FAST RETAILING

FAST RETAILING CO., LTD.
迅 銷 有 限 公 司

Year-end Report 2013/14

2013.9.1–2014.8.31

Stock Code: 6288

Contents

Corporate Information

Board of Directors

Executive Director

Mr. Tadashi Yanai *(Chairman of the Board, President and Chief Executive Officer)*

Non-Executive Directors

Mr. Toru Murayama *(External Director)*
Mr. Takashi Nawa *(External Director)*

Independent Non-Executive Directors

Mr. Toru Hambayashi *(External Director)*
Mr. Nobumichi Hattori *(External Director)*
Mr. Masaaki Shintaku *(External Director)*

Statutory Auditors

Mr. Akira Tanaka *(Kansayaku) (Standing Statutory Auditor)*
Mr. Masaaki Shinjo *(Kansayaku) (Standing Statutory Auditor)*
Mr. Takaharu Yasumoto *(Shagai Kansayaku) (External Statutory Auditor)*
Mr. Akira Watanabe *(Shagai Kansayaku) (External Statutory Auditor)*
Ms. Keiko Kaneko *(Shagai Kansayaku) (External Statutory Auditor)*

Joint Company Secretaries

Japan: Mr. Mitsuru Ohki
Hong Kong: Ms. Choy Yee Man

Auditors

Ernst & Young ShinNihon LLC

Principal Banks

Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama
Yamaguchi City
Yamaguchi 754-0894
Japan

Principal Place of Business in Japan

Midtown Tower 9-7-1
Akasaka Minato-ku
Tokyo 107-6231
Japan

Principal Place of Business in Hong Kong

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

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Stock Code

Hong Kong: 6288
Japan: 9983

Website Address

http://www.fastretailing.com

Financial Highlights

(1) Consolidated Financial Summary

Term	International Financial Reporting Standards (“IFRS”)		
	Transition Date	52nd Year	53rd Year
Accounting Period	1 September 2012	Year ended 31 August 2013	Year ended 31 August 2014
Revenue (Millions of yen)	—	1,142,971	1,382,935
Operating profit (Millions of yen)	—	134,101	130,402
Profit before income taxes (Millions of yen)	—	155,732	135,470
Profit attributable to owners of the parent (Millions of yen)	—	104,595	74,546
Comprehensive income attributable to owners of the parent (Millions of yen)	—	205,660	75,517
Equity attributable to owners of the parent (Millions of yen)	391,456	570,428	618,381
Total assets (Millions of yen)	604,397	901,208	992,307
Equity per share attributable to owners of the parent (Yen)	3,843.30	5,598.12	6,067.40
Basic earnings per share for the year (Yen)	—	1,026.68	731.51
Diluted earnings per share for the year (Yen)	—	1,025.75	730.81
Ratio of equity attributable to owners of the parent to total assets (%)	64.8	63.3	62.3
Ratio of profit to equity attributable to owners of the parent (%)	—	21.7	12.5
Price earnings ratio (times)	—	31.1	44.5
Net cash from operating activities (Millions of yen)	—	99,474	110,595
Net cash used in investing activities (Millions of yen)	—	(62,584)	(56,323)
Net cash used in financing activities (Millions of yen)	—	(24,226)	(44,060)
Cash and cash equivalents at end of the year (Millions of yen)	266,023	296,708	314,049
Number of employees: (Separate, average number of temporary employees) (persons)	18,854 (19,485)	23,982 (23,535)	30,448 (25,705)

(Notes) 1. Revenue does not include consumption taxes, etc.

2. The Group started to prepare the consolidated financial statements for the year ended 31 August 2014 in accordance with IFRS.

Generally Accepted Accounting Principles in Japan ("JGAAP")					
Term	49th Year	50th Year	51st Year	52nd Year	53rd Year
Accounting period	Year ended 31 August 2010	Year ended 31 August 2011	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014
Net sales (Millions of yen)	814,811	820,349	928,669	1,143,003	1,382,907
Ordinary income (Millions of yen)	123,755	107,090	125,212	148,979	156,828
Net income (Millions of yen)	61,681	54,354	71,654	90,377	78,118
Comprehensive income (Millions of yen)	—	52,246	96,501	205,329	82,066
Total net assets (Millions of yen)	287,987	319,911	394,892	579,591	626,581
Total assets (Millions of yen)	507,287	533,777	595,102	885,800	977,609
Equity per share (Yen)	2,804.34	3,091.17	3,797.04	5,489.86	5,958.54
Basic net income per share (Yen)	605.99	533.93	703.62	887.12	766.55
Diluted net income per share (Yen)	—	533.66	703.06	886.31	765.82
Equity ratio (%)	56.3	59.0	65.0	63.2	62.1
Earnings on equity (%)	22.6	18.1	20.4	19.1	13.4
Price earnings ratio (times)	19.1	27.1	26.0	36.0	42.5
Net cash from operating activities (Millions of yen)	88,623	57,158	127,643	99,439	111,399
Net cash used in investing activities (Millions of yen)	(23,389)	(26,643)	(35,313)	(63,901)	(63,574)
Net cash used in financing activities (Millions of yen)	(28,897)	(26,156)	(29,056)	(23,945)	(38,014)
Cash and cash equivalents at end of year (Millions of yen)	200,462	202,104	266,020	295,622	313,746
Number of employees: (Separate, average number of temporary employees) (Persons)	11,596 (18,144)	14,612 (18,711)	18,854 (19,485)	23,982 (23,535)	30,448 (25,705)

(Notes) 1. Net sales do not include consumption taxes, etc.

2. Figures for diluted net income per share is not reported for the 49th year because there was no dilution.

3. The financial figures for the 53rd year prepared in accordance with JGAAP are not audited pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

(2) Non-Consolidated Financial Summary

Term	49th Year	50th Year	51st Year	52nd Year	53rd Year
Accounting period	Year ended 31 August 2010	Year ended 31 August 2011	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014
Operating revenue (Millions of yen)	81,013	72,687	78,454	91,570	77,438
Ordinary income (Millions of yen)	58,077	49,889	54,982	76,569	46,921
Net income (Millions of yen)	43,043	47,783	55,956	68,776	23,336
Capital stock (Millions of yen)	10,273	10,273	10,273	10,273	10,273
Total number of shares issued (shares)	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656
Total net assets (Millions of yen)	224,808	249,441	284,314	335,754	332,255
Total assets (Millions of yen)	251,698	267,290	322,589	370,110	385,113
Equity per share (Yen)	2,208.66	2,449.92	2,783.97	3,286.26	3,243.97
Dividends per share (Figures in parentheses indicate interim dividends) (Yen)	230.00 (115.00)	180.00 (95.00)	260.00 (130.00)	290.00 (140.00)	300.00 (150.00)
Basic net income per share (Yen)	422.88	469.38	549.48	675.09	228.99
Diluted net income per share (Yen)	—	469.15	549.04	674.48	228.77
Equity ratio (%)	89.3	93.1	87.9	90.5	85.9
Earnings on equity (%)	20.0	19.2	21.0	22.2	7.0
Price earnings ratio (times)	27.4	30.8	33.2	47.3	142.1
Dividend ratio (%)	54.3	38.4	47.3	43.0	131.0
Number of employees: (Separate, average number of temporary employees) (Persons)	523 (127)	710 (145)	781 (84)	924 (103)	1,088 (114)

(Notes) 1. Ordinary revenue does not include consumption taxes, etc.

2. Figures for diluted net income per share is not reported for the 49th year because there was no dilution.

Corporate Profile

1. History

In March 1949, Hitoshi Yanai, the father of our current Chairman, President and CEO Tadashi Yanai, founded Men's Shop Ogori Shoji in Ube City, Yamaguchi Prefecture. To solidify the management foundation, the business later became incorporated in May 1963 under the name Ogori Shoji Co., Ltd.

In June 1984, the Fukuromachi Store, a store specializing in casual clothing, opened its doors in Hiroshima City, Hiroshima Prefecture as the first UNIQLO.

The Company's history:

Date	Summary
May 1963	Tadashi Yanai takes over the family business and transforms it into Ogori Shoji Co., Ltd., capitalized at 6 million yen, with headquarters at 63-147 Ogushi Village, Ube City, Yamaguchi Prefecture (now 2-12-12 Chuo-cho, Ube City, Yamaguchi Prefecture).
June 1984	UNIQLO's first location, the Fukuromachi Store, opens in Hiroshima (closed in 1991), marking the move into casual wear retailing with stores named UNIQLO.
September 1991	Ogori Shoji Co., Ltd. changes its name to FAST RETAILING CO., LTD., to embody the guideline of conduct.
April 1992	The main OS store, selling men's wear, is converted to the UNIQLO Onda store (closed in 2001). All the stores are completely renovated as a casual wear store matching the UNIQLO brand.
April 1994	The number of UNIQLO stores in Japan rises above 100 (109 directly operated stores, 7 franchises).
July 1994	FAST RETAILING CO., LTD. lists its shares on the Hiroshima Stock Exchange.
April 1997	FAST RETAILING CO., LTD. lists its shares on the second section of the Tokyo Stock Exchange.
February 1998	Construction of the head office is finished (717-1 Sayama, Yamaguchi City, Yamaguchi Prefecture) to expand the company's headquarters capacity.
November 1998	The first urban UNIQLO store opens in Shibuya-ku, Tokyo (UNIQLO Harajuku store, closed in 2007).
February 1999	FAST RETAILING CO., LTD. lists its shares on the first section of the Tokyo Stock Exchange.
April 1999	UNIQLO Shanghai office opens to further enhance production management.
April 2000	Tokyo headquarter opens in Shibuya-ku, Tokyo
June 2000	Ties up with East Japan Railway Company (JR East) and JR East Japan Kiosk to offer UNIQLO products through shops in JR East stations in Tokyo area, to raise consumer exposure to our products and make shopping more convenient for our customers.
October 2000	Online store opens for business to open a new sales channel and make shopping easier for our customers.
September 2001	FAST RETAILING (U.K) LTD. opens first four overseas UNIQLO stores in London.
September 2002	Fast Retailing (Jiangsu) Apparel Co., Ltd. opens first two UNIQLO China stores in Shanghai.
August 2003	UNIQLO (U.K.) LIMITED (now UNIQLO EUROPE LIMITED) establishes as successor to FAST RETAILING (U.K) LTD.
January 2004	FAST RETAILING CO., LTD. invests in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), the developer of Theory brand career apparel.
August 2004	Capital reserves of ¥7 billion integrated into capital, increasing total capital to ¥10.273 billion.
November 2004	Establishment of UNIQLO USA, Inc.
December 2004	Establishment of FRL Korea Co., Ltd., a business venture with South Korea's Lotte Shopping Co., Ltd.
March 2005	Establishment of UNIQLO HONG KONG, LIMITED.
April 2005	Establishment of FR FRANCE S.A.S. (now FAST RETAILING FRANCE S.A.S.) and GLOBAL RETAILING FRANCE S.A.S. (now UNIQLO EUROPE LIMITED).
May 2005	Acquires management control of Nelson Finance S.A.S. (now CRÉATIONS NELSON S.A.S.), the developer of the Comptoir des Cotonniers brand, and makes it a subsidiary.
November 2005	Adopts a holding company structure to reinforce the UNIQLO brand and develop new business opportunities.
February 2006	Makes equity investment in, and makes a subsidiary of, PETIT VEHICULE S.A.S., developer of PRINCESSE TAM.TAM, a well-known brand of lingerie in France.
March 2006	Establishes G.U. CO., LTD. to manage a new brand of less-expensive casual clothing to follow UNIQLO.

