FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司*

(Incorporated in Japan with limited liability)

(Stock Code:6288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2014 AND RESUMPTION OF TRADING

The board (the "Board") of directors (the "Directors") of FAST RETAILING CO., LTD. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 August 2014 together with the comparative figures for the year ended 31 August 2013.

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 9 October 2014, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 October 2014.

* *For Identification Purpose Only*

(Amounts are rounded down to the nearest million Japanese Yen unless otherwise stated)

1. CONSOLIDATED FINANCIAL RESULTS

(1) Consolidated Operating Results (1 September 2013 to 31 August 2014)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2014	1,382,935	21.0	130,402	(2.8)	135,470	(13.0)	79,337	(26.2)
Year ended 31 August 2013	1,142,971	—	134,101	—	155,732	—	107,474	—

	Profit attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended 31 August 2014	74,546	(28.7)	82,033	(61.2)	731.51	730.81
Year ended 31 August 2013	104,595	—	211,550	—	1,026.68	1,025.75

	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended 31 August 2014	12.5	14.3	9.4
Year ended 31 August 2013	21.7	20.7	11.7

(Notes) 1. Share of results of associates Year ended 31 August 2014: None
Year ended 31 August 2013: None

2. The consolidated operating results above were prepared in accordance with International Financial Reporting Standards ("IFRS"), while the results for the year ended 31 August 2012 were prepared under Generally Accepted Accounting Principles in Japan ("JGAAP"). Therefore, year-on-year changes for the year ended 31 August 2013 compared with the results for the year ended 31 August 2012 are not presented, and year-on-year changes over 1,000% are also not presented herein.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As at 31 August 2014	992,307	636,041	618,381	62.3	6,067.40
As at 31 August 2013	901,208	589,726	570,428	63.3	5,598.12

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 31 August 2014	110,595	(56,323)	(44,060)	314,049
Year ended 31 August 2013	99,474	(62,584)	(24,226)	296,708

2. DIVIDENDS

	Dividend per share					Total dividend (annual)	Payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent (consolidated)
(Declaration date)	First quarter period end	Second quarter period end	Third quarter period end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended 31 August 2013	—	140.0	—	150.0	290.0	29,549	28.2	6.1
Year ended 31 August 2014	—	150.0	—	150.0	300.0	30,574	41.0	5.1
Year ending 31 August 2015 (forecast)	—	160.0	—	160.0	320.0		32.6	

(Note) Please refer to 1. Business Results (3) Basic Policies on Distribution of Profits, and Dividends for the year ended 31 August 2014 and the year ending 31 August 2015 for detailed information.

3. CONSOLIDATED BUSINESS RESULTS PROJECTION FOR YEAR ENDING 31 AUGUST 2015 (1 SEPTEMBER 2014 TO 31 AUGUST 2015)

(% shows rate of increase/decrease from previous periods)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share attributable to owners of the parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1 September 2014–28 February 2015	890,000	–	120,000	–	120,000	–	72,000	–	67,000	–	657.39
Year ending 31 August 2015	1,600,000	15.7	180,000	38.0	180,000	32.9	108,000	36.1	100,000	34.1	981.18

* Notes

(1) Changes of principal subsidiaries (changes in specified subsidiaries): None

(2) Changes in accounting policies and changes in accounting estimates:

- (i) Changes in accounting policies to conform with IFRS: None
- (ii) Other changes in accounting policies: None
- (iii) Change in accounting estimates: None

(3) Total number of shares outstanding (common stock)

(i)	Number of shares outstanding (including treasury stock)	As at 31 August 2014	106,073,656 shares	As at 31 August 2013	106,073,656 shares
(ii)	Number of treasury stock	As at 31 August 2014	4,155,045 shares	As at 31 August 2013	4,177,164 shares
(iii)	Average number of shares outstanding	For the year ended 31 August 2014	101,908,470 shares	For the year ended 31 August 2013	101,877,010 shares

(REFERENCE INFORMATION)

NON-CONSOLIDATED FINANCIAL RESULTS

The non-consolidated financial results were prepared in accordance with JGAAP.

(1) Non-consolidated Operating Results (1 September 2013 to 31 August 2014)

(Percentages represent year-on-year changes)

	Operating Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2014	77,438	(15.4)	43,477	(34.5)	46,921	(38.7)	23,336	(66.1)
Year ended 31 August 2013	91,570	16.7	66,404	19.0	76,569	39.3	68,776	22.9

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended 31 August 2014	228.99	228.77
Year ended 31 August 2013	675.09	674.48

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at 31 August 2014	385,113	332,255	85.9	3,243.97
As at 31 August 2013	370,110	335,754	90.5	3,286.26

(Notes) Shareholders' equity As at 31 August 2014: 330,620 million yen
As at 31 August 2013: 334,857 million yen

※ Indication concerning status of implementation of auditing procedures:
These financial results are not subject to auditing procedures pursuant to the Financial Instruments and Exchange Act of Japan. As of the date of this announcement, the results for the year ended 31 August 2014 are under audit by the independent auditors of the Company.

※ Explanation and other notes concerning proper use of consolidated business results projection:

(1) Adoption of IFRS

The Group determined to first adopt IFRS for the year ended 31 August 2014. Figures for the year ended 31 August 2013 are also presented in accordance with IFRS. For differences between IFRS and JGAAP in the year ended 31 August 2013, please refer to "4. Consolidated Financial Statements (6) Notes to the Consolidated Financial Statements 11. First-time adoption of IFRS". For differences between IFRS and JGAAP in the year ended 31 August 2014, please refer to the presentation materials distributed at today's earnings announcement meeting.

(2) Consolidated results forecasts

Statements made in these materials pertaining to future matters including business projections are based on information currently available to the Company and certain assumptions determined to be reasonable. Actual business results may vary substantially depending on a variety of factors.

1. Business Results

The Group decided to apply new financial reporting standards starting from the year ended 31 August 2014, changing from JGAAP to IFRS. Comparative information for the year ended 31 August 2013 have been recalculated using IFRS in order to facilitate comparative analysis of the Group's performance and financial conditions.

(1) Analysis of Business Results for the year ended 31 August 2014

The Group reported the following consolidated results for the full financial year spanning 1 September 2013 to 31 August 2014: consolidated revenue of ¥1.383 trillion (+21.0% year-on-year), consolidated operating profit of ¥130.4 billion (-2.8% year-on-year), consolidated profit for the year of ¥79.3 billion (-26.2% year-on-year), and profit for the year attributable to owners of the parent of ¥74.5 billion (-28.7% year-on-year). The recent sharp fall in consolidated operating profit was due in the main to the recording of a ¥19.3 billion impairment loss in our J Brand premium denim operation, along with a ¥4.6 billion impairment on stores. Profit for the year also contracted considerably on the back of a significant fall in finance income from ¥22.2 billion in the year ended 31 August 2013 to ¥6.0 billion in the year ended 31 August 2014.

Both the UNIQLO Japan and UNIQLO International business segments reported gains in sales and profit for the full business year, with performance at UNIQLO International proving particularly strong. However, the Global Brands segment reported a fall in profits, after recording an impairment loss on the J Brand premium denim label.

The Group's medium-term vision is to become the world's number one apparel manufacturer and retailer. In pursuit of this aim, we are committed to promoting globalization, strengthening our overall Group management, and reigniting our entrepreneurial spirit. We have focused much of our efforts on building up our global UNIQLO operations, by accelerating the pace of new store openings outside of Japan. We have also opened global flagship stores, hotspot stores, and large-format stores in major cities around the world, in order to boost the awareness and visibility of the UNIQLO brand, and to strengthen our global operational base. Within our Global Brands segment, we have been actively expanding our GU casualwear brand and our Theory fashion label.

UNIQLO Japan

UNIQLO Japan achieved rising sales and profit in the full business year ended 31 August 2014. Revenue rose to ¥715.6 billion (+4.7% year-on-year), and operating profit expanded to ¥106.3 billion (+11.6% year-on-year). This strong performance was due in part to a 1.9% rise in sales in existing stores, and in part to a rise in total sales per store. The latter was achieved through our "scrap and build" strategy of gradually increasing the size of our store stock by replacing smaller, less efficient stores with large-scale outlets. The number of UNIQLO Japan stores, excluding 21 franchise outlets, totaled 831 stores at the end of August 2014. The 1.9% rise in sales in existing stores can be broken down into a 2.4% reduction in customer visits and a 4.5% increase in the average customer spending. The gross profit margin improved by 2.6%, thanks to strong sales of core spring and summer ranges, and new products. However, the selling, general and administrative expenses to net sales ratio increased 1.8%. This was due mainly to higher in-store personnel costs for part-time and temporary workers, and higher distribution and warehousing costs related to the Company's decision to boost inventory of basic year-round items.

UNIQLO International

UNIQLO International reported significant gains in both sales and profit in the full business year ended 31 August 2014. Revenue expanded considerably to ¥413.6 billion (+64.7% year-on-year), and operating profit rose to an impressive ¥32.9 billion (+165.1% year-on-year). Various regions within the UNIQLO International framework reported especially strong gains in sales and profit, including Greater China (Mainland China, Hong Kong, and Taiwan), South Korea, and Europe. Continued buoyant growth in sales in existing stores underpinned the strong performance reported by each of these operations. The total number of UNIQLO International stores expanded by 187 to 633 stores at the end of August 2014.

As mentioned above, UNIQLO Greater China achieved strong gains in both sales and profit over the full business year, with the total number of UNIQLO stores in that region expanded to 374 at the end of August. Thanks to strong gains in sales in existing stores, the full-year performance from UNIQLO South Korea outstripped the Company's estimates. By the end of August 2014, UNIQLO South Korea had boosted its store total to 133 stores. UNIQLO Southeast Asia and Oceania reported increase in sales and profit, and boasted a total network of 80 stores at the end of August. The first UNIQLO store in Australia opened in Melbourne in April 2014, and it continues to perform well.

UNIQLO USA generated a strong performance in the first half of the business year from September 2013 to February 2014. However, the cool summer had an adverse impact on sales in the second half from March to August 2014. Taking that into account, along with some additional costs incurred in relation to the early opening of a few new stores, the operating loss for the US operations remained roughly at the same level as the previous year. UNIQLO Europe, including the United Kingdom, France, Russia, and Germany, reported gains in both sales and profit over the full business year ended 31 August 2014. The global flagship store opened in Berlin in April 2014 was the first UNIQLO outlet to be opened in Germany. It also continues to generate favorable sales.

Global Brands

Revenue in Global Brands in the full business year ended 31 August 2014 expanded 21.8% year-on-year to ¥251.2 billion. However, Global Brands reported an operating loss of ¥4.1 billion, after continued losses in the J Brand business obliged the segment to record an impairment loss of ¥19.3 billion.

As for the other labels in the Global Brands segment, our GU fashion casualwear brand reported a rise in sales but a contraction in profit for the full business year ended 31 August 2014. GU was forced to scale up discounts on surplus inventory, following a sluggish sales period in the second half. Our Theory fashion brand reported rising sales and a slight contraction in operating profit. Our France-based women's fashion brand Comptoir des Cotonniers reported rising sales and profit, while our Princesse tam.tam reported rising sales and a fall in profit for the full business year ended 31 August 2014.

CSR Activities

The basic policy underlying the Group's CSR activities consists of fulfilling our social responsibility, contributing to society, solving social issues and creating new value, both globally and locally.

