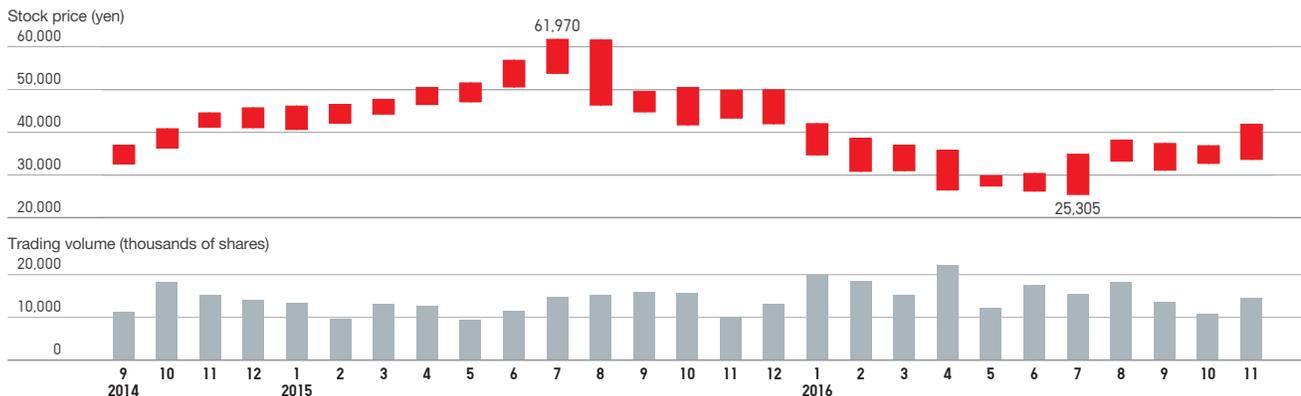
Distribution of Share Ownership



Principal Shareholders

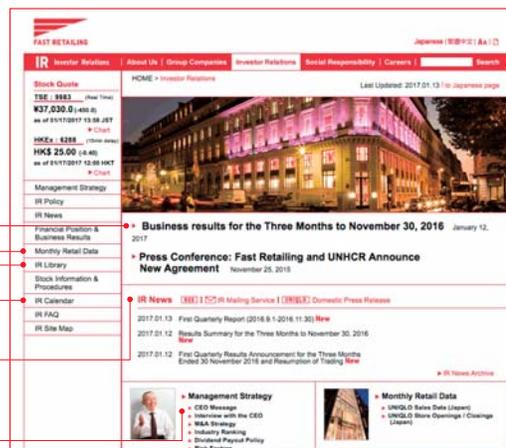
	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	22,987,284	21.67
The Master Trust Bank of Japan, Ltd.	13,886,100	13.09
Japan Trustee Services Bank, Ltd.	10,789,500	10.17
TTY Management B.V.	5,310,000	5.01
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
Trust & Custody Services Bank, Ltd.	4,256,420	4.01
Fast Retailing Co., Ltd.	4,109,503	3.87
Mastermind Co., Ltd.	3,610,000	3.40

Stock Price and Trading Volume



Information Available in the Investor Relations (IR) Section of Our Website

- You can access materials and videos of our latest business results, meetings and press conferences.
- Monthly Retail Data** You can view monthly sales for UNIQLO Japan.
- IR Library** You can access the latest IR publications, including the Annual Report, Fact Book and Securities Report.
- IR Calendar** You can access the schedule for monthly announcements, business results meetings and other events.
- IR News** You can access the latest IR news and releases.
- CEO Message** You can access the latest message from the chairman of Fast Retailing.



fastretailing.com/eng/ir/

CORPORATE INFORMATION (As of December 31, 2016)