Date	Summary
November 2006	UNIQLO Soho New York Store opens as the brand’s first global flagship store, with over 3,300 square meters of floor space.
March 2007	UNIQLO opens the Kobe Harborland Store (closed in 2012), the first large-format store with over 3,300 square meters of floor space in Japan.
November 2007	UNIQLO 311 Oxford Street Store opens in London as the brand’s first global flagship store in Europe.
December 2007	First UNIQLO France store opens in the Paris suburbs La Defense.
August 2008	UNIQLO establishes a business venture with Wing Tai Retail Pte. Ltd. to expand in Singapore.
March 2009	LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.) becomes a subsidiary through a takeover bid.
March 2009	UNIQLO signs a design consulting contract for its products with world-renowned fashion designer Jil Sander.
April 2009	First UNIQLO Singapore store opens in the Tampines 1 Mall.
October 2009	UNIQLO Paris Opera Store opens in France as a global flagship store.
March 2010	UNIQLO establishes a wholly owned subsidiary in Taiwan.
April 2010	First UNIQLO Russia store, UNIQLO Atrium, opens in Moscow.
May 2010	UNIQLO Shanghai West Nanjing Road Store opens in China as a global flagship store.
October 2010	UNIQLO Shinsaibashi Store in Osaka opens as the first UNIQLO global flagship store in Japan.
October 2010	First GU flagship store opens in Shinsaibashi, Osaka.
October 2010	First UNIQLO Taiwan store opens in Taipei.
November 2010	First UNIQLO Malaysia store opens in Kuala Lumpur.
February 2011	FAST RETAILING CO., LTD. launches a global partnership agreement with the United Nations High Commissioner for Refugees (UNHCR) to further reinforce ongoing company initiatives such as the All-Product Recycling Initiative.
March 2011	Donates UNIQLO and GU clothing to sufferers of the Great East Japan Earthquake.
September 2011	First UNIQLO Thailand store opens in Bangkok.
September 2011	UNIQLO Mingyao Department Store opens in Taipei, Taiwan as a global flagship store.
October 2011	UNIQLO Fifth Avenue Store opens in New York as a global flagship store.
November 2011	UNIQLO Myeongdong Central Store opens in Seoul, Korea as a global flagship store.
March 2012	UNIQLO Ginza Store opens in Tokyo as a global flagship store.
June 2012	First UNIQLO Philippines store opens in Manila.
September 2012	BICQLO Shinjuku East Exit Store opens in Tokyo as a global hotspot store.
October 2012	First UNIQLO store on the West Coast of the United States opens in San Francisco, Union Square.
December 2012	FAST RETAILING CO., LTD. acquires majority control of J Brand Holdings, LLC, a leading contemporary fashion brand based in Los Angeles, California.
April 2013	UNIQLO Lee Theatre opens in Hong Kong as a global flagship store.
June 2013	UNIQLO Lotte Shopping Avenue Store opens as the first UNIQLO Store in the Republic of Indonesia.
September 2013	UNIQLO global flagship store opens in Shanghai.
September 2013	First GU overseas store opens in Shanghai.
March 2014	HDRs (Hong Kong Depository Receipts) listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).
March 2014	UNIQLO global hotspot store opens in Ikebukuro, Sunshine 60.
April 2014	First UNIQLO Australia store opens in Melbourne.
April 2014	First UNIQLO Germany store opens in Berlin, Tauenzienstrasse as a global flagship store.
April 2014	UNIQLO global hotspot store opens in Tokyo, Okachimachi district.

2. Our Business

The Group consists of FAST RETAILING CO., LTD. (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.

The segment categories in this section of the report are the same as the segment categories in the section headed "FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements".

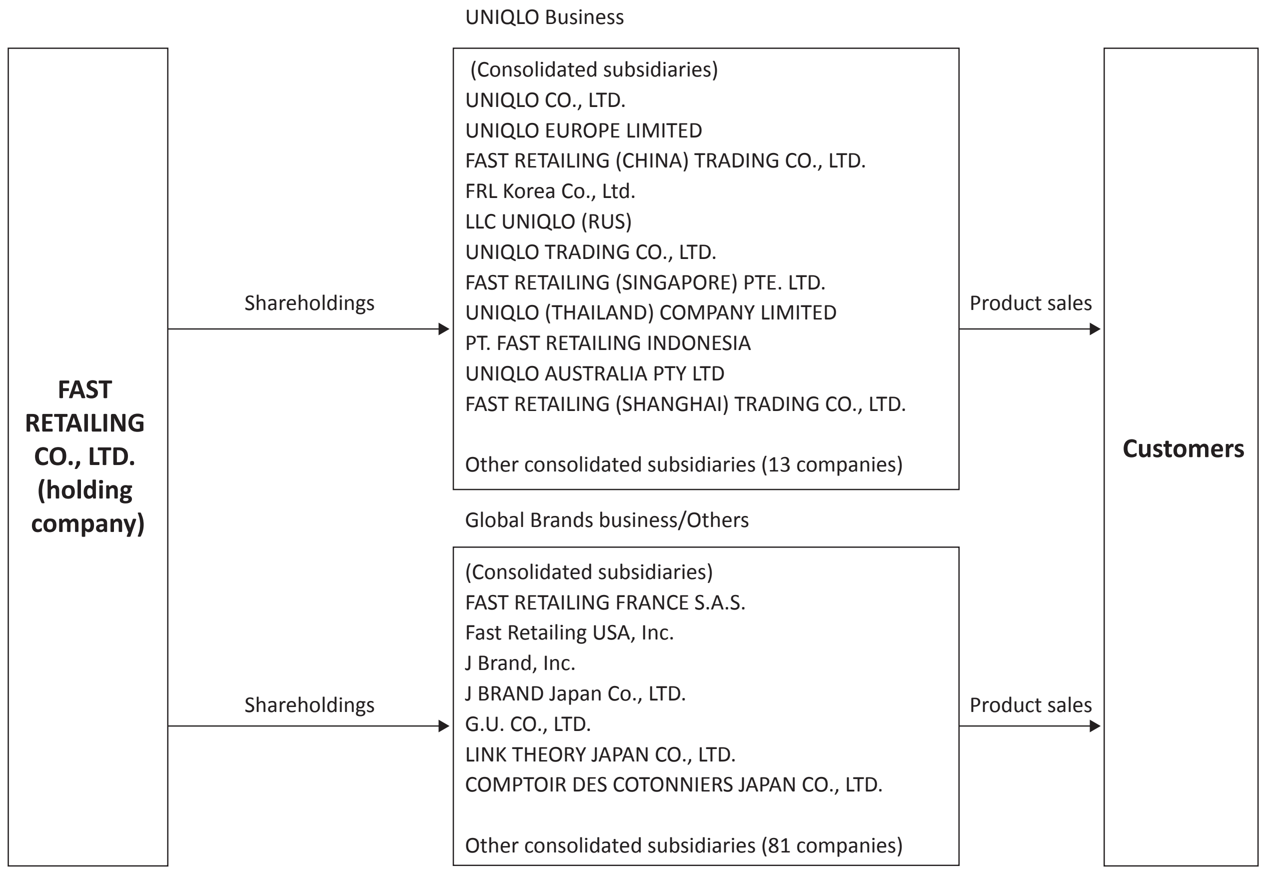
Category	**Company name**	**Reportable Segment**
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD. (consolidated subsidiary)	UNIQLO Japan
	UNIQLO EUROPE LIMITED (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (CHINA) TRADING CO., LTD.* (consolidated 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" includes real estate leasing businesses.
4. UNIQLO (U.K.) LIMITED changed its name to UNIQLO EUROPE LIMITED during the year ended 31 August 2014.

Organizational structure is as follows:

Business Structure



3. Subsidiaries and Associates

Name	Location	Nominal value of issued ordinary/registered share capital (Thousands)	Details of main businesses	Ownership Ratio of Voting Rights	Relationship	
					Common directors (Number of persons)	Capital/ operational ties
(Consolidated subsidiaries)						
UNIQLO CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY1,000,000	UNIQLO Japan	100.0%	3	—
UNIQLO EUROPE LIMITED	London, United Kingdom	GBP40,000	UNIQLO International	100.0%	1	—
FAST RETAILING (CHINA) TRADING CO., LTD*	Shanghai, PRC	USD20,000	UNIQLO International	100.0%	2	—
FRL Korea Co., Ltd.	Seoul Special City, South Korea	KRW24,000,000	UNIQLO International	51.0%	1	—
LLC UNIQLO (RUS)	Moscow, Russian Federation	RUB510,010	UNIQLO International	100.0%	—	Loans
UNIQLO TRADING CO., LTD.*	Shanghai, PRC	USD30,000	UNIQLO International	100.0%	2	—
FAST RETAILING (SINGAPORE) PTE. LTD.	Republic of Singapore	SGD80,000	UNIQLO International	100.0%	—	Loans
UNIQLO (THAILAND) COMPANY LIMITED	Bangkok, Kingdom of Thailand	THB500,000	UNIQLO International	75.0% (75.0%)	—	—
PT. FAST RETAILING INDONESIA	Jakarta, Republic of Indonesia	IDR115,236,000	UNIQLO International	75.0% (75.0%)	1	—
UNIQLO AUSTRALIA PTY LTD	Melbourne, Australia	AUD21,000	UNIQLO International	100.0% (100.0%)	—	Loans
FAST RETAILING (SHANGHAI) TRADING CO., LTD.*	Shanghai, PRC	USD35,000	UNIQLO International	100.0%	2	—
FAST RETAILING FRANCE S.A.S.	Paris, France	EUR161,025	Global Brands	100.0%	1	Bond guarantees Loans
Fast Retailing USA, Inc.	New York, United States of America	USD30,000	UNIQLO International/ Global Brands	100.0%	—	Bond guarantees Loans
J Brand, Inc.	California, United States of America	USD394,248	Global brands	100.0% (100.0%)	1	—
J Brand Japan Co., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	—	Loans
G.U. CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	1	—
LINK THEORY JAPAN CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	2	—
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY33,775	Global brands	100.0% (100.0%)	—	—
Other consolidated subsidiaries (94 companies)	—	—	—	—	—	—

* The English names of all subsidiaries established in the PRC are translated for identification only.