To ensure responsible purchasing practices, we carefully monitor working conditions at our partner factories. We employ third party professionals to inspect partner factories on a regular basis in an ongoing effort to ensure a fair and safe workplace environment, with no child labor, unpaid wages, or unsafe conditions. The Company has worked hard to strengthen its ties to production departments to ensure that buildings are safe, and that the risk of fire and other hazards are minimized.

Through our All-Product Recycling Initiative, in which UNIQLO and GU products are collected from customers and delivered to people who are in need of clothing, we have collected more than 32,130,000 items cumulatively at stores in 12 countries, and have donated 14,160,000 articles of clothing to 48 countries (as at 31 August 2014). From April to July 2014, the Company conducted a campaign at all UNIQLO stores in Japan encouraging customers to write messages on cards shaped as a heart, which will be sent together with clothing to refugee camps. The number of cards has exceeded 10,000.

The Power of Clothing Project was created in 2009 as a way to extend the All-Product Recycling Initiative to reach school children across Japan. FR staff visit schools to introduce The Power of Clothing Project. Thanks to such partnerships and the enthusiastic response from schools and communities across Japan, more than 16,100 students at 120 schools will participate in The Power of Clothing Project events from April 2014 to March 2015. We will continue forging close ties between our stores and surrounding communities as we continue to enhance our social contribution programs.

On July 11, Grameen UNIQLO opened a new store in Jamuna Future Park, a popular shopping mall in Dhaka, Bangladesh, as a part of our Social Business goals to combat poverty, unemployment and other social issues. As at the end of August 2014, there are nine Grameen UNIQLO stores in Bangladesh.

Outlook for the Coming Year

The Group estimates it will achieve the following performance in the year ending 31 August 2015: consolidated revenue of ¥1.600 trillion (+15.7% year-on-year), consolidated operating profit of ¥180.0 billion (+38.0% year-on-year), profit before income taxes of ¥180.0 billion (+32.9% year-on-year), profit for the year of ¥108.0 billion (+36.1% year-on-year), and profit attributable to owners of the parent of ¥100.0 billion (+34.1% year-on-year).

All three business segments are expected to achieve gains in both revenue and profit. The Group forecasts it will expand its total global store network to 3,015 stores by the end of August 2015. That estimate can be broken down into 844 UNIQLO Japan stores (including franchise outlets), 818 UNIQLO International stores and 1,353 stores for the Global Brands segment.

(2) Financial Positions and Cash Flow Information

(i) Financial Positions

Total assets as at 31 August 2014 were ¥992.3 billion, which was an increase of ¥91.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥17.3 billion in cash and cash equivalents, an increase of ¥55.7 billion in inventories, and an increase of ¥23.0 billion in property, plant and equipment.

Total liabilities as at 31 August 2014 were ¥356.2 billion, which was an increase of ¥44.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥31.7 billion in trade and other payables, an increase of ¥5.9 billion in income taxes payable, and an increase of ¥6.6 billion in provisions.

Equity as at 31 August 2014 was ¥636.0 billion, which was an increase of ¥46.3 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥43.9 billion in retained earnings.

(ii) Cash Flows Information

Cash and cash equivalents (hereinafter referred to as “funds”) as at 31 August 2014 were ¥314.0 billion, which was an increase of ¥17.3 billion from the end of the preceding consolidated fiscal year.

(Operating Cash Flows)

Net cash from operating activities for the year ended 31 August 2014 was ¥110.5 billion, which was an increase of ¥11.1 billion (+11.2% year-on-year) from the preceding consolidated fiscal year. The principal factors were ¥135.4 billion in profit before income taxes, ¥30.8 billion in depreciation and amortization, and ¥65.5 billion in income taxes paid.

(Investing Cash Flows)

Net cash used in investing activities for the year ended 31 August 2014 was ¥56.3 billion, which was a decrease of ¥6.2 billion (-10.0% year-on-year) from the preceding consolidated fiscal year. The principal factors were ¥41.4 billion for acquisition of property, plant and equipment, and ¥7.5 billion for acquisition of intangible assets.

(Financing Cash Flows)

Net cash used in financing activities for the year ended 31 August 2014 was ¥44.0 billion, which was an increase of ¥19.8 billion (+81.9% year-on-year) from the preceding consolidated fiscal year. The principal factors were ¥30.5 billion for cash dividends paid and ¥6.0 billion in payments for acquisition of non-controlling interests.

(3) Basic Policies on Distribution of Profits, and Dividends for the year ended 31 August 2014 and the year ending 31 August 2015

The Company regards the distribution of profits to shareholders as one of its most important considerations. Our basic policy is to constantly increase earnings and to provide ongoing, appropriate profit distribution based on performance. Our policy is to pay dividends that reflect business performance after taking into consideration funds needed to expand business and improve revenues, and ensure the financial soundness of the Group. The basic policy of the Group regarding the payment of dividends from surplus is to pay two dividends annually, an interim dividend and a year-end dividend. These dividends are decided by the Board, unless otherwise stipulated by laws and regulations.

Based on the policy outlined above and the earnings of the year ended 31 August 2014, we plan to pay a year-end dividend of ¥150 per share. Together with the ¥150 interim dividend per share, this will bring the total annual dividend for the current year to ¥300.

The Company plans to pay the year-end dividend following its approval at the meeting of the Board on 3 November 2014 and the reporting of the 53rd Ordinary General Meeting of Shareholders on 20 November 2014.

For the year ending 31 August 2015, the Company plans to pay a dividend of ¥320.

It is our intention to effectively utilize retained earnings and free cash flow for mergers and acquisitions (“M&A”), investment, financial investment and loans to strengthen the operational base of the Group companies.

2. Status of Group Member Companies

The Group consists of the Company and 112 consolidated subsidiaries.

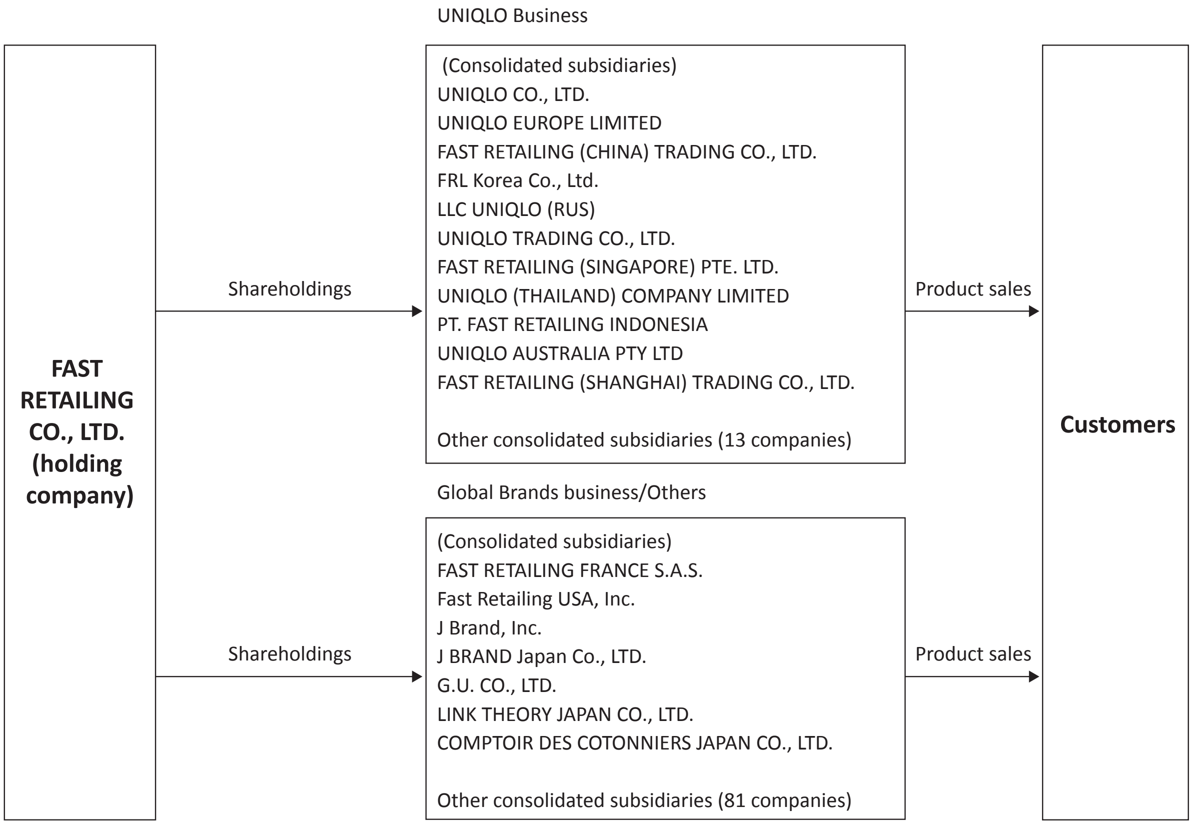
Details of the Group's businesses as well as the positioning of the Company and its main affiliates relative to the businesses are as follows:

Category	**Company name**	**Reportable Segment**
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD. (consolidated subsidiary)	UNIQLO Japan
	UNIQLO EUROPE LIMITED (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (CHINA) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FRL Korea Co., Ltd. (consolidated subsidiary)	UNIQLO International
	LLC UNIQLO (RUS) (consolidated subsidiary)	UNIQLO International
	UNIQLO TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SINGAPORE) PTE. LTD. (consolidated subsidiary)	UNIQLO International
	UNIQLO (THAILAND) COMPANY LIMITED (consolidated subsidiary)	UNIQLO International
	PT. FAST RETAILING INDONESIA (consolidated subsidiary)	UNIQLO International
	UNIQLO AUSTRALIA PTY LTD (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING FRANCE S.A.S. (consolidated subsidiary)	Global Brands
	Fast Retailing USA, Inc. (consolidated subsidiary)	UNIQLO International/ Global Brands
	J Brand, Inc. (consolidated subsidiary)	Global Brands
	J BRAND Japan Co., LTD. (consolidated subsidiary)	Global Brands
	G.U. CO., LTD. (consolidated subsidiary)	Global Brands
	LINK THEORY JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
	COMPTOIR DES COTONNIERS JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
	Other consolidated subsidiaries (94 companies)	UNIQLO International/ Global Brands/Others

* The English names of all subsidiaries established in the People's Republic of China ("PRC") are translated for identification only.

Notes:
1. "UNIQLO" business means the retail business of UNIQLO brand casual apparel in Japan and overseas.
2. "Global Brands" business means the planning, retail and manufacturing of apparel in Japan and overseas.
3. "Others" include real estate leasing businesses.
4. UNIQLO (U.K.) LIMITED changed its name to UNIQLO EUROPE LIMITED in the year ended 31 August 2014.

Business Structure



3. Management Policy

(1) The Company's Basic Management Policy

FAST RETAILING operates under the corporate statement: "Changing clothes. Changing conventional wisdom. Change the world." Based on our Group's corporate philosophy, the FAST RETAILING WAY ("FR WAY"), we aim to become the world's leading "SPA" (Specialty store retailer of Private label Apparel). We intend to do this by sharing the same values among all our Group companies and planning, producing and selling truly great products to enrich the lives of people all over the world. The Company's FR WAY Group Mission is "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".

(2) Business Targets

We regard the ongoing growth of revenues as one of our top priorities in management. We aim as our medium-term business plan to increase group sales to ¥5 trillion, and operating profit to ¥1 trillion.