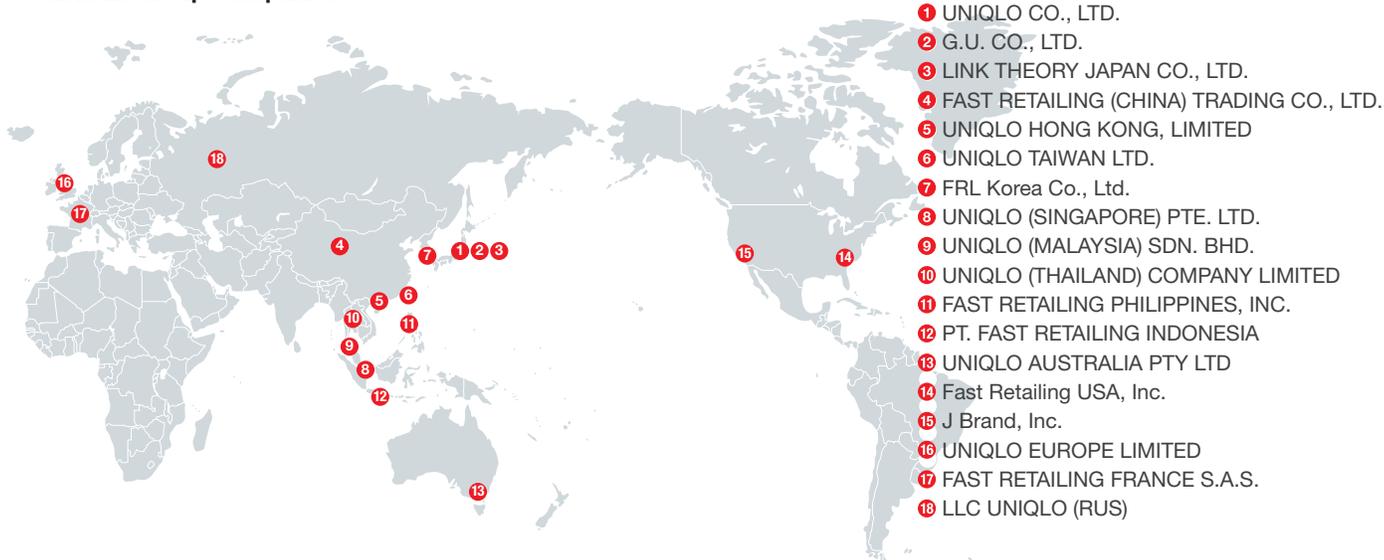
■ Corporate Data

Trade Name	FAST RETAILING CO., LTD.
Head Office	717-1 Sayama, Yamaguchi City Yamaguchi 754-0894, Japan
Tokyo Office	Midtown Tower, 9-7-1 Akasaka, Minato-ku Tokyo 107-6231, Japan Telephone: +81-3-6865-0050
Established	May 1, 1963
Paid-in Capital	¥10,274 million
Line of Business	Control and management of overall Group activities as owner and holding company
Number of Full-time Employees (Consolidated)	43,639 (As of August 31, 2016)
Fiscal Year Ends	August 31
Annual Shareholders' Meeting	Late November
Transfer Agent	The Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan Telephone: 0120-232-711 (From Japan)
Number of Shares per Trading Unit	100 shares (Tokyo Stock Exchange) 300 HDR (The Stock Exchange of Hong Kong)

■ Board of Directors

Chairman, President & CEO	Tadashi Yanai
External Directors	Toru Hambayashi Nobumichi Hattori Toru Murayama Masaaki Shintaku Takashi Nawa
Internal Full-time Auditors	Akira Tanaka Masaaki Shinjo
External Statutory Auditors	Takaharu Yasumoto Akira Watanabe Keiko Kaneko

■ Main Group Companies



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

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

■ Forward-looking Statements

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

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FAST RETAILING WAY FR Group Corporate Philosophy

**CHANGING
CLOTHES.
CHANGING
CONVENTIONAL
WISDOM.
CHANGE THE
WORLD.**







FAST RETAILING

FAST RETAILING CO., LTD.
www.fastretailing.com