(Notes)
1. The information given in the "Details of main businesses" column is the name of the business segment.
2. UNIQLO CO., LTD., UNIQLO EUROPE LIMITED, FAST RETAILING (China) TRADING CO., LTD., FRL Korea Co., Ltd., LLC UNIQLO (RUS), UNIQLO TRADING CO., LTD., FAST RETAILING (SINGAPORE) PTE. LTD., UNIQLO (THAILAND) COMPANY LIMITED, PT. FAST RETAILING INDONESIA, UNIQLO AUSTRALIA PTY LTD, FAST RETAILING (SHANGHAI) TRADING CO. LTD., FAST RETAILING FRANCE S.A.S., Fast Retailing USA, Inc., and J Brand, Inc. are specified subsidiaries.
3. Figures in parentheses in the “Ownership Ratio of Voting Rights” column indicate the ratio of voting rights held by the Group’s subsidiary.

4. UNIQLO (U.K.) LIMITED changed its name to UNIQLO EUROPE LIMITED during the year ended 31 August 2014.
5. UNIQLO CO., LTD.'s net sales (excluding internal sales between other member companies of consolidated group) are greater than 10% of consolidated revenue.

Key elements of profit/loss for the year ended 31 August 2014

(1)	Net sales	725,717 million yen
(2)	Ordinary income	114,167 million yen
(3)	Net profit	68,507 million yen
(4)	Net assets	212,722 million yen
(5)	Total assets	421,571 million yen

4. Employees

(1) The Group

As at 31 August 2014

Name of segment	Number of employees (Persons)
UNIQLO Japan	4,182 (17,708)
UNIQLO International	20,072 (3,992)
Global brands	4,387 (3,866)
Total for reportable segments	28,641 (25,566)
Others	719 (25)
All companies (shared)	1,088 (114)
Total	30,448 (25,705)

(Notes)
1. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
2. The number of junior employees and part-time workers is stated as a separate number in parentheses as the average number of people per year was calculated based on an eight-hour workday per person.
3. The number of employees given as "All companies (shared)" represents administrative employees who could not be categorized in a specific business segment.
4. Hiring of employees for new stores was the main reason for the increase in the number of employees during the year ended 31 August 2014.

(2) The Company

As at 31 August 2014

Number of employees (persons)	Average age (years, months)	Average number of years with the Company	Average annual wages (thousands of yen)
1,088 (114)	36 years and 6 months	5 years and 2 months	7,359

(Notes)
1. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
2. The number of junior employees and part-time workers stated in parentheses represented the number of persons calculated based on an eight-hour workday per person.
3. Figures for average annual wages include bonuses and other non-standard payments.
4. Transferring of employees from subsidiaries was the main reason for the increase in the number of employees during the year ended 31 August 2014.
5. All of the Company's employees are categorized as "All companies (shared)".

(3) Status of labor unions

There are no labor unions at the Company, but unions have been formed at some subsidiary companies. Management-labor relations have been smooth, and there are no items of note to report.

Management Discussion and Analysis

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 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.

Corporate Social Responsibility ("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.

(2) 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 purchases of property, plant and equipment, and ¥7.5 billion for purchases 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) Condensed Consolidated Financial Statements prepared under Consolidated Financial Statements Rule

The main items in the Condensed Consolidated Financial Statements prepared under the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements (excluding Chapters 7 and 8, hereinafter "JGAAP") and the Consolidated Financial Statements prepared under IFRS which differ from equivalent items in the Consolidated Financial Statements for the year ended 31 August 2014 prepared under JGAAP are as follows.

The Condensed Consolidated Financial Statements prepared under JGAAP have not been audited in accordance with Article 193-2-1 of the Financial Instruments and Exchange Act.

In the Condensed Consolidated Financial Statements prepared under JGAAP, amounts are rounded down to the nearest million yen.

1) Condensed Consolidated Balance Sheet (JGAAP)

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
ASSETS		
Current assets	640,109	719,274
Non-current assets	245,690	258,335
Total assets	885,800	977,609
LIABILITIES		
Current liabilities	253,966	300,503
Non-current liabilities	52,243	50,524
Total liabilities	306,209	351,028
NET ASSETS		
Total shareholders' equity	482,495	532,011
Total accumulated other comprehensive income	76,901	75,275
Share subscription rights	1,170	1,634
Minority interests	19,024	17,660
Total net assets	579,591	626,581
Total liabilities and net assets	885,800	977,609

2) Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Comprehensive Income (JGAAP)

(Condensed Consolidated Statement of Income)

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Net sales	1,143,003	1,382,907
Cost of sales	578,992	681,073
Gross profit	564,011	701,833
Selling, general and administrative expenses	431,091	553,187
Operating income	132,920	148,646
Non-operating income	17,628	10,819
Non-operating expenses	1,569	2,637
Ordinary income	148,979	156,828
Extraordinary gains	390	2,448
Extraordinary losses	7,845	19,160
Income before income taxes and minority interests	141,525	140,115
Income taxes	48,268	57,206
Income before minority interests	93,256	82,909
Minority interests	2,879	4,790
Net income	90,377	78,118

(Condensed Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Income before minority interests	93,256	82,909
Other comprehensive income	112,072	97
Comprehensive income	205,329	83,006
Comprehensive income attributable to:		
Shareholders of the Company	199,439	76,491
Minority interests	5,890	6,515

3) Condensed Consolidated Statement of Changes in Net Assets (JGAAP)

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Total shareholders' equity		
Balance at the beginning of year	418,905	482,495
Net changes during the year	63,590	49,516
Balance at the end of year	482,495	532,011
Accumulated other comprehensive income		
Balance at the beginning of year	(32,160)	76,901
Net changes during the year	109,062	(1,626)
Balance at the end of year	76,901	75,275
Share subscription rights		
Balance at the beginning of year	755	1,170
Net changes during the year	414	464
Balance at the end of year	1,170	1,634
Minority interests		
Balance at the beginning of year	7,392	19,024
Net changes during the year	11,631	(1,363)
Balance at the end of year	19,024	17,660
Total net assets		
Balance at the beginning of year	394,892	579,591
Net changes during the year	184,698	46,990
Balance at the end of year	579,591	626,581

4) Condensed Consolidated Statement of Cash Flows (JGAAP)

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Cash flows from operating activities	99,439	111,399
Cash flows used in investing activities	(63,901)	(63,574)
Cash flows used in financing activities	(23,945)	(38,014)
Effect of exchange rate changes on cash and cash equivalents	18,007	7,108
Net increase in cash and cash equivalents	29,600	16,919
Cash and cash equivalents at beginning of year	266,020	295,622
Increase in cash and cash equivalents from newly consolidated subsidiaries	1	1,204
Cash and cash equivalents at end of year	295,622	313,746

5) Changes in significant matters that serve as the basis for preparation of consolidated financial statements

None

6) Items concerning differences between the main items in consolidated financial statements prepared under IFRS and consolidated financial statements prepared under JGAAP

Reclassification

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

Adjustment to amortization of goodwill

Under JGAAP, goodwill was amortized over an estimated amortization period. Under IFRS, this amortization ceased on the transition date.

As a result, under IFRS, amortization of goodwill (selling, general and administrative expenses) decreased by 5,960 million yen in the year ended 31 August 2014 and 5,297 million yen in the year ended 31 August 2013, and impairment losses (other expenses) increased by 2,711 million yen in the year ended 31 August 2014, compared with those under JGAAP.

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.

As a result, under IFRS, foreign exchange translation differences (other income) increased by 2,398 million yen in the year ended 31 August 2014 and 9,248 million yen in the year ended 31 August 2013, compared with those under JGAAP.

Adjustment to impairment losses of non-current assets

Under JGAAP, when there are indications that asset impairment is required, an assessment is made of the extent of the asset impairment (by comparing book value with the value of future cash flows, before discounting). After that, a measurement is made of asset-impairment losses (by comparing book value with recoverable value). Under IFRS, when there are indications that asset impairment is required, the recoverable value of the fixed asset(s) is estimated, and if the estimated recoverable value is less than the book value, then a measurement is made of the asset impairment loss, either of the asset or the cash-generating unit group.

It is for this reason that the value of asset impairment losses in the fiscal year under review is 3,793 million yen higher under IFRS than under JGAAP.

2. Summary of Revenue and Purchasing

(1) Revenue, by division

Division	Year ended 31 August 2013 (From 1 September 2012 to 31 August 2013)		Year ended 31 August 2014 (From 1 September 2013 to 31 August 2014)	
	Revenue (Millions of yen)	Percentage of total (%)	Revenue (Millions of yen)	Percentage 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 and royalty income. "Alteration charges" refers to income generated from embroidery prints and alterations to pants length.
2. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
3. "Global Brand Operations" consists of Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
4. "Other operations" includes real-estate leasing business, etc.
5. The above amounts do not include consumption taxes, etc.