(3) Medium- to Long-term Management Strategy

FAST RETAILING's vision is to become the world's number one SPA. We plan to expand our UNIQLO business not only in Japan, but throughout the world, and develop our global brands, such as Theory and GU. In pursuit of this aim, we are committed to promoting globalization, strengthening our overall Group management and reigniting our entrepreneurial spirit, pursuing maximum group synergies in an effort to build a "Global One" management system. We are also actively engaged in CSR activities through our clothing business, in our efforts to be a corporation that makes a positive contribution to the lives of people around the world.

(4) Current Challenges Facing the Group

i) Promotion of a "Global One" management system

- Strengthen the functions of each division in Tokyo, New York, Paris, Shanghai and Singapore in order to promote a "Global One" management system for integrating UNIQLO business and all other businesses.

ii) Accelerate UNIQLO's global development

- Our goal for the UNIQLO brand is to build the global marketing operation to gain the recognition and support of customers over the world as "high-quality, fashionable basic wear sold at reasonable prices".
- Our top priority in the global strategy of the UNIQLO business is to accelerate the pace of new store openings and become the unrivaled No. 1 brand in Asia, the market with the most promising growth opportunities, particularly in Greater China (China, Hong Kong, Taiwan).
- In the U.S. market, we hope to quickly build up a chain of 100 stores on both the West Coast and the East Coast.
- We are actively promoting our presence through our global flagship stores, global hotspot stores and megastores in major cities around the world.
- To further advance the high quality and functionality of UNIQLO products, we are strengthening the full set of our basic skills as an apparel manufacturer and retailer, from materials purchasing and product development, to production and distribution.
- We have built up our Research & Development Center in New York, and we are strengthening our focus on products for women, children and babies.
- We are also building new systems for internet sales, in the interest of our global development.
- Following the globalization of UNIQLO's business, we are hiring and training more global personnel.

iii) Strengthen sales skills at all stores in the UNIQLO Japan business

- We are working to further improve our brand image, and we are engaged in a scrap-and-build program which aims at increasing average sales floor area per store.
- In the medium-term, it is our goal that half of our store sales personnel be full-time and regular employees, and to tailor our product offerings and marketing to meet the needs of customers in specific geographical areas.

iv) Expand the global brand business

- Develop and produce inexpensive apparel, open new stores, and build on expertise in low-cost management for the GU business.
- Pursue synergies among Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand, to build global business for each brand.
- Pursue M&A investment to acquire global brands that can be promoted across the world.

v) Promotion of CSR (corporate social responsibility)

Our CSR motto is: "Making the world a better place". It is our goal to enrich society, and the lives of people through our business activities.

- Ongoing monitoring of working conditions at contractor factories.
- Constantly striving to lessen the burden on the environment brought by our business, for example, by monitoring conditions at factories that supply the materials we use.
- Taking an active interest to make things better for our employees by promoting diversity, and supporting efforts to maintain a proper work-life balance.
- Continuing efforts to employ persons with disabilities in Japan and around the world.
- In countries around the world, supporting recycling of all our products. Accepting returns of products for recycling purposes, and donating clothing to the needy.
- Operating social business in Bangladesh.

(5) Other Important Matters Regarding Management

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
ASSETS			
Current assets			
Cash and cash equivalents	266,023	296,708	314,049
Trade and other receivables	22,607	37,933	47,428
Other current financial assets	1,672	2,461	9,119
Inventories	100,491	167,521	223,223
Derivative financial assets	—	113,641	99,125
Income taxes receivable	10,628	8,980	11,951
Others	7,291	10,291	12,139
Total current assets	408,715	637,537	717,037
Non-current assets			
Property, plant and equipment	70,554	91,385	114,398
Goodwill	15,992	37,016	26,715
Other intangible assets	27,199	52,838	46,968
Non-current financial assets	57,112	63,608	71,293
Deferred tax assets	22,787	15,467	11,257
Others	2,036	3,353	4,636
Total non-current assets	195,682	263,670	275,270
Total assets	604,397	901,208	992,307
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables	89,158	153,364	185,119
Derivative financial liabilities	22,625	—	1,012
Other current financial liabilities	9,405	9,450	12,696
Income taxes payable	28,394	26,760	32,750
Provisions	9,789	11,420	16,154
Others	16,219	16,583	25,462
Total current liabilities	175,594	217,578	273,196
Non-current liabilities			
Non-current financial liabilities	16,551	30,077	27,604
Provisions	4,167	5,818	7,694
Deferred tax liabilities	3,985	49,752	37,387
Others	5,250	8,253	10,383
Total non-current liabilities	29,954	93,902	83,069
Total liabilities	205,548	311,481	356,265
EQUITY			
Capital stock	10,273	10,273	10,273
Capital surplus	6,296	6,859	9,803
Retained earnings	404,554	481,746	525,722
Treasury stock, at cost	(16,003)	(15,851)	(15,790)
Other components of equity	(13,665)	87,399	88,371
Equity attributable to owners of the parent	391,456	570,428	618,381
Non-controlling interests	7,392	19,298	17,660
Total equity	398,849	589,726	636,041
Total liabilities and equity	604,397	901,208	992,307

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated statement of profit or loss

(Millions of yen)

	Notes	Year ended 31 August 2013	Year ended 31 August 2014
Revenue		1,142,971	1,382,935
Cost of sales		(577,826)	(683,161)
Gross profit		565,145	699,773
Selling, general and administrative expenses	5	(426,177)	(549,195)
Other income	6	4,050	7,025
Other expenses	6,8	(8,916)	(27,200)
Operating profit		134,101	130,402
Finance income	7	22,269	6,001
Finance costs	7	(638)	(933)
Profit before income taxes		155,732	135,470
Income taxes		(48,257)	(56,133)
Profit for the year		107,474	79,337
Attributable to:			
Owners of the parent		104,595	74,546
Non-controlling interests		2,879	4,790
Profit for the year		107,474	79,337
Earnings per share			
Basic (Yen)	9	1,026.68	731.51
Diluted (Yen)	9	1,025.75	730.81

Consolidated statement of comprehensive income

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Profit for the year	107,474	79,337
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net gain/(loss) on revaluation of available-for-sale investments	207	66
Exchange differences on translation of foreign operations	19,462	8,402
Cash flow hedges	84,405	(5,773)
Other comprehensive income, net of taxes	104,075	2,695
Total comprehensive income for the year	211,550	82,033
Attributable to:		
Owners of the parent	205,660	75,517
Non-controlling interests	5,890	6,515
Total comprehensive income for the year	211,550	82,033

(3) Consolidated Statement of Changes in Equity

For the year ended 31 August 2013

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2012	10,273	6,296	404,554	(16,003)	524	—	(14,189)	(13,665)	391,456	7,392	398,849
Net change during the year											
Comprehensive income											
Profit for the year	—	—	104,595	—	—	—	—	—	104,595	2,879	107,474
Other comprehensive income	—	—	—	—	207	16,452	84,405	101,065	101,065	3,010	104,075
Total comprehensive income	—	—	104,595	—	207	16,452	84,405	101,065	205,660	5,890	211,550
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(9)	—	—	—	—	(9)	—	(9)
Disposal of treasury stock	—	421	—	161	—	—	—	—	583	—	583
Dividends	—	—	(27,504)	—	—	—	—	—	(27,504)	(891)	(28,396)
Share-based payments	—	140	—	—	—	—	—	—	140	—	140
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	6,666	6,666
Others	—	—	101	—	—	—	—	—	101	239	341
Total transactions with the owners	—	562	(27,403)	152	—	—	—	—	(26,688)	6,015	(20,672)
Total net changes during the year	—	562	77,191	152	207	16,452	84,405	101,065	178,972	11,905	190,877
As at 31 August 2013	10,273	6,859	481,746	(15,851)	731	16,452	70,215	87,399	570,428	19,298	589,726

For the year ended 31 August 2014

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2013	10,273	6,859	481,746	(15,851)	731	16,452	70,215	87,399	570,428	19,298	589,726
Net change during the year											
Comprehensive income											
Profit for the year	—	—	74,546	—	—	—	—	—	74,546	4,790	79,337
Other comprehensive income	—	—	—	—	66	6,583	(5,679)	971	971	1,724	2,695
Total comprehensive income	—	—	74,546	—	66	6,583	(5,679)	971	75,517	6,515	82,033
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(25)	—	—	—	—	(25)	—	(25)
Disposal of treasury stock	—	471	—	86	—	—	—	—	558	—	558
Dividends	—	—	(30,571)	—	—	—	—	—	(30,571)	(633)	(31,204)
Share-based payments	—	746	—	—	—	—	—	—	746	—	746
Acquisition of non-controlling interests	—	1,726	—	—	—	—	—	—	1,726	(7,813)	(6,086)
Others	—	—	—	—	—	—	—	—	—	293	293
Total transactions with the owners	—	2,944	(30,571)	60	—	—	—	—	(27,565)	(8,152)	(35,718)
Total net changes during the year	—	2,944	43,975	60	66	6,583	(5,679)	971	47,952	(1,637)	46,314
As at 31 August 2014	10,273	9,803	525,722	(15,790)	798	23,035	64,536	88,371	618,381	17,660	636,041

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Profit before income taxes	155,732	135,470
Depreciation and amortization	23,607	30,808
Impairment losses	5,068	23,960
Increase/(decrease) in allowance for doubtful accounts	(258)	(24)
Increase/(decrease) in other provisions	2,298	2,703
Interest and dividend income	(601)	(897)
Interest expenses	638	933
Foreign exchange losses/(gains)	(21,667)	(5,104)
Losses on retirement of property, plant and equipment	519	391
Decrease/(increase) in trade and other receivables	(11,070)	(7,489)
Decrease/(increase) in inventories	(51,426)	(45,627)
Increase/(decrease) in trade and other payables	46,911	10,420
Decrease/(increase) in other assets	(4,326)	(6,552)
Increase/(decrease) in other liabilities	11,395	25,958
Others, net	(1,878)	1,265
Subtotal	154,940	166,216
Interest and dividend income received	598	896
Interest paid	(642)	(938)
Income taxes paid	(65,795)	(65,534)
Income taxes refund	10,375	9,954
Net cash from operating activities	99,474	110,595
Decrease/(increase) in bank deposits with maturity over 3 months	—	(2,156)
Purchases of property, plant and equipment	(27,668)	(41,414)
Proceeds from sales of property, plant and equipment	280	1,399
Purchases of intangible assets	(4,070)	(7,525)
Proceeds from sales of intangible assets	0	—
Payments for lease and guarantee deposits	(5,205)	(6,982)
Proceeds from collection of lease and guarantee deposits	2,126	841
Increase in construction assistance fund receivables	(2,736)	(2,892)
Decrease in construction assistance fund receivables	1,706	1,895
Increase in guarantee deposits received	85	180
Decrease in guarantee deposits received	(330)	(295)
Acquisition of a subsidiary, net of cash acquired	(26,771)	—
Others, net	0	626
Net cash used in investing activities	(62,584)	(56,323)
Net increase/(decrease) in short-term loans payable	(1,722)	862
Additions to long-term loans payable	16,640	—
Repayment of long-term loans payable	(7,474)	(3,826)
Cash dividends paid	(27,507)	(30,574)
Cash dividends paid to non-controlling interests	(891)	(633)
Repayments of lease obligations	(3,298)	(3,656)
Acquisition of non-controlling interests	—	(6,026)
Others, net	28	(205)
Net cash used in financing activities	(24,226)	(44,060)
Effect of exchange rate changes on cash and cash equivalents	18,020	7,129
Net increase/(decrease) in cash and cash equivalents	30,684	17,340
Cash and cash equivalents at beginning of year	266,023	296,708
Cash and cash equivalents at end of year	296,708	314,049

(5) Notes regarding Going Concern Assumptions

Not applicable.