(2) Revenue by region

Region		Year ended 31 August 2014 (From 1 September 2013 to 31 August 2014)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
UNIQLO Japan store sales of products	Hokkaido	23,286	107.2	1.7	29
	Aomori	5,421	101.6	0.4	9
	Iwate	4,837	96.9	0.3	8
	Miyagi	11,360	103.5	0.8	14
	Akita	3,830	110.1	0.3	7
	Yamagata	4,616	102.0	0.3	8
	Fukushima	8,083	101.0	0.6	10
	Ibaraki	14,181	101.5	1.0	17
	Tochigi	9,786	99.3	0.7	14
	Gunma	11,755	102.8	0.9	19
	Saitama	37,477	105.6	2.7	47
	Chiba	31,824	103.6	2.3	41
	Tokyo	111,807	107.2	8.1	110
	Kanagawa	55,064	105.8	4.0	63
	Niigata	10,504	106.0	0.8	11
	Toyama	5,086	99.6	0.4	7
	Ishikawa	5,376	100.5	0.4	7
	Fukui	3,689	101.0	0.3	5
	Yamanashi	4,345	104.5	0.3	5
	Nagano	9,655	102.6	0.7	11
	Gifu	8,853	104.1	0.6	11
	Shizuoka	19,504	103.7	1.4	24
	Aichi	38,773	104.7	2.8	48
	Mie	8,627	102.5	0.6	10
	Shiga	6,209	109.1	0.4	9
	Kyoto	16,524	103.9	1.2	20
	Osaka	56,466	106.4	4.1	74
	Hyogo	32,480	105.9	2.3	38
	Nara	6,921	104.4	0.5	9
	Wakayama	2,176	105.1	0.2	3
	Tottori	3,066	102.8	0.2	3
	Shimane	455	97.1	0.0	1
	Okayama	8,431	106.6	0.6	10
	Hiroshima	14,311	101.7	1.0	18
	Yamaguchi	3,455	100.8	0.2	5
	Tokushima	3,696	104.6	0.3	5
	Kagawa	4,612	105.6	0.3	6
	Ehime	5,303	96.2	0.4	7
	Kochi	3,617	110.8	0.3	4
	Fukuoka	25,600	103.1	1.9	31
	Saga	3,499	110.4	0.3	4
	Nagasaki	5,453	96.2	0.4	7
	Kumamoto	7,491	102.5	0.5	10

Region		Year ended 31 August 2014 (From 1 September 2013 to 31 August 2014)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
	Oita	5,701	99.8	0.4	8
	Miyazaki	4,188	100.2	0.3	7
	Kagoshima	6,832	97.6	0.5	11
	Okinawa	4,546	120.1	0.3	6
Total UNIQLO Japan stores		678,796	104.7	49.1	831
Internet and mail-order sales		25,253	105.0	1.8	—
Products supplied to franchise stores/ management and administrative fees		10,770	107.0	0.8	21
Alteration charges		823	105.9	0.1	—
UNIQLO Japan Operations		715,643	104.7	51.7	852
UNIQLO International Operations		413,655	164.7	29.9	633
Total UNIQLO Operations		1,129,299	120.8	81.6	1,485
Global brands Operations		251,225	121.8	18.2	1,268
Other Operations		2,410	106.5	0.2	—
Total		1,382,935	121.0	100.0	2,753

(Notes) 1. "Products supplied to franchise stores" refers to sales of product to franchise stores. "Management and administrative fees" means royalty income from franchise stores. "Alteration charges" refers to income generated from embroidery prints and alteration to length of pants.
2. "UNIQLO operations" refers to the selling of UNIQLO brand casual clothing.
3. "Global Brand Operations" consists of Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
4. "Other operations" includes real-estate leasing business, etc.
5. The above amounts do not include consumption taxes, etc.

(3) Sales per unit

Summary		Year ended 31 August 2014 (From 1 September 2013 to 31 August 2014)	Year-on-year change (%)
Revenue		1,092,453 million yen	121.4%
Sales per m^2	Sales floor area (average)	1,313,027 m^2	117.4%
	Sales per m^2 (yearly)	832 thousand yen	103.4%
Sales per employee	Number of employees (average)	45,677 persons	119.9%
	Sales per employee (yearly)	23,916 thousand yen	101.3%

(Notes) 1. These figures are solely for UNIQLO Japan Operations and UNIQLO International Operations.
2. Sales figures indicate store sales, and do not include Internet sales, Products supplied to franchise stores, Management and administrative fees or Alteration charges.
3. "Sales floor area (average)" is calculated based on the number of months each store is in operation.
4. "Number of employees (average)" includes junior employees, part-time workers, contract workers, or temporary staff seconded from other companies, but does not include entrusted operating officers. Figures for junior employees and part-time workers are based on a weighted average (eight-hour workday) during the term.
5. The above figures do not include consumption tax, etc.

(4) Purchases

By product category	Year ended 31 August 2014 (From 1 September 2013 to 31 August 2014)		
	Purchases (Millions of yen)	Year-on-year change (%)	Percentage of total (%)
Men’s clothing	158,094	101.9	21.7
Women’s clothing	190,621	97.6	26.2
Children’s & Baby’s clothing	23,760	130.3	3.3
Goods and other items	8,178	86.6	1.1
Total UNIQLO Japan Operations	380,656	100.7	52.3
UNIQLO International Operations	232,679	164.4	32.0
Total UNIQLO Operations	613,335	118.0	84.3
Global brands Operations	114,285	125.9	15.7
Total	727,620	119.2	100.0

(Notes)
1. “UNIQLO operations” covers the selling of UNIQLO brand casual clothing.
2. “Global Brand Operations” consists of Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
3. There is business other than the above, mainly real estate leasing, but it does not involve purchasing due to the nature of the activity.
4. The above figures do not include consumption tax, etc.

3. Business Plan

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 merger and acquisitions (“M&A”) investment to acquire global brands that can be promoted across the world.

v) Promotion of CSR

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.

4. Risk

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

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (25 November 2014).

(1) Risks specific to management strategy

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

(1) Risks of corporate acquisitions

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

(2) Management personnel risks

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

(3) Competitive risks

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

(4) Risk of dependency on production in specified geographic locations

Most products sold through the UNIQLO business, which is the Group's core business, are manufactured in and imported from China and other Asian countries. For this reason, a dramatic political, economic or legal change, or a major natural disaster, in China or other countries where we produce, could have an impact on supply of our products.

(5) Overseas business risks

As the Group expands its business through M&A, we are steadily expanding our presence overseas. Going forward, as we open more stores in more countries, it is expected that our overseas business will make up a higher portion of the Group's total revenues. In that context, we will be dealing with many factors in various countries that could potentially have a negative impact on the Group's earnings: uncertainties regarding market needs and product trends, economic fluctuations, social and political turmoil, changes in law, currency market volatility, and the ability to hire and train well-qualified management personnel and local staff.

(6) Currency risks

Most products sold through the UNIQLO business, which is the Group's core business, are denominated in US dollars. For products to be imported to Japan, we hedge our currency risks for about three years ahead, using forward currency agreements to equalize our exchange rate exposure for imported products and stabilize our purchasing costs. We are now in a period when the yen has been weakening against the US dollar. If this trend should continue for an extended period of time, this could have a negative impact on our earnings.

(2) General business risks

In our management of the Group and operation of our businesses, we are cognizant of risks in several categories: (1) manufactured product liability risk, (2) risk of leaks of business secrets, or customer personal information, (3) risk due to weather, (4) risks of disputes and litigation, and (5) risk of change in the business climate and consumer trends.

5. Major Contracts

Not applicable.

6. Research and Development

Not applicable.

7. Financial Review

(1) Significant accounting policies and estimations

The Group's consolidated financial statements were prepared in accordance with IFRS. In preparing the consolidated financial statements, estimates were made on a reasonable basis as necessary.

Please see "FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements" for details.

(2) Analysis of management performance for the year ended 31 August 2014

(1) Revenue and gross profit

Revenue grew to 1,382.9 billion yen, up 239.9 billion yen from the year before. For a detailed breakdown of revenue, see "Business Results (1) Analysis of Business Results for the year ended 31 August 2014" and "2. Summary of Revenue and Purchasing". The main reason behind the growth in revenue was growth in all major segments: a 162.4 billion yen increase for UNIQLO International, a 32.3 billion yen increase for UNIQLO Japan, and a 45.0 billion yen increase for Global Brands. In particular, in UNIQLO International business, active addition of new stores in Asia added to revenue, and in our global brand business, expansion of G.U. and Theory also added to revenue.

Gross profit grew to 699.7 billion yen, up 134.6 billion yen from the year before. As a percentage of revenue, gross profit was 50.6%, up 1.2% from the year before. The main reasons for this growth were core products in the UNIQLO Japan business such as Airism, bra camisoles, Suteteko and Rirako. New products in skirts and blouses also sold well, leading to improvement in gross profit margin.

(2) Selling, general and administrative expenses, other income, other expenses and operating income

Selling, general and administrative expenses grew to 549.1 billion yen, up 123.0 billion yen from the year before. As a percentage of revenue, selling, general and administrative expenses were 39.7%, up 2.4% from the year before. The main reasons were an increase in the number of part-time workers and other shop personnel at UNIQLO Japan, and growth in the UNIQLO International business, where there has been an increase in selling, general and administrative expenses.

As a result, operating income was 130.4 billion yen, down 3.6 billion yen from the year before. The Group recorded 27.2 billion yen as “other expenses”, including a 19.3 billion yen impairment loss for its J Brand business.

(3) Finance income, finance costs and profit before income taxes

Finance income was 6.0 billion yen, down 16.2 billion yen from the year before. The main reason for this decline was the slower decline in the value of the yen, resulting in a 5.1 billion yen foreign exchange gains, compared with a 21.6 billion foreign exchange gains the previous year, when the yen dropped more precipitously.

As a result, profit before income taxes was 135.4 billion yen, down 20.2 billion yen from the year before. As a percentage of revenue, profit before income taxes was 9.8%, down 3.8% from the year before.

(4) Profit attributable to owners of the parent

Income taxes were 56.1 billion yen, or 7.8 billion yen higher than the previous consolidated fiscal year. Profit declined, but the main reason for the increase in taxes was impairment of goodwill for the J Brand business, which is not covered by tax effects. Profit attributable to owners of the parent was 74.5 billion yen, down 30.0 billion yen from the year before. Net income per share was 731.51 yen, down 295.17 yen.

(3) Sources of funding, and analysis of funds liquidity

(1) Total assets

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

(2) Total liabilities

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

(3) Total net assets

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

(4) Status of funds

For a discussion of the status of the Group’s funds, see “Management Discussion and Analysis 1. Business Results (2) Cash Flow Information”.

CAPITAL EXPENDITURE

1. Capital expenditure

UNIQLO Japan opened 51 new stores. UNIQLO International opened 83 stores in the PRC, 31 in South Korea, 9 in Taiwan, 10 in Thailand, 11 in Malaysia, 18 in USA, 6 in Singapore, 5 in Hong Kong, 3 in France, 10 in the Philippines, and 3 in Indonesia. In addition, Global Brands opened 152 new stores.

As a result, the Group's capital expenditure amounted to 58.8 billion yen during the year ended 31 August 2014. Key components of this were 41.4 billion yen for buildings, 6.9 billion yen for lease deposits for stores, 2.8 billion yen for construction assistance funds and 7.5 billion yen for intangible assets.

The above figures do not include consumption tax, etc.