(6) Notes to the Consolidated Financial Statements

1. Reporting Entity

FAST RETAILING CO., LTD. (the “Company”) is a company incorporated in Japan. The locations of the registered headquarters and principal offices of the Company are disclosed at our website (http://www.fastretailing.com/eng/).

The principal activities of the Company and its consolidated subsidiaries (the “Group”) are the UNIQLO business (casual wear retail business operating under the “UNIQLO” brand in Japan and overseas) and Theory business, GU business (apparel designing and marketing business in Japan and overseas), etc.

The Company is the ultimate parent company of the Group and the Company does not have a parent company.

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption

The Group meets all criteria of a “specified company” defined under Article 1-2 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements, and accordingly the consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (“IFRS”) pursuant to Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements.

The Group adopted IFRS issued by the International Accounting Standards Board (“IASB”) for the first time in the year ended 31 August 2014, and the date of the transition to IFRS (“Transition Date”) is 1 September 2012. The effect of the transition to IFRS on the Group’s financial position, results of operations, and cash flows on the Transition Date and in the years of comparison are presented in “11. First-time adoption of IFRS”. The Group’s accounting policies conform with IFRS that are effective for year ended 31 August 2014, excluding the standards which have not been early adopted and exemptions permitted under IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”). The exemptions that have been adopted are presented in “3. Significant Accounting Policies”.

(2) Basis of Measurement

The consolidated financial statements have been prepared on an historical cost basis, except for certain assets, liabilities, and financial instruments which are measured at fair value as indicated in “3. Significant Accounting Policies”.

(3) Functional Currency and Presentation Currency

The presentation currency for the Group’s consolidated financial statements is the Japanese yen (in units of millions of yen), which is also the Company’s functional currency. All values are rounded down to the nearest million yen, except when otherwise indicated.

(4) Use of Estimation and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the estimates were reviewed and in future accounting periods.

Information about important estimation and judgments that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

- Useful lives of non-current assets
- Recoverable amounts from cash-generating units for impairment test
- Recoverability of deferred tax assets
- Valuation of inventories
- Recoverability of trade and other receivables
- Accounting treatment and valuation of provisions

- Fair value measurement of financial instruments
- Fair value unit price for share-based payments
- Probability of outflow of future economic benefits from contingent liabilities

3. Significant Accounting Policies

(1) Basis of Consolidation

"Subsidiaries" refers to enterprises that are controlled by the Company (including businesses established by the Company). The Group controls enterprises where it is exposed to variable returns arising from its involvement in those enterprises or when the Group has rights to variable returns in those enterprises and is able to have an impact on the said variable returns through its power over those enterprises. A subsidiary's financial statements are incorporated into the Company's consolidated financial statements from the date on which control begins until the date control ends.

The subsidiaries adopted consistent accounting policies as the Company in the preparation of their financial statements.

All intra-group balances, transactions within the Group as well as unrealized profit and loss resulting from transactions within the Group are eliminated at the time of preparation of the consolidated financial statements.

The reporting date for FAST RETAILING (CHINA) TRADING CO., LTD., Theory Shanghai International Trading Co., Ltd., UNIQLO TRADING CO., LTD., Fast Retailing (Shanghai) Business Management Consulting Co., Ltd., FAST RETAILING (SHANGHAI) TRADING CO., LTD., GU (Shanghai) Trading Co., Ltd., Comptoir des Cotonniers (Shanghai) Trading Co., Ltd., PRINCESSE TAM.TAM (SHANGHAI)TRADING CO., LTD. and LLC UNIQLO (RUS) is 31 December. The management accounts of these subsidiaries are used for the Group's consolidation purpose. The financial statements of other subsidiaries are prepared using the same reporting period as the parent company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the adjustment to the non-controlling interest and the fair value of the consideration received is recognized directly in equity as interests attributable to owners of the parent.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The number of consolidated subsidiaries as at 31 August 2014 is 112.

(2) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregation of the fair value at the acquisition date of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquired company.

If the cost of an acquisition exceeds the fair value of the identifiable assets and liabilities, it is recorded as goodwill on the consolidated statement of financial position. If it is below the fair value, this is immediately recorded as income on the consolidated statement of profit or loss.

Acquisition-related costs are expensed as incurred. Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

Contingent liabilities of acquired companies are recognized in a business combination only if they are present obligations, were incurred as a result of a past event, and their fair value can be reliably measured.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the initial accounting for a business combination is incomplete by the reporting date of the fiscal year in which the business combination occurs, the items for which the acquisition accounting is incomplete are reported using provisional amounts. Those amounts provisionally recognized on the acquisition date are retrospectively adjusted to reflect new information if the acquisitions took place during a period (measurement period) when it is believed that, had facts and circumstances that existed at the acquisition date been known at that time, they would have affected the amounts recognized on that date. Additional assets and liabilities are recognized if new information results in the recognition of additional assets or liabilities. The measurement period should be within one year.

The Group has elected to adopt the exemption in IFRS 1 and has not retrospectively applied IFRS 3 “Business Combinations” to business combinations that occurred before 1 September 2012. In other words, the carrying amount of goodwill as of the Transition Date, in accordance with the previous accounting standards (JGAAP), is stated as the carrying amount of goodwill in the opening IFRS consolidated statement of financial position.

(3) Foreign Currencies

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at each reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

(ii) Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Japanese yen at the rate of exchange prevailing at each reporting date and their income statements are translated at average exchange rates during the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss. The Group has adopted the exemption in IFRS 1 and has reclassified the cumulative translation differences in existence as of the Transition Date to retained earnings.

(4) Financial Instruments

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group has designated forward currency contracts as cash flow hedges and are accounted for as described below:

Cash flow hedges

When derivatives are designated as a hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income and included in “Cash flow hedges” in other components of equity. The balances of cash flow hedges are subtracted from “other comprehensive income” on the consolidated statement of comprehensive income for the same period when the hedged cash flows would affect cash flow profit or loss, and reclassified as profit or loss in the same line items as the hedging instruments. The gain or loss relating to the ineffective portion of changes in the fair value of the derivatives is recognized immediately in profit or loss. When a hedged item gives rise to the recognition of a non-financial asset or non-financial liability, the amount recognized as other comprehensive income is treated as an adjustment to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, cumulative profit or loss amounts previously recognized in equity through other comprehensive income are reclassified as profits or losses. If the hedging instrument expires or is sold, is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognized in equity through other comprehensive income are recorded as equity until the forecast transaction occurs or firm commitment is met.

Non-derivative financial instruments

(i) Initial recognition and measurement

All purchases and sales of financial assets that take place through ordinary methods (purchase or sale of a financial asset requiring delivery within the time frame established by market regulation or convention) are recognized or derecognized, and measured at the initial fair value plus transaction costs, on the trade date.

Financial assets are classified, at initial recognition, into the following three categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(ii) Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" if they are held for trading or if they are designated as financial assets at fair value through profit or loss.

Financial assets other than financial assets held for trading may be designated as "financial assets at fair value through profit or loss" at initial recognition if any of the following applies:

(a) If such designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") is likely to arise;

(b) If the financial assets are part of a "group of financial assets or financial liabilities (or both)", which are managed and have their performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on a fair value basis; or

(c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets or liabilities) to be designated as a "financial assets at fair value through profit or loss"), unless they are designated as an effective hedging instrument.

Financial assets at fair value through profit or loss are carried out in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss. Recognized profits or losses, including the above, are recognized in the consolidated statement of profit or loss as dividend income, interest income or gain or loss on changes in fair value.

(iii) Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as "loans and receivables". After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment. The EIR amortization is included in finance income in the statement of profit or loss.

(iv) Available-for-sale financial assets

Any non-derivative financial assets classified as "available-for-sale financial assets" are those that are neither classified as "financial assets at fair value through profit or loss", nor "loans and receivables", or those that are designated as "available-for-sale financial assets".

Available-for-sale listed equity securities that are traded on a market are measured using quoted market prices. Unlisted equity securities are measured at fair value using reasonable methods. Profits or losses arising from changes in fair value are recognized as other comprehensive income. Impairment losses or foreign currency gains or losses associated with monetary assets are treated as exceptions and recognized in profit or loss.

When available-for-sale financial assets are derecognized, or when an impairment loss is recognized, the cumulative profits or losses that have been recognized as other comprehensive income up to that time are reclassified in the profit or loss for the period.

Dividends associated with available-for-sale financial assets are recognized in profit or loss when the Group's right to receive dividends is established. The fair value of available-for-sale financial assets denominated in foreign currencies is determined in that foreign currency and translated at the exchange rate prevailing at each reporting date. The effects of changes in exchange rates on foreign currencies denominated monetary assets is recognized in foreign exchange gains or losses, while the effect of changes in exchange rates on other foreign currencies denominated available-for-sale financial assets is recognized in other comprehensive income.

(v) Impairment of financial assets

Those financial assets other than "Financial assets at fair value through profit or loss", which are measured at amortized cost at each reporting date pursuant to IAS 39, are evaluated to determine whether there is objective evidence of impairment. If there is objective evidence that one or more events having a negative impact on the estimated future cash flows has occurred subsequent to the initial recognition of the financial asset, an impairment loss is recognized.

For listed and unlisted equity securities classified as "available-for-sale financial assets", a significant or prolonged decline in the fair value of the investment below its historical cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable securities and finance lease receivables classified as available-for-sale financial assets, objective evidence of impairment may include the following:

(a) Significant deterioration in the financial condition of the issuer or counterparty;

(b) Default or delinquency in interest or principal payments; or

(c) Probability that the issuer will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as trade receivables, are assessed for impairment on a collective basis even if they are not impaired individually. Objective evidence of impairment for a portfolio of receivables could include changes in national or local economic conditions that correlate with default on receivables or an increase in the number of delinquent payments in the portfolio past the average credit period.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original EIR. An asset's carrying amount is reduced directly by the impairment loss amount, with the exception of trade receivables where the impairment loss is posted by using the allowance for doubtful accounts. An allowance for doubtful accounts is established when it is determined that receivables are uncollectable, including receivables for which the due date has been changed, and the allowance for doubtful accounts is reduced if the receivables are subsequently abandoned or collected. Changes in the allowance for doubtful accounts are recognized in profit or loss except for decreases due to use. Except for available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment after reversing the impairment loss does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale financial assets, impairment losses previously recognized in profit or loss cannot be reversed through profit or loss. Any change in fair values after an impairment loss is recognized through other comprehensive income as long as this does not give rise to an additional impairment loss.

(vi) Derecognition of financial assets

The Group derecognizes a financial asset only if the contractual rights to the cash flows from the financial asset expire or if the Group has transferred almost all risks and rewards of ownership. If the Group maintains control of the transferred financial asset, it recognizes the asset and associated liabilities to the extent of its continuing involvement.

Non-derivative equity instruments and financial liabilities

(i) Equity instruments (stocks)

An equity instrument is a contract that evidences ownership of a residual interest in the assets of a company after deducting all of its liabilities.