2. Important Facilities

As at 31 August 2014, the Group's important facilities were shown as below:

(1) Information about the Reporting Entity

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
FAST RETAILING CO., LTD.	Head office	Yamaguchi City, Yamaguchi Prefecture	95,255.83	1,047	681	–	–	100	1,829	23	–
	Commercial establishments	Fukuoka City, Chuo-ku, etc.	–	–	415	1,358	–	1	1,775	–	4
	Others		29,308.87	111	648	3,955	–	131	4,846	1,065	–

(2) Subsidiaries in Japan

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
UNIQLO CO., LTD.	UNIQLO Japan Store	Hokkaido	–	–	219	505	634	111	1,471	110	29
		Aomori	–	–	70	138	166	18	393	29	9
		Iwate	–	–	97	108	101	55	363	27	8
		Miyagi	–	–	201	356	495	201	1,255	85	14
		Akita	–	–	49	98	193	42	383	17	7
		Yamagata	–	–	237	155	90	123	606	32	8
		Fukushima	–	–	86	164	540	86	877	38	10
		Ibaraki	–	–	434	546	373	154	1,508	77	17
		Tochigi	–	–	251	205	435	108	1,000	59	14
		Gunma	–	–	303	317	358	119	1,098	52	19
		Saitama	–	–	1,004	1,234	682	454	3,374	179	47
		Chiba	–	–	699	1,013	532	343	2,589	148	41
		Tokyo	–	–	3,957	11,903	220	1,207	17,290	684	110
		Kanagawa	–	–	1,089	2,262	342	659	4,353	285	63
		Niigata	–	–	157	377	602	139	1,277	54	11
		Toyama	–	–	44	95	260	62	462	29	7
		Ishikawa	–	–	131	112	342	54	640	24	7
		Fukui	–	–	53	65	96	25	241	17	5
		Yamanashi	–	–	85	97	226	48	457	21	5
		Nagano	–	–	65	139	560	91	856	44	11
		Gifu	–	–	298	254	372	172	1,098	38	11
		Shizuoka	–	–	565	465	561	115	1,707	87	24
		Aichi	–	–	1,043	1,288	877	510	3,719	173	48
		Mie	–	–	151	168	377	61	758	40	10

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
UNIQLO CO., LTD.	UNIQLO Japan Store	Shiga	–	–	198	224	146	113	683	44	9
		Kyoto	–	–	369	469	139	92	1,071	76	20
		Osaka	–	–	958	2,894	633	445	4,933	279	74
		Hyogo	–	–	865	1,020	406	334	2,625	157	38
		Nara	–	–	73	187	192	57	510	39	9
		Wakayama	–	–	14	40	51	5	112	8	3
		Tottori	–	–	9	70	58	4	142	15	3
		Shimane	–	–	2	10	17	1	31	5	1
		Okayama	–	–	92	180	197	88	559	55	10
		Hiroshima	–	–	410	431	166	84	1,093	65	18
		Yamaguchi	2,591.06	450	133	52	77	41	754	12	5
		Tokushima	–	–	130	86	40	49	307	29	5
		Kagawa	–	–	89	225	29	15	359	24	6
		Ehime	–	–	103	150	100	13	367	20	7
		Kochi	–	–	97	85	39	58	280	15	4
		Fukuoka	–	–	800	789	594	349	2,533	137	31
		Saga	–	–	95	70	119	81	366	12	4
		Nagasaki	–	–	54	126	247	20	448	22	7
		Kumamoto	–	–	54	286	63	30	435	37	10
		Oita	–	–	199	216	59	127	603	35	8
		Miyazaki	–	–	37	92	72	28	230	19	7
		Kagoshima	–	–	146	185	139	78	549	35	11
		Okinawa	–	–	123	84	3	69	281	30	6
	UNIQLO Japan Stores		2,591.06	450	16,361	30,053	13,044	7,161	67,071	3,519	831
	UNIQLO Japan, other		19,960.76	353	48	867	366	218	1,854	663	–
	Total for UNIQLO Japan		22,551.82	803	16,410	30,920	13,411	7,380	68,925	4,182	831
J BRAND Japan Co., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	–	–	–	5	5	12	6
G.U. CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	2,962.14	22	5,577	4,996	2,488	3,083	16,169	624	275
LINK THEORY JAPAN CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	31,676.31	1,389	968	1,195	–	1,234	4,787	1,469	265
Comptoir des Cotonniers Japan	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	31	326	–	111	469	221	29

(3) Overseas subsidiaries

Company name	Type of facility	Location	Area (m²)	Capital expenditure (Millions of yen)						Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
UNIQLO EUROPE LIMITED	UNIQLO International Store	London, United Kingdom	—	—	5,856	433	—	458	6,748	324	17
FAST RETAILING (CHINA) TRADING CO., LTD	UNIQLO International Store	Shanghai, PRC	—	—	12,424	2,532	—	2,521	17,477	8,585	283
FRL Korea Co., Ltd.	UNIQLO International Store	Seoul Special City, South Korea	—	—	5,038	4,042	—	2,096	11,177	2,694	133
LLC UNIQLO (RUS)	UNIQLO International Store	Moscow, Russian Federation	—	—	216	325	—	100	641	45	4
UNIQLO TRADING CO., LTD.	UNIQLO International Store	Shanghai, PRC	—	—	2,183	304	—	53	2,541	736	22
FAST RETAILING (SINGAPORE) PTE. Ltd.	UNIQLO International Store	Republic of Singapore	—	—	1	29	—	7	38	38	18
UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International Store	Bangkok, Kingdom of Thailand	—	—	110	476	—	2,438	3,025	782	20
PT. Fast Retailing Indonesia	UNIQLO International Store	Jakarta, Indonesia	—	—	356	77	—	345	779	537	4
UNIQLO Australia Pty Ltd.	UNIQLO International Store	Melbourne, Australia	—	—	675	4	—	185	866	197	1
FAST RETAILING (Shanghai) TRADING CO., LTD	UNIQLO International Store	Shanghai, China	—	—	2,348	221	—	116	2,686	235	1
Fast Retailing France S.A.S.	International Stores, etc.	Paris, France	—	—	20	161	—	82	264	192	—
Fast Retailing USA, Inc.	International Stores, etc.	New York, U.S.A.	—	—	11,550	531	—	3,014	15,096	1,740	76
J Brand, Inc.	International Stores, etc.	California, U.S.A.	—	—	9	7	—	72	88	242	—

(Notes) 1. Most items in the "Others" category for the Reporting Entity are located at the Tokyo headquarter (Minato-ku) or at the old head office (Ube City, Yamaguchi Prefecture).
2. Monetary amounts are given at book value, not including construction in progress accounts. Also, the figures do not include consumption tax, etc.
3. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
4. Assets are not expressed as allocated among business segments.

3. Plans for new facility construction, old facility removal, etc.

The following are the planned important new facility construction and/or facility removal as at 31 August 2014.

(1) Important New Facilities

Company name	Type of facility	Name of business	Location	Amount of planned investment		Construction start	Construction completion	Planned sales floor area (m²)	Reference
				Total (Millions of yen)	Amount already disbursed (Millions of yen)				
UNIQLO CO., LTD.	UNIQLO Japan stores	UNIQLO Kichijoji store	Musashino city, Tokyo	852	708	September 2012	October 2014	3,190	Lease
UNIQLO CO., LTD	UNIQLO Japan stores	UNIQLO OSAKA	Osaka city, Osaka	1,502	266	December 2012	October 2014	3,967	Lease

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital.
2. The above figures do not include consumption tax, etc.
3. Assets are not allocated among business segments.

(2) Planned Removals of Important Facilities

There were no planned removals of important facilities as at 31 August 2014.

Stock Information and Dividend Policy

1. Stock Information

(1) Number of Shares

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common stock	300,000,000
Total	300,000,000

(ii) Shares issued

Type	As at 31 August 2014	Numbers of shares issued as of submission date (Shares) (25 November 2014)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

(Note) Hong Kong Depositary Receipts ("HDRs") are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

(i) 1st Share subscription rights A type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	1,292	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	1,292	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 November 2013 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,624 Paid-in capital: 5,312	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(ii) 1st Share subscription rights B type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	16,750	16,229
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	16,750	16,229
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 December 2010 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,925 Paid-in capital: 5,463	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iii) 2nd Share subscription rights A type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	13,145	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	13,145	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 November 2014 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,499 Paid-in capital: 6,250	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iv) 2nd Share subscription rights B type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	13,788	13,388
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	13,788	13,388
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 December 2011 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,742 Paid-in capital: 6,371	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(v) 3rd Share subscription rights A type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	10,001	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	10,001	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 November 2015 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,222 Paid-in capital: 7,611	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(vi) 3rd Share subscription rights B type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	13,786	13,372
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	13,786	13,372
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 December 2012 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,569 Paid-in capital: 7,785	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(vii) 4th Share subscription rights A type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	7,395	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	7,395	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 December 2016 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,109 Paid-in capital: 18,555	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(viii) 4th Share subscription rights B type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2014	As at last day of month before submission date (31 October 2014)
Number of stock options (Shares)	19,158	18,210
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	19,158	18,210
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 January 2014 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,514 Paid-in capital: 18,757	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(3) Exercise of convertible bonds with conditional permission for adjustment of exercise price

Not applicable.

(4) Content of Rights Plan

Not applicable.

(5) Change in Total Number of Shares Issued, Capital Stock, Etc.

Date	Increase/ decrease in total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase/ decrease in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase/ decrease in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
31 August 2004	—	106,073,656	7,000	10,273	(7,000)	4,578

(Notes) This represents an addition to capital stock from capital reserve approved by resolution of a special meeting of the Board of Directors on 30 August 2004.

(6) Status, by Type of Holder

As at 31 August 2014

Class	Shares (One unit = 100 shares)								Shares less than one unit (shares)
	Government, municipal entities	Financial institutions	Traders of financial products	Other corporations	Foreign corporations, etc.		Individuals & other	Total	
					Excl. individuals	Individuals			
Number of shareholders (persons)	—	68	54	126	530	12	7,033	7,823	—
Number of shares held (Trading units)	—	246,724	91,015	85,181	228,685	17	408,622	1,060,244	49,256
Percentage of shares held (%)	—	23.27	8.58	8.03	21.57	0.00	38.54	100.00	—

(Notes) 1. The 4,155,045 shares of treasury stock include 41,550 units of shares held by individuals and others. Shares less than one unit includes 45 units of shares held by individuals and others of less than one unit.

2. Figures shown in the columns “Other corporations” and “Shares less than one unit” include 27 units of shares and 84 shares, respectively, in the name of Japan Securities Depository Center, Inc.

(7) Major Shareholders

As at 31 August 2014

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,987	21.67
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	11,500	10.84
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	8,693	8.20
TTY Management B.V.	9-7-1 Akasaka, Minato-ku, Tokyo	5,310	5.01
Kazumi Yanai	Shibuya-ku, Tokyo	4,781	4.51
Koji Yanai	Shibuya-ku, Tokyo	4,780	4.51
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.48
BNP Paribas Securities (Japan) Limited	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	3,642	3.43
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	3,351	3.16
Total	—	73,407	69.20

(Notes) 1. "Number of shares held" is rounded down to the nearest unit of thousand shares.

2. The shares held by The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are all held in conjunction with trust business.

3. According to the report of large shareholdings (report of change of composition) submitted on 24 September 2013 by Nomura Securities Co., Ltd. and the two parties of NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 13 September 2013. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	289	0.27
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	599	0.57
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	5,618	5.30

4. According to the report of large shareholdings (report on change of composition) submitted on 10 January 2014 by Nomura Securities Co., Ltd. and the two parties of NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 31 December 2013. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	961	0.91
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	750	0.71
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	5,880	5.54

5. In addition to the above, 4,155,045 shares of treasury stock are held by the Company (3.92% of the total number of authorized shares).

(8) Voting Rights

(i) Shares issued

As at 31 August 2014

Class	Number of shares (shares)	Number of voting rights (number)	Details
Non-voting shares	—	—	—
Shares subject to restrictions on voting rights (treasury stock)	—	—	—
Shares subject to restrictions on voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,155,000	—	—
Shares with full voting rights (others)	Common stock 101,869,400	1,018,694	(Note) 1
Shares less than one unit	Common stock 49,256	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,018,694	—

(Notes) 1. The columns for the number of shares of "Shares with full voting rights (others)" and "Shares less than one unit" include, respectively, 2,700 shares and 84 shares held in the name of Japan Securities Depository Center, Inc.

2. Common stock in the "Shares less than one unit" column includes 45 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 August 2014

Name or trade name of holder	Holder's address	Number of shares held in own name (Shares)	Number of shares held in other's name (Shares)	Total number of shares held (Shares)	Percentage of total number of shares issued (%)
(Shares held as treasury stock) FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-City, Yamaguchi	4,155,000	—	4,155,000	3.92
Total	—	4,155,000	—	4,155,000	3.92

(9) Stock Options Program

The Company has instituted a stock options program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

1st Share subscription rights A type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 7 Employees of the Group subsidiaries 3
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

1st Share subscription rights B type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 266 Employees of the Group subsidiaries 413
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights A type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 14 Employees of the Group subsidiaries 4
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights B type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 139 Employees of the Group subsidiaries 584
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights A type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 18 Employees of the Group subsidiaries 8
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights B type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 136 Employees of the Group subsidiaries 615
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights A type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 19 Employees of the Group subsidiaries 11
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights B type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 180 Employees of the Group subsidiaries 706
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

5th Share subscription rights A type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 36 Employees of the Group subsidiaries 16
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	21,732 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 14 November 2017 To 13 November 2024
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

5th Share subscription rights B type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 223 Employees of the Group subsidiaries 785
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	33,062 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 14 December 2014 To 13 November 2024
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the earlier of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

2. Treasury Stock Information

Types of Shares Buybacks of common stock under Companies Act of Japan, Article 155-7

(1) Purchases approved by General Meeting of Shareholders

Not applicable.

(2) Purchases approved by Board of Directors

Not applicable.

(3) Details of items not based on General Meeting of Shareholders or Board of Directors resolutions

Purchases of shares less than one unit pursuant to Companies Act of Japan, Article 192-1.

Class	Number of shares (shares)	Total paid (thousand yen)
Treasury stock purchased in the fiscal year ended 31 August 2014	699	25,556
Purchases of Treasury stock in current year	—	—

(Notes) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2014 and the submission date of this report.

(4) Status of treasury stock purchased

Class	Fiscal year ended 31 August 2014		Current year	
	Number of shares (shares)	Total disposal value (thousands of yen)	Number of shares (shares)	Total disposal value (thousands of yen)
Treasury stock purchases for which subscribers were solicited	—	—	—	—
Treasury stock canceled after purchase	—	—	—	—
Treasury stock transferred due to mergers, share exchange or company split	—	—	—	—
Other	22,818	86,667	2,272	8,634
Number of Treasury shares held	4,155,045	—	4,152,773	—

(Notes) The breakdown of figures for the year ended 31 August 2014 reflects the exercise of 22,818 share subscription rights, a share disposal value of 86,667 thousand yen. The breakdown of figures for the current year reflects the exercise of share subscription rights, and does not include shares of less than one unit purchased between 1 November 2014 and the submission date of this report.

3. Dividend Policy

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 health 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 of Directors, unless otherwise stipulated by laws and regulations.

Based on the policy outlined above and the earnings of the consolidated fiscal 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 fiscal year to ¥300. It is our intention to effectively utilize retained earnings and free cash flow for M&A investment, financial investment and loans to strengthen the operational base of the Group companies.

The payment of an interim dividend under Article 454-5 of the Companies Act of Japan is stipulated by the Company's Articles of Incorporation.

Dividends for the Company's 53rd fiscal year are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors resolution of 10 April 2014	15,286	150
Board of Directors resolution of 3 November 2014	15,287	150

4. Share Price Trends

(1) Share price high/low in past 5 fiscal years

Term	49th Year	50th Year	51st Year	52nd Year	53rd Year
Accounting period	Year ended 31 August 2010	Year ended 31 August 2011	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014
High (Yen)	18,030	15,080	19,150	44,400	45,350
Low (Yen)	10,340	8,800	11,950	15,810	30,350

(Notes) High/low share price data are from the first section of the Tokyo Stock Exchange.

(2) Share price high/low (monthly) in past 6 months

Month	March 2014	April	May	June	July	August
High (Yen)	38,645	38,770	34,410	35,170	34,740	34,550
Low (Yen)	34,550	31,685	30,950	32,900	32,180	32,030

(Notes) High/low share price data are from the first section of the Tokyo Stock Exchange.

5. Waiver from compliance with Rule 19B.21

The Hong Kong Stock Exchange has granted us, subject to certain conditions, a waiver from Rule 19B.21 of the Listing Rules regarding certain requirements for cancellation of HDRs upon a share repurchase. The Company has complied with the relevant conditions for the year ended 31 August 2014.

Board of Directors

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Representative director, chairman and president	CEO	Tadashi Yanai	Born 7 February 1949	August 1972	Joined FAST RETAILING CO., LTD.	Note 3	22,987
				September 1972	Director, FAST RETAILING CO., LTD.		
				August 1973	Executive Managing Director, FAST RETAILING CO., LTD.		
				September 1984	President & CEO, FAST RETAILING CO., LTD.		
				June 2001	External Director, Softbank Corp. (current)		
				November 2002	Representative Director and Chairman, FAST RETAILING CO., LTD.		
				February 2004	Representative Director and Chairman, LINK HOLDINGS CO., LTD. (currently LINK THEORY JAPAN CO., LTD.)		
				November 2004	Chairman, UNIQLO USA, Inc. (currently Fast Retailing USA, Inc.)		
				March 2005	Representative Director and Chairman, Onezone Corp. (currently G.U. CO., LTD.)		
				April 2005	Director and Chairman, LINK THEORY HOLDINGS CO., LTD. (currently LINK THEORY JAPAN CO., LTD.)		
				April 2005	Chairman, FR FRANCE S.A.S. (currently FAST RETAILING FRANCE S.A.S.)		
				April 2005	Chairman, GLOBAL RETAILING FRANCE S.A.S. (currently UNIQLO EUROPE LIMITED)		
				June 2005	External Director, SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.)		
				September 2005	Chairman, President and CEO, FAST RETAILING CO., LTD. (current)		
				November 2005	Chairman, President and CEO, UNIQLO CO., LTD. (current)		
				November 2005	Chairman, UNIQLO (U.K.) LIMITED (currently UNIQLO EUROPE LIMITED)		
				September 2008	Director and Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.)		
				September 2008	Chairman & CEO, FR FRANCE S.A.S. (currently FAST RETAILING FRANCE S.A.S.)		
				June 2009	External Director, Nippon Venture Capital Co., Ltd. (current)		
				November 2011	Director, LINK THEORY JAPAN CO., LTD. (current)		

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Toru Hambayashi	Born 7 January 1937	April 1959 October 2000 April 2003 June 2004 November 2005 June 2007 April 2009 June 2011	Joined Nichimen Company Limited (currently Sojitz Corporation) President, Nichimen Corporation (currently Sojitz Corporation) Chairman and Representative Director, Sojitz Holdings Corporation (currently Sojitz Corporation) External Auditor, UNITIKA LTD. (current) External Director, FAST RETAILING CO., LTD. (current) External Director, MAEDA CORPORATION (current) Adviser, The Association for the Promotion of International Trade, Japan (current) External Director, DAIKYO INCORPORATED (current)	Note 3	—
Director		Nobumichi Hattori	Born 25 December 1957	April 1981 May 1989 June 1989 November 1998 October 2003 June 2005 November 2005 October 2006 April 2009	Joined NISSAN MOTOR CO.,LTD. Finished Master's Degree Program at Massachusetts Institute of Technology Sloan School of Management Joined Goldman Sachs and Company, Headquarters (New York) Managing Director of Goldman Sachs and Company, Headquarters (New York), and M&A Advisory of Goldman Sachs Japan Co., Ltd. Visiting Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University External Director, Miraca Holdings Inc. (current) External Director, FAST RETAILING CO., LTD. (current) Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current) Visiting Professor, Waseda Graduate School of Finance, Accounting and Law (current)	Note 3	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Toru Murayama	Born 11 June 1954	April 1980 April 1998 April 2001 April 2003 April 2005 April 2006 June 2006 September 2007 November 2007 April 2008 April 2009 September 2009 April 2010 October 2011 January 2013	Joined Arthur Andersen & Co. (currently Accenture Japan Ltd.) Part-time Lecturer, Undergraduate School of Science and Engineering, Waseda University Guest Professor, Undergraduate School of Commerce, Meiji University Representative Director and President, Accenture Japan Ltd. Visiting Professor, Undergraduate School of Science and Engineering, Waseda University Director and Vice Chairman, Accenture Japan Ltd. External Director, SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.) Director and Chairman, Accenture Japan Ltd. External Director, FAST RETAILING CO., LTD. (current) Visiting Professor, Comprehensive Research Organization, Waseda University Advisor, Waseda University Corporate Advisor, Accenture Japan Ltd. Professor, Faculty of Science and Engineering, Waseda University (current) Advisor, Microsoft Japan Co., Ltd. (current) President, Office Murayama (current)	Note 3	0
Director		Masaaki Shintaku	Born 10 September 1954	April 1978 December 1991 August 1994 August 1996 August 2000 January 2001 April 2008 June 2008 August 2008 March 2009 May 2009 November 2009 July 2011 May 2013	Joined IBM Japan, Ltd. Joined Oracle Corporation Japan Director, Oracle Corporation Japan Managing Director, Oracle Corporation Japan President & CEO, Oracle Corporation Japan Executive Vice President, Oracle Corporation Vice Chairman, Special Olympics Nippon (currently Special Olympics Nippon Foundation) (current) Chairman, Oracle Corporation Japan Executive Advisor, Oracle Corporation Japan Advisor, FAST RETAILING CO., LTD. Advisory Board Member, NTT DOCOMO, INC. (current) External Director, FAST RETAILING CO., LTD. (current) External Director, COOKPAD Inc. (current) Specialized Member, the Central Council for Education in the Ministry of Education, Culture, Sports, Science and Technology (current)	Note 3	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Takashi Nawa	Born 8 June 1957	April 1980 April 1991 June 2010 June 2010 September 2010 June 2011 September 2012 November 2012 June 2014	Joined Mitsubishi Corporation Joined McKinsey & Company Professor, The Graduate School of International Corporate Strategy (ICS), Hitotsubashi University (current) President, Genesys Partners (current) Senior Advisor, Boston Consulting Group (current) External Director, NEC Capital Solutions Limited (current) President, Next Smart Lean Co., Ltd. (current) External Director, FAST RETAILING CO., LTD. (current) External Director, DENSO CORPORATION (current)	Note 3	–
Standing Statutory Auditor		Akira Tanaka	Born 26 June 1942	April 1966 September 1972 March 1993 April 1997 March 2003 August 2003 November 2003 November 2005 March 2006 November 2006 April 2011	Joined The Taisei Fire and Marine Insurance Company Limited (currently Sompo Japan Nipponkoa Insurance Inc.) Joined McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Deputy President and Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Advisor, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Advisor, FAST RETAILING CO., LTD. Managing Director, FAST RETAILING CO., LTD. Senior Vice President, UNIQLO CO., LTD. Senior Vice President, FAST RETAILING CO., LTD. Standing Statutory Auditor, FAST RETAILING CO., LTD. (current) Representative Director of FR Health Insurance Organization (current)	Note 4	3