(ii) Financial liabilities

Financial liabilities are classified as either “financial liabilities at fair value through profit or loss” or “other financial liabilities”.

(iii) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as “financial liabilities at fair value through profit or loss” if they are held for trading or if they are designated as financial liabilities at fair value through profit or loss.

A financial liability is classified as being held for trading purposes if any of the following applies:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities other than financial liabilities held for trading may be designated as “financial liabilities at fair value through profit or loss” at initial recognition if any of the following applies:

(a) If such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) is likely to arise;

(b) If the financial liabilities are part of a “group of financial assets or financial liabilities (or both)” which are managed and have their performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on a fair value basis; or

(c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets and liabilities) to be designated as “financial liabilities at fair value through profit or loss”).

Financial liabilities designated as “financial liabilities at fair value through profit or loss” are measured at fair value, with any changes recognized in profit or loss. Recognized profits and losses, including the above, are recognized in the consolidated statement of profit or loss as interest expenses or gain or loss on change in fair value.

(iv) Other financial liabilities

Other financial liabilities, including loans payable, are initially measured at fair value, net of directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the EIR method, and interest expenses are recognized using the EIR method.

(v) Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires.

(vi) Fair value of financial instruments

The fair value of financial instruments that are traded on an active financial market at each reporting date are based on quoted market prices and dealer prices.

The fair value of financial instruments for which there is no active market are calculated using appropriate valuation techniques.

(vii) Offsetting financial Instruments

Financial assets and financial liabilities are only offset when there is an enforceable legal right to offset the recognized amounts and when there is an intention to either settle on a net basis, or realize the asset and settle the liability simultaneously; and the net amount is reported on the consolidated statement of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits available for withdrawal on demand, and short-term, highly liquid investments due with a maturity of three months of the acquisition date or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are valued at the lower of cost and net realizable value; the weighted average method is principally used to determine cost. Net realizable value is based on the estimated selling price in the ordinary course of business less any estimated costs to be incurred to sell the goods.

(7) Property, plant and equipment (other than leased assets)

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

(ii) Depreciation

Assets other than land and construction in progress, are depreciated using the straight-line method over the estimated useful lives shown below:

Buildings and structures	3-50 years
Furniture, equipment and vehicles	5 years

The useful lives, residual values, and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimates being accounted for on a prospective basis.

(8) Goodwill and intangible assets (other than leased assets)

(i) Goodwill

Goodwill is stated at the carrying amount, which is the acquisition cost after deducting accumulated impairment losses. Goodwill represents the excess amount of the historical cost of an interest acquired by the Group over the net amount of the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortized but is allocated to identifiable cash-generating units based on the geographical region where business takes place and the type of business conducted, and then tested for impairment each year or when there is an indication that it may be impaired. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and cannot be subsequently reversed in future period.

(ii) Intangible assets

Intangible assets are measured at cost, with any accumulated amortization and accumulated impairment losses deducted from the historical cost to arrive at the stated carrying amount.

Intangible assets acquired separately are measured at cost at initial recognition, and the cost of intangible assets acquired in a business combination is measured as fair value at the acquisition date.

For internally generated intangible assets, the entire amount of the expenditure is recorded as an expense in the period in which it arises, except for development expenses that meet the requirements for capitalization.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives using the straight-line method, and they are tested for impairment when there is an indication that they may be impaired. The estimated useful life and amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period, and any changes are applied prospectively as a change in accounting estimate.

The estimated useful lives of the main intangible assets with finite useful lives are as follows:

- Software for internal use — Length of time it is usable internally (3-5 years)

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized. They are tested for impairment annually or when there is an indication that they may be impaired, either individually or at the cash-generating unit level.

(9) Leases

The determination of whether an arrangement is, or contains, a lease is made based on the substance of the arrangement on the inception date of the lease, or in other words, whether the fulfillment of the arrangement depends on the use of a specific asset or group of assets and whether the arrangement conveys the right to such asset (whether explicitly stated in the contract or not).

If the lease agreement substantially conveys the risks and rewards of the ownership of the asset to the lessee, the lease is classified as a finance lease. Leases other than finance leases are classified as operating leases.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

Operating lease payments as lessee are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Operating lease income as lessor are recognized as an operating revenue in the statement of profit or loss on a straight-line basis over the lease term.

(10) Impairment

The carrying amounts of the Group’s non-financial assets, excluding inventories and deferred tax assets, are reviewed to determine whether there is any indication of impairment at each reporting date. If there is any indication of impairment, the recoverable amount for the asset is estimated. For goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount for an asset or cash-generating unit (“CGU”) is the higher of value-in-use and fair value less costs of disposal. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

A CGU is the smallest group of assets which generates cash inflows from continuing use, which are largely independent of the cash inflows from other assets or groups of assets.

The CGU (or group of CGUs) for goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes and must not be larger than an operating segment before aggregation.

Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. Impairment losses recognized in relation to a CGU are first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then allocated to the other assets of the CGU pro rata on the basis of their carrying amounts.

An impairment loss related to goodwill cannot be reversed in future period. Previously recognized impairment losses on other assets are reviewed at each reporting date to determine whether there is any indication that a loss has decreased or no longer exists. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(11) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are recognized as the best estimate of the expenditure required to settle the present obligation (future cash flows), taking into account the risks and uncertainties surrounding the obligation at each reporting date.

If the time value of money is material, provisions are measured as the estimated future cash flows discounted to the present value using a pre-tax rate that reflects, when appropriate, the time value of money and the risks specific to the liability. When discounting is used, the increase due to the passage of time is recognized as a finance cost.

Each provision is described below:

(i) Allowance for bonuses

The amount expected to be borne as bonuses in the current reporting period is recorded as a provision for the payment of bonuses to employees of the Group.

(ii) Asset retirement obligations

The obligations to restore property to its original state under real estate leasing agreements for offices, such as corporate headquarters and stores, are estimated and recorded as a provision. The expected length of use is estimated as the time from acquisition to the end of the useful life and 0.37–0.99% is generally used as the discount rate in calculations.

(12) Share-based payments

The Group grants share-based payments in the form of share subscription rights (stock options) to employees of the Company and its subsidiaries. In doing so, the Group aims to heighten morale and motivate employees to improve the Group’s business performance, thereby increasing shareholder value by reinforcing business development that is focused on the interests of the shareholders. These share-based payments do this by rewarding contributions to the Group’s profit and by connecting the benefits received by these individuals to the Company’s stock price.

Stock options are measured at fair value based on the price of the Company’s shares on the grant date.

The fair value of the stock options determined at the grant date is expensed, together with a corresponding increase in capital surplus in equity, over the vesting period on a straight-line basis, taking into consideration the Group’s best estimates of number of stock options that will ultimately vest.

(13) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable by the Group, less returns, trade discounts and rebates. If a single transaction has multiple identifiable elements, the transaction is apportioned among the elements and revenue is recognized for each element. When two or more transactions make commercial sense only when considered together as a single entity, revenue is recognized for the transactions together. The recognition standards and method of presentation for revenue are described below.

(i) Revenue recognition standards

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Method of presentation for revenue

If the Group is acting as a principal in a transaction, revenue is stated as the total amount of consideration received from the customer.

(14) Income taxes

Income taxes comprise current and deferred taxes. These are recognized in profit or loss, except for the taxes arising from items that are recognized as other comprehensive income.

Current taxes are measured at the amount expected to be paid to (or recovered from) taxation authorities on taxable income or loss for the current year, using the rates that have been enacted or substantively enacted by each reporting date in the countries where the Group operates and generate taxable income, with adjustments to tax payments in past periods.

Through the use of an asset and liability approach, deferred tax assets and liabilities are recorded for the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts of assets and liabilities for tax purposes. Deferred tax assets and liabilities are not recognized for temporary differences under any of the following circumstances:

- Temporary differences arising from goodwill;

- Temporary differences arising from the initial recognition of an asset/liability which, at the time of the transaction, does not affect either the accounting profit or the taxable income (other than in a business combination); or

- Temporary differences associated with investments in subsidiaries, but only to the extent that it is possible to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when temporary difference is realized or settled, based on tax laws that have been enacted or substantively enacted by each reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when income taxes are levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(15) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to common shareholders of the parent by the weighted average number of common stocks outstanding during the period, adjusted for treasury stock. Diluted earnings per share is calculated by adjusting for all dilutive potential ordinary shares having a dilutive effect.

4. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components for which discrete financial information is available and is reviewed regularly by the Board to make decisions about the allocation of resources and to assess performance.

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

The main businesses covered by each reportable segment are as follows:

UNIQLO Japan: UNIQLO clothing business within Japan
UNIQLO International: UNIQLO clothing business outside of Japan
Global Brands: Theory, Comptoir des Cotonniers, Princesse tam.tam, GU and J Brand clothing operations

(2) Method of calculating segment revenue and results

The methods of accounting for the reportable segments are the same as those stated in "Significant Accounting Policies".

The Group does not allocate assets and liabilities to individual reportable segments.

(3) Segment information

Year ended 31 August 2013

(Millions of yen)

	Reportable segments			Total	Others	Adjustments	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	683,314	251,191	206,202	1,140,708	2,263	—	1,142,971
Operating profit	95,217	12,433	16,693	124,344	115	9,640	134,101
Segment income (income before income taxes)	97,902	12,394	16,340	126,636	115	28,979	155,732
Other disclosure:							
Depreciation and amortization	7,344	7,751	3,394	18,490	176	4,940	23,607
Impairment losses	805	4,212	50	5,068	—	—	5,068

Note: "Others" include real estate leasing business, etc.

Year ended 31 August 2014

(Millions of yen)

	Reportable segments			Total	Others	Adjustments	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	715,643	413,655	251,225	1,380,524	2,410	—	1,382,935
Operating profit/(loss)	106,304	32,956	(4,195)	135,064	83	(4,745)	130,402
Segment income (income before income taxes)	106,650	32,552	(3,661)	135,541	82	(152)	135,470
Other disclosure:							
Depreciation and amortization	8,712	11,442	5,519	25,675	350	4,782	30,808
Impairment losses	3,258	849	19,852	23,960	—	—	23,960

Note: "Others" include real estate leasing business, etc.

(4) Geographic Information

Year ended 31 August 2013

1. External Revenue

(Millions of yen)

Japan	Overseas	Total
810,040	332,930	1,142,971

2. Non-current assets

(Millions of yen)

Japan	Overseas	Total
122,730	140,940	263,670

Year ended 31 August 2014

1. External Revenue

(Millions of yen)

Japan	Overseas	Total
868,657	514,278	1,382,935

2. Non-current assets

(Millions of yen)

Japan	Overseas	Total
128,910	146,359	275,270

5. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses for each year is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Selling, general and administrative expenses		
Advertising and promotion	52,693	60,941
Rental expenses	111,276	138,652
Depreciation and amortization	23,607	30,808
Outsourcing	17,185	22,953
Salaries	140,111	184,864
Others	81,303	110,975
Total	426,177	549,195

6. Other income and other expenses

The breakdown of other income and other expenses for each year is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Other income		
Foreign exchange gains*	2,081	3,926
Gains on sales of property, plant and equipment	390	991
Others	1,578	2,107
Total	4,050	7,025

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Other expenses		
Loss on retirement of property, plant and equipment	519	391
Impairment losses	5,068	23,960
Others	3,328	2,847
Total	8,916	27,200

* Currency adjustments incurred in the course of operating transactions are included in “other income”.