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		Masaaki Shinjo	Born 28 January 1956	April 1983	Joined ASAHIPEN CORPORATION	Note 5	—
				February 1994	Joined FAST RETAILING CO., LTD.		
				September 1998	Entrusted operating officer, manager of administration, FAST RETAILING CO., LTD.		
				April 2004	General Manager, Legal Department, LINK THEORY HOLDINGS CO., LTD. (currently LINK THEORY JAPAN CO., LTD.)		
				September 2005	General Manager, Group Auditing, FAST RETAILING CO., LTD.		
				September 2006	Entrusted operating officer, manager of administration, G.U. CO., LTD.		
				January 2008	General Manager, Group Corporate Transformation, FAST RETAILING CO., LTD.		
				January 2008	Director, Onezone Corp (currently G.U. CO., LTD.)		
				March 2009	General Manager, Corporate Administration, FAST RETAILING CO., LTD.		
				September 2009	Statutory Auditor, GOV Retailing Co., Ltd. (currently G.U. CO., LTD.)		
				January 2010	General Manager, Sales Support, UNIQLO CO., LTD.		
				March 2011	General Manager, Corporate Planning & Management, FAST RETAILING CO., LTD.		
				April 2011	Auditor, FAST RETAILING (CHINA) TRADING CO., LTD. (current)		
				November 2012	Standing Statutory Auditor, FAST RETAILING CO., LTD. (current)		
Auditor		Takaharu Yasumoto	Born 10 March 1954	November 1978	Joined Asahi & Co. (currently KPMG AZSA LLC)	Note 5	8
				August 1982	Registered as a member of Japanese Institute of Certified Public Accountants		
				April 1992	President, Yasumoto CPA Office (current)		
				November 1993	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				August 2001	External Statutory Auditor, ASKUL Corporation (current)		
				June 2003	Statutory Auditor, LINK INTERNATIONAL CO., LTD. (currently LINK THEORY JAPAN CO., LTD.)		
				November 2005	External Statutory Auditor, UNIQLO CO., LTD. (current)		
				April 2007	Guest Professor, Chuo Graduate School of International Accounting		
				June 2010	External Statutory Auditor, UBIC, Inc. (current)		

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Auditor		Akira Watanabe	Born 16 February 1947	April 1973	Registered as a member of Japan Federation of Bar Associations (Dai-Ichi Tokyo Bar Association)	Note 4	–
				May 1991	Chairman, Legislative Council of the Ministry of Justice		
				June 1995	Vice Chairman, Committee for revision of the bankruptcy code, Japan Federation of Bar Associations		
				April 1998	Chairman, Yamaichi Securities Co., Ltd. Legal Responsibility Judging Panel		
				September 2002	Corporate reorganization trustee, K.K. Meguro Gajoen		
				March 2004	Corporate reorganization trustee, Togo Co., Ltd.		
				June 2006	Non-Executive Director, JAPAN PILE CORPORATION (current)		
				November 2006	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				June 2007	External Director, MAEDA CORPORATION (current)		
				April 2008	Representative, Seiwa Meitetsu Law Office		
				April 2010	External Director, MS&AD Insurance Group Holdings, Inc. (current)		
				March 2013	External Director, DUNLOP SPORTS CO. LTD. (current)		
				October 2014	External Statutory Auditor, KADOKAWA DWANGO CORPORATION (current)		
Auditor		Keiko Kaneko	Born 11 November 1967	April 1991	Joined Mitsubishi Corporation	Note 5	–
				April 1999	Registered as a member of Japan Federation of Bar Associations		
				April 1999	Joined Anderson, Mori & Tomotsune (AM&T) law firm		
				January 2007	Partner, AM&T (current)		
				April 2007	Guest associate professor, Tokyo University Graduate School of Law		
				November 2012	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				November 2012	External Statutory Auditor, UNIQLO CO., LTD. (current)		
				June 2013	External Statutory Auditor, The Asahi Shimbun Company (current)		
Total							22,998

(Notes)
1. Directors Toru Hambayashi, Nobumichi Hattori, Toru Murayama, Masaaki Shintaku, and Takashi Nawa are External Directors.
2. Takaharu Yasumoto, Akira Watanabe, and Keiko Kaneko are External Statutory Auditors.
3. For a one-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 20 November 2014.
4. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 20 November 2014.
5. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 22 November 2012.

Corporate Governance Report

1. Corporate Governance Practice

(1) Basic Thinking on Corporate Governance

To become the world's no. 1 continuously growing apparel retailer, in harmony with society and the times, the Company strives to raise the level of its corporate governance to strengthen the independence and the function of monitoring of the Board of Directors while achieving management that is efficient and transparent. As a key element to strengthen of our corporate governance systems, the Company has instituted a system to entrust operating officers (transferring some management authority away from the Board of Directors), to separate management decision-making from operations performance functions, with the aim of ensuring management efficiency. In addition, to enhance the independence of the Board of Directors and strengthen the monitoring function, a majority of the Directors are External Directors.

(2) Details of company organization and internal control systems

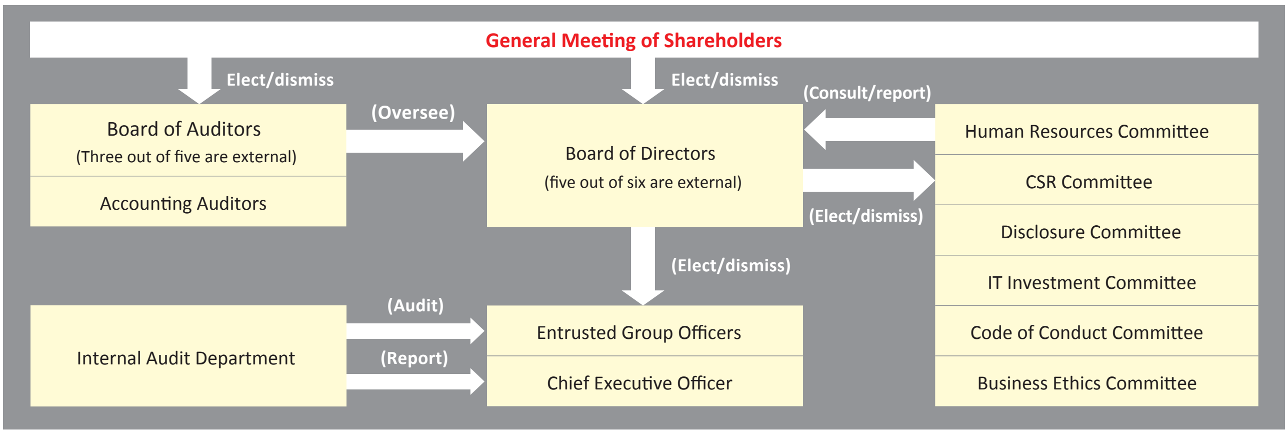
(i) Details of company organization

As the Company's main decision-making body for the performance of management and operations, the Board of Directors meets at least once a month to discuss and decide upon important management issues. In addition, the management committee meetings are held weekly (Monday Meeting) to examine tasks assigned to it by the Board of Directors, for the purpose of prompt revision of management strategy and planning.

Five of the six members of the Board of Directors are external directors. Three of the five auditors are external statutory auditors. The function of the Board is to oversee the management and operations of the Company, and to provide a strong level of control.

The Company has a Board of Corporate Auditors, and various committees to complement the work of the Board of Directors. These committees include the Human Resources Committee, CSR Committee, Disclosure Committee, IT Investment Committee, Code of Conduct Committee, and Business Ethics Committee. These committees conduct their decision-making business swiftly and openly. The Human Resources Committee is made up of external directors. Other committees include auditors, outside experts, lawyers and advisors, as well as executives.

Below is a diagram of our corporate governance systems.



(ii) Roles and activities of the committees

Human Resources Committee

The Human Resources Committee, chaired by an External Director, is responsible for the discussion of important organizational changes and adjustments to the human resources system of the Fast Retailing Group, offering its views and suggestions to the Board of Directors.

CSR Committee

The CSR Committee discusses and determines the direction of the Company's CSR policies covering matters such as environmental protection, social contribution, compliance, and diversity, and creates and publishes CSR reports. The CSR Committee is chaired by the head of the CSR department, and the members include outside experts and external statutory auditors as well as executives.

Disclosure Committee

The Disclosure Committee, headed by the official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is responsible for increasing the transparency of the Company's management, through its aim: "disclosure of information that is timely, accurate, fair and easy to understand." The Committee is responsible for making decisions about the timing and content of voluntary disclosures to the TSE regarding matters it determines to have potential material impact on the investment decisions of shareholders and investors.

IT Investment Committee

The IT Investment Committee's role is to deliberate and decide IT investment policy at the executive level, for the purpose of optimizing the allocation of resources in information systems and advancing the Company's business. In addition, this committee formulates IT investment budgets and reports, and, participates in external specialized organizations, examines the suitability and investment return of specific undertakings.