7. Finance income and finance costs

The breakdown of finance income and finance costs for each year is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Finance income		
Foreign exchange gains*	21,667	5,104
Interest income	573	879
Dividend income	28	17
Total	22,269	6,001

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Finance costs		
Interest expenses	638	933
Total	638	933

* Currency adjustments incurred in the course of non-operating transactions are included in “finance income”.

8. Impairment losses

During the year ended 31 August 2014, the Group recognized impairment losses of some store assets and goodwill and intangible assets owned by J Brand business, mainly due to a decline in their profitability.

A breakdown of impairment losses by asset type is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Buildings and structures	4,551	3,550
Furniture and equipment	517	1,086
Subtotal impairment losses on property, plant and equipment	5,068	4,636
Goodwill	—	11,154
Trademark	—	4,376
Other intangible assets	—	3,793
Subtotal impairment losses on intangible assets	—	19,324
Total impairment losses	5,068	23,960

The Group's impairment losses during the year ended 31 August 2014 amounted to 23,960 million yen, compared with 5,068 million yen during the year ended 31 August 2013, and are included in "other expenses" on the consolidated statement of profit or loss.

Year ended 31 August 2013
(1) Property, plant and equipment

The grouping is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store is considered a cash-generating unit and recoverable amounts of cash-generating units are calculated based on value in use.

Impairment losses represented write down of the carrying amount of the store assets to the recoverable amount, mainly due to a reduction in profitability of certain stores.

Value in use is calculated based on estimates and growth rates compiled by management, with discount rates of 8.9% to 13.7% applied to the estimated future cash flows. In principle, estimates are up to five years, and no growth rates exceeding market long-term average growth rates are used. The discount rates (pre-tax) are calculated using the weighted average cost of capital in the country where the cash-generating unit conducts business.

The main cash-generating units of which impairment losses were recorded are as follows:

Operating segments	Cash-generating unit	Type
UNIQLO International	UNIQLO USA LLC stores	Buildings and structures
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings and structures
UNIQLO International	UNIQLO (U.K.) LIMITED stores	Buildings and structures
Global brands	G.U. CO., LTD. stores	Buildings and structures

(2) Goodwill and Intangible Assets

Not applicable.

Year ended 31 August 2014
(1) Property, plant and equipment

The grouping is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store is considered a cash-generating unit and recoverable amounts of cash-generating units are calculated based on value in use.

Impairment losses represented write down of the carrying amount of the store assets to the recoverable amount, mainly due to a reduction in profitability of certain stores.

The value in use is calculated based on estimates and growth rates complied by management. Since the future cash flow is estimated to be negative, the value in use is deemed to be zero.

The main cash-generating units for which impairment losses were recorded are as follows:

Operating segments	Cash-generating unit	Type
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings and structures
UNIQLO International	Fast Retailing (China) Trading Co. Ltd. stores	Buildings and structures
UNIQLO International	UNIQLO TRADING CO., LTD. stores	Buildings and structures
UNIQLO International	UNIQLO TAIWAN LTD. stores	Buildings and structures
Global brands	G.U. CO., LTD. stores	Buildings and structures

(2) Goodwill and intangible assets

23,960 million yen in impairment losses is mainly comprised of impairment losses for trademarks, customer relationships and goodwill owned by the J Brand business. The carrying amounts of cash-generating units related to J Brand business after recognition of impairment losses are 10,604 million yen of goodwill, 7,009 million yen of trademarks and 6,154 million yen of customer relationships.

The recoverable amounts from trademarks, customer relationships and goodwill related to the J Brand business are calculated based on fair value less costs of disposal.

Fair value less costs of disposal is determined by taking into account the following two approaches:

(i) The terminal value of the business added to the 10-year discounted cash flow based on plans projected and approved by management. The discount rate (pre-tax) is calculated at 18.8% based on the weighted average cost of capital of the cash-generating units (Income approach).

(ii) Calculation based on the market value of similar assets (Market approach).

This measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs in used valuation techniques.

Adverse change in key assumptions — lower estimated future cash flow or higher discount rate (pre-tax), would cause further impairment loss to be recognized.

9. Earnings per share

Year ended 31 August 2013		Year ended 31 August 2014	
Equity per share attributable to owners of the parent (Yen)	5,598.12	Equity per share attributable to owners of the parent (Yen)	6,067.40
Basic earnings per share for the year (Yen)	1,026.68	Basic earnings per share for the year (Yen)	731.51
Diluted earnings per share for the year (Yen)	1,025.75	Diluted earnings per share for the year (Yen)	730.81

Note: The basis for calculation of basic earnings per share and diluted earnings per share for the year is as follows:

	Year ended 31 August 2013	Year ended 31 August 2014
Basic earnings per share for the year		
Profit for the year (Millions of yen)	104,595	74,546
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	104,595	74,546
Average number of common stock during the year (Shares)	101,877,010	101,908,470
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	92,803	97,917
(share subscription rights)	(92,803)	(97,917)

10. Subsequent Events

Year ended 31 August 2013

At the board meeting of the Company held on 10 October 2013, the Board resolved to issue share subscription rights as stock-based compensation stock options to some employees of the Company and its subsidiaries based on Articles 236, 238 and 240 of the Companies Act of Japan.

Please refer to "Notice of FAST RETAILING CO., LTD. related to the issuance of stock-based compensation stock option (share subscription rights)" which the Company announced on 10 October 2013 for the details of this issuance.

Year ended 31 August 2014

At the board meeting of the Company held on 9 October 2014, the Board resolved to issue share subscription rights as stock-based compensation stock options to some employees of the Company and its subsidiaries based on Articles 236, 238 and 240 of the Companies Act of Japan.

Please refer to "Notice of FAST RETAILING CO., LTD. related to the issuance of stock-based compensation stock option (share subscription rights)" which the Company announced on 9 October 2014 for the details of this issuance.

11. First-time adoption of IFRS

(1) IFRS first-time adoption

The consolidated financial statements are the first consolidated financial statements that the Group has prepared in accordance with IFRS. The accounting policies stated in notes have been applied in the preparation of the consolidated financial statements for the years ended 31 August 2013 and 2014, and the consolidated statement of financial position as at the Transition Date (1 September 2012).

(2) IFRS 1 Exemptions

Under IFRS, in principle an entity adopting IFRS for the first time ("first-time adopter") must apply the standards (IFRS) retrospectively. However, IFRS 1 sets out mandatory exceptions and optional exemptions to certain requirements under IFRS. Retained earnings and other components of equity as at the IFRS transition date are adjusted for the effects of the application of these provisions. The Group has applied the following exemptions in the transition from JGAAP to IFRS:

- Business Combinations:

IFRS 3 *Business Combinations* may be applied either retrospectively or prospectively. If it is applied retrospectively, all business combinations that occurred before the transition date must be adjusted pursuant to IFRS 3. The Group has elected not to apply IFRS 3 retrospectively to business combinations undertaken before the Transition Date. As a result, the carrying amount for goodwill arising from business combinations prior to the Transition Date is the unadjusted amount determined based on JGAAP.

Furthermore, an impairment test of the goodwill must be conducted on the transition date irrespective of whether or not there is any indication that the goodwill may be impaired. Results of this test indicated that there was no impairment loss of the goodwill was deemed necessary.

- Exchange differences on translation of foreign operations:

Under IFRS 1, a first-time adopter may either deem the cumulative exchange differences on translation of foreign operations to be zero at the transition date or re-calculate the translation differences retrospectively back to the establishment or acquisition of the subsidiaries. The Company has elected to deem the cumulative exchange differences on translation of foreign operations to be zero at the Transition Date.

(3) IFRS 1 mandatory exceptions

Under IFRS 1, "accounting estimates", "derecognition of financial assets and financial liabilities", "hedge accounting", and "non-controlling interests" may not be applied retrospectively. The Company is applying these items prospectively from the Transition Date.

(4) Explanation of transition to IFRS

In preparing the consolidated financial statements in accordance with IFRS, the Group has adjusted the amounts shown on the consolidated financial statements which were prepared in accordance with JGAAP.

The effects of the transition from JGAAP to IFRS on the Company's consolidated financial position, results of operations, and cash flow are shown below:

(i) Reconciliation of consolidated statement of financial position as at 1 September 2012 (Transition Date)

Presentation under JGAAP		Reclassification	Differences in recognition and measurement	Presentation under IFRS		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	Notes	
ASSETS						ASSETS
Current assets						Current assets
Cash and deposits	132,238	133,781	3	266,023		Cash and cash equivalents
Notes and accounts receivable — trade	19,920	2,686	—	22,607		Trade and other receivables
Short-term investment securities	133,788	(133,788)	—	—		—
—	—	1,672	—	1,672		Other current financial assets
Inventories	98,963	—	1,528	100,491		Inventories
Deferred tax assets (Current)	16,987	(16,987)	—	—	1	—
Income taxes receivable	10,628	—	—	10,628		Income taxes receivable
Others	12,256	(4,620)	(344)	7,291		Others
Allowance for doubtful accounts	(268)	268	—	—		—
Total current assets	424,516	(16,987)	1,186	408,715		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Total property, plant and equipment	69,222	—	1,331	70,554		Property, plant and equipment
Intangible assets						
Goodwill	15,992	—	—	15,992		Goodwill
Others	22,224	(60)	5,035	27,199	4	Other intangible assets
Total intangible assets	38,216	(60)	5,035	43,191		Intangible assets
Investments and other assets						
Investment securities	354	(354)	—	—		—
—	—	58,222	(1,109)	57,112		Non-current financial assets
Deferred tax assets (Non-current)	4,057	(4,057)	—	—	1	—
—	—	21,045	1,742	22,787	1	Deferred tax assets
Lease and guarantee deposits	42,883	(42,883)	—	—		—
Advances to developer	14,232	(14,232)	—	—		—
Others	2,456	(1,529)	1,109	2,036		Others
Allowance for doubtful accounts	(837)	837	—	—		—
Total investments and other assets	63,146	17,048	1,741	81,936		—
Total non-current assets	170,586	16,987	8,108	195,682		Total non-current assets
Total assets	595,102	—	9,295	604,397		Total assets

Presentation under JGAAP		Reclassification	Differences in recognition and measurement	Presentation under IFRS		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	Notes	
LIABILITIES						LIABILITIES
Current liabilities						Current liabilities
Notes and accounts payable — trade	71,142	18,015	—	89,158		Trade and other payables
Short-term loans payable	2,505	(2,505)	—	—		—
Current portion of long-term loans payable	3,410	(3,410)	—	—		—
Forward exchange contracts	22,625	(22,625)	—	—		—
—	—	22,625	—	22,625		Derivative financial liabilities
—	—	9,158	247	9,405		Other current financial liabilities
Income taxes payable	27,738	655	—	28,394		Income taxes payable
Provisions	8,430	1,359	—	9,789	2	Provisions
Deferred tax liabilities (Current)	33	(33)	—	—	1	—
Others	37,491	(23,273)	2,001	16,219	2,7	Others
Total current liabilities	173,378	(33)	2,249	175,594		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	9,129	(9,129)	—	—		—
—	—	16,551	—	16,551		Non-current financial liabilities
Provisions	64	4,103	—	4,167	2	Provisions
Deferred tax liabilities (Non-current)	2,553	33	1,398	3,985	1	Deferred tax liabilities
Others	15,084	(11,525)	1,691	5,250	2	Others
Total non-current liabilities	26,831	33	3,089	29,954		Total non-current liabilities
Total liabilities	200,210	—	5,338	205,548		Total liabilities
NET ASSETS						EQUITY
Stockholders' equity						
Capital stock	10,273	—	—	10,273		Capital stock
Capital surplus	5,541	755	—	6,296	3	Capital surplus
Retained earnings	419,093	—	(14,538)	404,554	8	Retained earnings
Treasury stock, at cost	(16,003)	—	—	(16,003)		Treasury stock, at cost
Total stockholders' equity	418,905	—	—	—		—
Accumulated other comprehensive income						
Total accumulated other comprehensive income	(32,160)	—	18,495	(13,665)	5,6	Other components of equity
—	386,745	755	3,956	391,456		Equity attributable to owners of the parent
Share subscription rights	755	(755)	—	—	3	—
Minority interests	7,392	—	—	7,392		Non-controlling interests
Total net assets	394,892	—	3,956	398,849		Total equity
Total liabilities and net assets	595,102	—	9,295	604,397		Total liabilities and equity

Notes to Reconciliation as at 1 September 2012 (Transition Date)

Reclassifications

Reclassifications have been made in connection with changes in the presentation of the consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of comprehensive income for the transition to IFRS but these do not affect retained earnings. The reclassifications consist mainly of the following:

1. All deferred tax assets and deferred tax liabilities have been reclassified as non-current assets and non-current liabilities.

2. Under JGAAP, asset retirement obligations were recorded in “Others”, but because they are treated as provisions under IFRS, they are included in the provisions for current liabilities and non-current liabilities in accordance with the one-year rule.

3. Under JGAAP, share-based payments are stated as an item under net assets, but under IFRS they are included within capital surplus.

Differences in recognition and measurement

4. Adjustment to amortization of trademarks

Under JGAAP, trademarks were amortized over the life of the trademark registration, but under IFRS the amortization costs recognized since the acquisition date on trademarks with an indefinite useful life are retrospectively reversed, and this adjustment is reflected in retained earnings.

5. Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies

Under JGAAP, foreign exchange translation differences on monetary financial instruments denominated in foreign currencies are recorded as unrealized gains or losses on available-for-sale securities under net assets. Under IFRS, these exchange differences are treated as foreign exchange gains or losses, and this adjustment is reflected in retained earnings.

6. Adjustment to other components of equity

The Group has elected to adopt the exemption provided in IFRS 1 and has reclassified the balance of cumulative translation differences associated with foreign subsidiaries as retained earnings as of the Transition Date, 1 September 2012.

7. Adjustment for accruals for employees’ unused accumulating paid holiday

Under JGAAP, the Group was not required to account for accruals for employees’ unused accumulating paid holiday; this is recognized as a liability under IFRS and this adjustment is reflected in retained earnings.

8. Adjustments to retained earnings

(Millions of yen)

	1 September 2012
4. Adjustment to amortization of trademarks	5,004
5. Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies	(16,958)
6. Adjustment to other components of equity	(1,193)
7. Adjustment for accruals for employees’ unused accumulating paid holiday	(1,202)
Others	(189)
Adjustments to retained earnings	(14,538)

(ii) Reconciliation of consolidated statement of financial position as at 31 August 2013

Presentation under JGAAP		Reclassification	Differences in recognition and measurement	Presentation under IFRS		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	Notes	
ASSETS						ASSETS
Current assets						Current assets
Cash and deposits	147,429	148,161	1,117	296,708		Cash and cash equivalents
Notes and accounts receivable — Trade	34,187	3,793	(47)	37,933		Trade and other receivables
Short-term investment securities	148,215	(148,215)	—	—		—
—	—	2,461	—	2,461		Other current financial assets
Inventories	166,654	—	866	167,521		Inventories
Deferred tax assets (Current)	4,002	(4,002)	—	—	1	—
Forward exchange contracts	113,641	(113,641)	—	—		—
—	—	113,641	—	113,641		Derivative financial assets
Income taxes receivable	8,980	—	—	8,980		Income taxes receivable
Others	17,486	(6,689)	(506)	10,291		Others
Allowance for doubtful accounts	(488)	488	—	—		—
Total current assets	640,109	(4,002)	1,430	637,537		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Total property, plant and equipment	90,405	—	980	91,385		Property, plant and equipment
Intangible fixed assets						
Goodwill	31,691	—	5,324	37,016	5	Goodwill
Others	46,423	(603)	7,018	52,838	6	Other intangible assets
Total intangible assets	78,115	(603)	12,343	89,854		Intangible assets
Investments and other assets						
Investment securities	470	(470)	—	—		—
—	—	66,151	(2,543)	63,608		Non-current financial assets
Deferred tax assets (Non-current)	9,498	(9,498)	—	—	1	—
—	—	13,500	1,966	15,467	1	Deferred tax assets
Lease and guarantee deposits	47,997	(47,997)	—	—		—
Advances to developer	15,280	(15,280)	—	—		—
Others	4,002	(1,878)	1,229	3,353		Others
Allowance for doubtful accounts	(78)	78	—	—		—
Total investments and other assets	77,170	4,606	653	82,430		—
Total non-current assets	245,690	4,002	13,977	263,670		Total non-current assets
Total assets	885,800	—	15,407	901,208		Total assets

Presentation under JGAAP		Reclassification	Differences in recognition and measurement	Presentation under IFRS		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	Notes	
LIABILITIES						LIABILITIES
Current liabilities						Current liabilities
Notes and accounts payable — trade	121,951	31,359	53	153,364		Trade and other payables
Short-term loans payable	1,862	(1,862)	—	—		—
Current portion of long-term loans payable	3,632	(3,632)	—	—		—
—	—	9,450	—	9,450		Other current financial liabilities
Income taxes payable	26,005	755	—	26,760		Income taxes payable
Provisions	10,081	1,331	7	11,420	2	Provisions
Deferred tax liabilities (Current)	38,494	(38,494)	—	—	1	—
Others	51,937	(37,401)	2,047	16,583	2,10	Others
Total current liabilities	253,966	(38,494)	2,107	217,578		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	21,926	(21,926)	—	—		—
—	—	30,077	—	30,077		Non-current financial liabilities
Provisions	75	5,743	—	5,818	2	Provisions
Deferred tax liabilities (Non-current)	10,371	38,494	886	49,752	1	Deferred tax liabilities
Others	19,868	(13,894)	2,278	8,253	2	Others
Total non-current liabilities	52,243	38,494	3,164	93,902		Total non-current liabilities
Total liabilities	306,209	—	5,271	311,481		Total liabilities
NET ASSETS						EQUITY
Stockholders' equity						
Capital stock	10,273	—	—	10,273		Capital stock
Capital surplus	5,963	896	—	6,859	3	Capital surplus
Retained earnings	482,109	—	(362)	481,746	11	Retained earnings
Treasury stock, at cost	(15,851)	—	—	(15,851)		Treasury stock, at cost
Total stockholders' equity	482,495	—	—	—		—
Accumulated other comprehensive income						
Total accumulated other comprehensive income	76,901	—	10,498	87,399	7,8,9	Other components of equity
—	559,396	896	10,135	570,428		Equity attributable to owners of the parent
Share subscription rights	1,170	(1,170)	—	—	3	—
Minority interests	19,024	274	—	19,298		Non-controlling interests
Total net assets	579,591	—	10,135	589,726		Total equity
Total liabilities and net assets	885,800	—	15,407	901,208		Total liabilities and equity

(iii) Reconciliation of consolidated comprehensive income for the year ended 31 August 2013

Presentation under JGAAP		Reclassification	Differences in recognition and measurement	Presentation under IFRS		
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	Note	
Net sales	1,143,003	—	(32)	1,142,971		Revenue
Cost of sales	578,992	—	(1,166)	577,826		Cost of sales
Gross profit	564,011	—	1,133	565,145		Gross profit
Selling, general and administrative expenses	431,091	—	(4,913)	426,177	5,6	Selling, general and administrative expenses
Operating profit	132,920	—				
Non-operating income						
Total non-operating income	17,628	(17,628)	—	—	4	
Non-operating expenses						
Total non-operating expenses	1,569	(1,569)	—	—	4	
Extraordinary income						
Total extraordinary income	390	(390)	—	—	4	
Extraordinary loss						
Total extraordinary loss	7,845	(7,845)	—	—	4	
	—	3,921	128	4,050	4	Other income
	—	8,781	134	8,916	4	Other expenses
	—	(4,861)	6,041	134,101	4	Operating profit
	—	14,098	8,171	22,269	4,7,8	Finance income
	—	633	5	638	4	Finance costs
Income before income taxes and minority interests	141,525	—	14,207	155,732		Profit before income taxes
Income taxes — current	54,486	(54,486)	—	—		
Income taxes — deferred	(6,218)	6,218	—	—		
Total income taxes	48,268	—	—	—		
	—	48,268	(10)	48,257		Income taxes
Income before minority interests	93,256	—	14,217	107,474		Profit for the year
Minority interests	2,879	(2,879)	—	—		
						Attributable to:
Net income	90,377	—	14,217	104,595		Owners of the parent
	—	2,879	—	2,879		Non-controlling interests
	—	—	—	107,474		Total
Other comprehensive income						
Unrealized gains or losses on available-for-sale securities	9,455	—	(9,248)	207	7	Net gain/(loss) on revaluation of available-for-sale investments
Foreign currency translation adjustment	17,078	—	2,384	19,462	8	Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	85,538	—	(1,133)	84,405		Cash flow hedges
Total other comprehensive income	112,072	—	(7,997)	104,075		Other comprehensive income, net of taxes
Comprehensive income	205,329	—	6,221	211,550		Total comprehensive income for the year

Notes to Reconciliation for the year ended 31 August 2013

Reclassification

The following reclassifications have been made in the presentation of the consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of comprehensive income for the transition to IFRS and do not affect retained earnings. The reclassifications consist mainly of the following:

1. All deferred tax assets and deferred tax liabilities have been reclassified as non-current assets and non-current liabilities.

2. Under JGAAP, asset retirement obligations were recorded in "Others", but because they are treated as provisions under IFRS, they are included in the provisions for current liabilities and non-current liabilities in accordance with the one-year rule.

3. Under JGAAP, share-based payments are stated as an item under net assets, but under IFRS they are included within capital surplus.

4. Items stated under non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under JGAAP have been reclassified under IFRS; presented as finance income, finance costs, other costs, other income, or selling, general and administrative expenses.

Differences in recognition and measurement

5. Adjustment to amortization of goodwill

Under JGAAP, goodwill was amortized over an estimated amortization period. Under IFRS, this amortization ceased on the Transition Date and this adjustment is reflected in retained earnings.

6. Adjustment to amortization of trademarks

Under JGAAP, trademarks were amortized over the life of the trademark registration, but under IFRS the amortization costs recognized since the acquisition date on trademarks with an indefinite useful life are retrospectively reversed, and this adjustment is reflected in retained earnings.

7. Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies

Under JGAAP, foreign exchange translation differences on monetary financial Instruments denominated in foreign currencies are recorded as unrealized gains or losses on available-for-sale securities under net assets. Under IFRS, these exchange differences are treated as foreign exchange gains or losses, and this adjustment is reflected in retained earnings.

8. Adjustment to net investment in foreign operations

Under JGAAP, exchange differences on loans to foreign subsidiaries and branches that are determined to be an investment are treated as foreign exchange gains or losses. Under IFRS, these are treated as other components of equity and this adjustment is reflected in retained earnings.

9. Adjustment to other components of equity

The Group has elected to adopt the exemption provided in IFRS 1 and has reclassified the balance of cumulative translation differences associated with foreign subsidiaries as retained earnings as of the Transition Date.

10. Adjustment for accruals for employees' unused accumulating paid holiday

Under JGAAP, the Group was not required to account for accruals for employees' unused accumulating paid holiday; this is recognized as a liability under IFRS and this adjustment is reflected in retained earnings.

11. Adjustments to retained earnings

(Millions of yen)

	31 August 2013
5. Adjustment to amortization of goodwill	5,297
6. Adjustment to amortization of trademarks	5,694
7. Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies	(7,710)
8. Adjustment to net investment in foreign operations	(1,069)
9. Adjustment to other components of equity	(1,193)
10. Adjustment for accruals for employees' unused accumulating paid holiday	(1,301)
Others	(80)
Adjustments to retained earnings	(362)

(iv) Disclosure of significant adjustments to the prior year's consolidated statement of cash flows

There are no significant differences between the disclosed consolidated statement of cash flows under IFRS and the disclosed consolidated statement of cash flows under JGAAP.

Sales breakdown by product category/operation

Segment	Year ended 31 August 2013		Year ended 31 August 2014	
	Revenue (Millions of yen)	Percent of Total (%)	Revenue (Millions of yen)	Percent of Total (%)
Men's clothing	286,959	25.1	292,574	21.2
Women's clothing	331,912	29.0	354,721	25.6
Children's & Baby's clothing	34,204	3.0	40,052	2.9
Goods and other items	19,396	1.7	16,700	1.2
Total item sales of UNIQLO Japan	672,473	58.8	704,049	50.9
Franchise-related income & alteration charges	10,841	1.0	11,594	0.8
Total UNIQLO Japan Operations	683,314	59.8	715,643	51.7
UNIQLO International Operations	251,191	22.0	413,655	29.9
Total UNIQLO Operations	934,506	81.8	1,129,299	81.6
Global Brands Operations	206,202	18.0	251,225	18.2
Other Operations	2,263	0.2	2,410	0.2
Total	1,142,971	100.0	1,382,935	100.0

Notes:

1. *Franchise-related income refers to the proceeds from garment sales to franchise stores, plus royalty income. Alteration charges refer to income generated from embroidery prints and alterations to pants length.*
2. *UNIQLO operations cover the selling of UNIQLO brand casual clothing.*
3. *Global Brand Operations consist of Comptoir des Cotonniers operations (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operations (selling of Princesse tam.tam brand clothing), GU operations (selling of GU brand casual clothing), Theory operations (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operations (selling of J BRAND brand clothing).*
4. *Other operations include real-estate leasing business.*
5. *Direct business revenue from UNIQLO Japan (internet and other direct sales channels)*
   Fiscal year ended 31 August 2013: 24,235 million yen;
   Fiscal year ended 31 August 2014: 25,547 million yen.
6. *The above amounts do not include consumption taxes, etc.*

5. Non-consolidated Financial Statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
ASSETS		
Current assets		
Cash and deposits	41,589	46,673
Trade accounts receivable	16,448	12,679
Short-term investment securities	138,156	131,622
Short-term loans receivable from subsidiaries and affiliates	20,922	34,275
Income taxes receivable	8,458	11,481
Accounts receivable from subsidiaries and affiliates	9,162	8,962
Others	858	1,877
Allowance for doubtful accounts	(2)	(1)
Total current assets	235,594	247,570
Non-current assets		
Property, plant and equipment		
Buildings	5,561	5,736
Accumulated depreciation	(3,437)	(3,990)
Buildings, net	2,124	1,745
Structures	298	298
Accumulated depreciation	(202)	(207)
Structures, net	95	91
Tools, furniture and equipment	1,366	1,406
Accumulated depreciation	(1,198)	(1,290)
Tools, furniture and equipment, net	168	116
Land	1,158	1,158
Leased assets	20	20
Accumulated depreciation	(11)	(15)
Leased assets, net	8	4
Total property, plant and equipment	3,555	3,116
Intangible assets		
Software	12,549	11,849
Software in progress	2,603	5,403
Others	95	80
Total intangible assets	15,247	17,333
Investments and other assets		
Investment securities	403	439
Investments in subsidiaries and affiliates	85,561	74,922
Investments in capital of subsidiaries and affiliates	9,992	11,069
Long-term loans receivable from subsidiaries and affiliates	18,244	24,034
Leases and guarantee deposits	3,957	5,314
Others	700	1,310
Allowance for doubtful accounts	(3,146)	(0)
Total investments and other assets	115,712	117,092
Total non-current assets	134,515	137,542
Total assets	370,110	385,113

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
LIABILITIES		
Current liabilities		
Accounts payable	3,728	3,178
Accruals	882	1,173
Deposits received	22,876	42,435
Allowance for bonuses	827	1,283
Others	1,992	160
Total current liabilities	30,308	48,231
Non-current liabilities		
Guarantee deposits received	1,109	1,127
Deferred tax liabilities	2,440	3,012
Others	497	486
Total non-current liabilities	4,047	4,625
Total liabilities	34,356	52,857
NET ASSETS		
Shareholders' equity		
Capital stock	10,273	10,273
Capital surplus		
Capital reserve	4,578	4,578
Other capital surplus	1,384	1,856
Total capital surplus	5,963	6,435
Retained earnings		
Legal reserve	818	818
Other retained earnings		
Special reserve fund	185,100	185,100
Retained earnings carried forward	155,534	148,299
Total retained earnings	341,452	334,217
Treasury stock	(15,851)	(15,790)
Total shareholders' equity	341,838	335,136
Valuation and translation adjustments		
Unrealized gains/(losses) on available-for-sale securities	(6,980)	(4,515)
Total valuation and translation adjustments	(6,980)	(4,515)
Share subscription rights	896	1,634
Total net assets	335,754	332,255
Total liabilities and net assets	370,110	385,113

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Operating revenue		
Management income from operating companies	32,512	26,481
Dividends income from subsidiaries and affiliates	59,057	50,957
Total operating revenue	91,570	77,438
Operating expenses		
Selling, general and administrative expenses		
Salaries	2,822	3,240
Bonuses	448	112
Allowance for bonuses	827	1,283
Rental expenses	3,775	3,881
Depreciation	4,109	4,908
Outsourcing expenses	6,420	10,620
Others	6,761	9,914
Total operating expenses	25,165	33,961
Operating income	66,404	43,477
Non-operating income		
Interest income	34	62
Interest income from investment securities	148	86
Foreign exchange gains	9,904	3,508
Others	151	96
Total non-operating income	10,239	3,753
Non-operating expenses		
Interest expenses	39	14
Others	35	294
Total non-operating expenses	74	308
Ordinary income	76,569	46,921
Extraordinary income		
Gain from discharge of indebtedness	—	427
Total extraordinary income	—	427
Extraordinary losses		
Losses on retirement of non-current assets	58	—
Impairment losses of investments in subsidiaries and affiliates	—	23,499
Allowance for doubtful accounts	857	—
Total extraordinary losses	916	23,499
Income before income taxes	75,653	23,849
Income taxes – current	5,233	(91)
Income taxes – deferred	1,643	605
Total income taxes	6,877	513
Net income	68,776	23,336

(3) Statement of Changes in Net Assets

Year ended 31 August 2013

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Special reserve fund	Retained earnings carried forward	Total retained earnings
Balance at the beginning of year	10,273	4,578	962	5,541	818	185,100	114,262	300,180
Changes during the year								
Exercise of share subscription rights			421	421				
Dividends							(27,504)	(27,504)
Net income							68,776	68,776
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	421	421	—	—	41,271	41,271
Balance at the end of year	10,273	4,578	1,384	5,963	818	185,100	155,534	341,452

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at the beginning of year	(16,003)	299,992	(16,433)	(16,433)	755	284,314
Changes during the year						
Exercise of share subscription rights		421				421
Dividends		(27,504)				(27,504)
Net income		68,776				68,776
Acquisition of treasury stock	(9)	(9)				(9)
Disposal of treasury stock	161	161				161
Net changes of items other than those in shareholders' equity			9,453	9,453	140	9,594
Net changes during the year	152	41,845	9,453	9,453	140	51,439
Balance at the end of year	(15,851)	341,838	(6,980)	(6,980)	896	335,754

Year ended 31 August 2014

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Special reserve fund	Retained earnings carried forward	Total retained earnings
Balance at the beginning of year	10,273	4,578	1,384	5,963	818	185,100	155,534	341,452
Changes during the year								
Exercise of share subscription rights			471	471				
Dividends							(30,571)	(30,571)
Net income							23,336	23,336
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	471	471	—	—	(7,234)	(7,234)
Balance at the end of year	10,273	4,578	1,856	6,435	818	185,100	148,299	334,217

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,851)	341,838	(6,980)	(6,980)	896	335,754
Changes during the year						
Exercise of share subscription rights		471				471
Dividends		(30,571)				(30,571)
Net income		23,336				23,336
Acquisition of treasury stock	(25)	(25)				(25)
Disposal of treasury stock	86	86				86
Net changes of items other than those in shareholders' equity			2,464	2,464	738	3,203
Net changes during the year	60	(6,701)	2,464	2,464	738	(3,498)
Balance at the end of year	(15,790)	335,136	(4,515)	(4,515)	1,634	332,255

6. Others

Changes in Officers

(1) Change in representative

Not applicable.

(2) Other changes in executives scheduled for 20 November 2014

Changes in directors assume approval by the Shareholders General Meeting for the 53rd fiscal term, scheduled to be held on 20 November 2014.

(i) Candidates for reappointment as directors

Director	Tadashi Yanai	(current Chairman, President and CEO)
Director	Toru Hambayashi	(current Director)
Director	Nobumichi Hattori	(current Director)
Director	Toru Murayama	(current Director)
Director	Masaaki Shintaku	(current Director)
Director	Takashi Nawa	(current Director)

(Note) Tadashi Yanai is expected to be reappointed Chairman, President and CEO after re-election by the Ordinary General Meeting of Shareholders scheduled for 20 November 2014.
Toru Hambayashi, Nobumichi Hattori, Toru Murayama, Masaaki Shintaku and Takashi Nawa are External Directors as stipulated in Article 2-15 of the Companies Act.

(ii) Candidates for reappointment as statutory auditors

Standing Statutory Auditor	Akira Tanaka	(current Standing Statutory Auditor)
Standing Statutory Auditor	Akira Watanabe	(current Standing Statutory Auditor)

(Note) Akira Watanabe is an External Statutory Auditor as stipulated in Article 2-16 of the Companies Act.

7. Resumption of Trading

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 9 October 2014 pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 10 October 2014.

On Behalf of the Board
FAST RETAILING CO., LTD.
Tadashi Yanai
Chairman, President and Chief Executive Officer

Japan, 9 October 2014

As at the date of this announcement, our executive director is Tadashi Yanai, our non-executive directors are Toru Murayama and Takashi Nawa and our independent non-executive directors are Toru Hambayashi, Nobumichi Hattori and Masaaki Shintaku.