Code of Conduct Committee

The Code of Conduct Committee is responsible for deliberating and responding to violations of the Fast Retailing Code of Conduct ("FR Code of Conduct"), as well as advising on the operation of hotlines, and ensuring that the Company's executives and employees are fully aware of the requirements of the FR Code of Conduct. The Committee is chaired by the head of the general administration/employee satisfaction promotion department, and includes auditors, advisors and attorneys.

Business Ethics Committee

The purpose of this committee is to ensure that the Group does not use its advantageous position to exert undue pressure on vendor companies (production factories, suppliers, etc.). The committee provides advice and counsel to departments involved, based on surveys of business conditions and suppliers conducted by external organizations. The Committee is chaired by the head of the CSR department, and includes auditors, advisors and attorneys.

(iii) Internal control systems

A. Framework for Ensuring Execution of Directors' Duties are in Compliance with Laws, Regulations and Articles of Incorporation

- The Company's Directors and executive officers (hereafter referred to collectively as "Directors") themselves take the initiative and set good examples in complying with the Group's management principles, the Fast Retailing Way ("FR Way"), FR Code of Conduct, other internal company rules and regulations, and promote strict adherence to corporate ethics and compliance in the Group as a whole. The Directors also ensure the effectiveness of the Company's rules and principles by reviewing them regularly and revising them as necessary to reflect changes in society, changes in the Company's business activities, and the operation of the FR Code of Conduct.

- The Company appoints the officer entrusted with the responsibility of the Legal Department or the head of the Legal Department (hereafter referred to collectively the "officers responsible for legal affairs") as the officer in charge of compliance. These officers responsible for legal affairs work to establish a Company- and Group-wide compliance framework and to resolve any problems relating to compliance.

- The Company promotes fairness and transparency in decisions of the Board of Directors by appointing a number of External Directors to comprise the Board. Statutory Auditors are allowed to attend meetings of the Board of Directors to express opinions to the Directors in a timely manner. The Directors may also engage the services of specialists such as external lawyers and certified public accountants as necessary to avoid any potential violation of laws and to implement preventive measures. If Directors discover that an illegal action has been taken by another Director, the Directors shall immediately report the matter to the Statutory Auditors, the President, and the officers responsible for legal affairs.

B. Framework for Ensuring Execution of Employee Duties are in Compliance with Laws and Regulations and Articles of Incorporation

- The Directors are responsible for establishing a framework to ensure that all employees comply with the management principles, the FR Way, the FR Code of Conduct and other internal company rules and also conduct employee training and raise employee awareness in compliance.

- The Company has an Internal Audit Department that is completely independent from business operations departments and a Legal Department that oversees compliance.

- If one or more Directors discover a violation of law or other issues concerning compliance, they shall immediately report the matter to the other Directors. Any serious violation of law shall immediately be reported to the Statutory Auditors, the President and the officers responsible for legal compliance.

- The Company has set up an internal reporting system (hotline) for reporting illegal actions and other compliance violations. Information received via the hotline is directly channeled to external lawyers or independent institutions.

- The Code of Conduct Committee, which includes external specialists such as lawyers and certified accountants among its members, conducts regular reviews of the Company's framework for maintaining compliance and the operation of the hotline, and makes improvements as necessary. If the Directors believe a problem exists in regard to the operation of the hotline, they shall express their views to the Code of Conduct Committee and may request the formulation of improvement measures.

C. Framework for Data Storage and Management Relating to Execution of Duties by Directors

According to the Company's regulations on document management and guidelines for the treatment of confidential information, the following documents relating to the execution of the duties of the Directors are retained as proof of the decision-making processes and the processes for executing business. These documents are stored and managed in an appropriate manner to storage medium that enables easy retrieval as well as access for inspection during the legally required storage period.

- Minutes of Ordinary General Meetings of Shareholders and relevant documentation

- Minutes of meetings of the Board of Directors and relevant documentation

- Minutes of important meetings held by Directors and relevant documentation

- Minutes of other important meetings held by other important employees and relevant documentation

D. Regulations for Managing Risk of Loss and Other Similar Frameworks

- The Company analyses and reviews risks of the Company and the Group companies on a regular basis to identify any risk that could either directly or indirectly cause financial loss, interruption or cessation in the continuation of business, damage to the brand image, or detriment to the credibility of the Company or Group companies and establish a management framework for such risks identified.

- If unforeseen circumstances should arise, a task force headed by the President or a Director appointed by the President shall be established to prevent the expansion of any loss and to keep damages to a minimum. To respond rapidly, the head of the task force may organize an external advisory team including lawyers and certified public accountants as necessary.

E. Framework for Ensuring the Efficient Execution of Duties by Directors

- To ensure that the duties of Directors are performed efficiently, the Company holds regular monthly meetings of the Board of Directors, which includes a number of External Directors, and holds ad hoc meetings when necessary. Important matters concerning the Company and the Group management policy and management strategy shall be discussed beforehand at the weekly management meeting (Monday Meeting) chaired by the President, and decisions shall then be made following deliberation.

- To execute business based on decisions of the Board of Directors, the Company shall decide on which persons shall be in charge, their responsibilities and details of procedures to be followed.

F. Framework for Ensuring Proper Execution of Business Operations in Corporate Group Consisting of the Company and Subsidiaries

- To ensure appropriate operations in every company within the Group, all Group companies are required to uphold the management principles, the FR Way and the FR Code of Conduct, which serve as guidelines for conduct across the entire Group. These principles also form the foundation of rules and regulations when establishing entrusted individual Group companies.

  The Company also oversees the business management of affiliated companies by determining their rules of business management and through a system of reporting to the Company, whereby the Company makes the final decisions. The Company shall also monitor the affiliates as necessary.

  A Director who discovers any violation of law or serious breach of compliance rules at a Group company shall report the matter to the Statutory Auditors, the President, and the officer responsible for legal affairs.

- If the Directors of a Group company consider that any part of the Company's management principles or management guidelines represents a violation of law or poses a problem in relation to the corporate ethics of a particular country or in terms of compliance, they shall report the issue to the Internal Audit Department or the Legal Department. The department that receives the report shall then promptly report the matter to the Board of Auditors, the President of the Company and the officer responsible for legal affairs. The receiving department may also convey an opinion regarding any appropriate action required.

- The Company also establishes necessary measures for ensuring the reliability and ongoing monitoring of its financial reporting including the Group's consolidated financial statements, and the necessary framework for ensuring appropriate acquisition, maintenance and disposal of assets held by Group companies. The Company has also established a Disclosure Committee to ensure timely and appropriate disclosure of information.

G. Matters Relating to Employees Assisting Duties of Statutory Auditors When Appointment of Those Employees is Requested by Statutory Auditors and Matters Relating to Independence from Directors of Those Employees

- Upon receiving a request from the Board of Statutory Auditors, the Company shall establish rules to determine which employees are to assist the Statutory Auditors in performing their duties and shall assign appropriate personnel as assistants to the Statutory Auditors from among the Company's staff or otherwise employ external lawyers or certified accountants. Independence of the assistants to the Statutory Auditors from the Directors is ensured by having evaluation of the assistants performed by the Statutory Auditors, but decisions on their assignment, dismissal, transfer and revision of wages, etc. shall be made by the Board of Directors with the approval of the Board of Statutory Auditors.

- The assistants of Statutory Auditors shall not hold a concurrent appointment that involves the execution of business.

H. Frameworks for Reporting by Directors and Employees to Statutory Auditors, Framework for Other Types of Reporting to Statutory Auditors, and Framework for Ensuring Auditing is Implemented Efficiently

- The Company establishes rules regarding matters to be reported by Directors and employees to the Statutory Auditors and the timing of such reporting. Based on these rules, Directors and employees shall report important matters that might have an impact on the Company's operations or corporate performance to the Statutory Auditors as they arise. Irrespective of these rules, the Statutory Auditors may request reports from the Directors or employees as they consider necessary.

- To uphold the Group's management principles, the FR Way and the FR Code of Conduct, the Company ensures the existence of an appropriate framework for reporting any legal violation or breach of compliance rules to the Statutory Auditors. If the Statutory Auditors judge that there is a problem with this framework, they can convey their opinions to the Directors and the Board of Directors and request appropriate measures for improvement.

(iv) Basic Thinking and Measures to Ensure the Group Remains Free from the Influence of Anti-Social Forces

The Company has decided the following points of the FR Code of Conduct to ensure that the Group remains free from the influence of anti-social forces by means of thorough adherence by the executives and employees.

To ensure that no relationship is established, anti-social forces should be handled forthrightly. If an illicit approach is received from anti-social forces, bribing shall not be a solution.

No one may make use of anti-social forces for their own benefit or that of the Company.

(v) Internal audits and audits by auditors

The Company has an Internal Audit Department that is completely independent from business operations departments. 6 specialists are employed as of 31 August 2014. A regular review of this internal administrative system is conducted to ensure it remains suitable and effective and the audit of operations performance is also conducted.

In addition, Statutory Auditors are members of the Board of Directors, and they also audit the status of management performance. The Board of Statutory Auditors described above consists of two Full-time Corporate Auditor and three external Statutory Auditors. Its purpose is to receive reports on important matters regarding the Company's internal audit department as well as audits by the accounting auditors, discuss these reports, and to cooperate as needed.

Moreover, Auditor Takaharu Yasumoto is a certified public accountant with substantial expertise in the areas of finance and accounting.

(vi) Accounting audits

Name of audit firm	Name of CPA, etc.		Number of years of continuing auditing
Ernst & Young ShinNihon LLC	Designated limited liability partner and engagement partner	Shigeyuki Amimoto	— (Note)
	Designated limited liability partner and engagement partner	Shuji Kaneko	— (Note)
	Designated limited liability partner and engagement partner	Yoshihisa Shibayama	— (Note)

Based on the audit plan formulated by Ernst & Young ShinNihon LLC, the group of assistants to the auditors consists of 19 CPAs and 12 others.

(Note) Omitted because the number of years of continuing auditing is not more than 7 years.

(vii) Functions, roles and selection of external directors and external statutory auditors

The Company has five external directors and three external statutory auditors.

It is the Company's expectation that the external directors will keep an eye on the management monitoring function. From a business perspective, the advice of these individuals, with their abundance of experience and expertise, makes a major contribution to enhance the value of our enterprise.

It is also expected that external statutory auditors will monitor the performance of the Board of Directors. The Company receives valuable advice based on their rich experience in a wide variety of fields.

External director Toru Murayama is the president of Office Murayama. The Company currently has a consulting subcontract with Office Murayama relating to the training of management personnel.

Aside from the above, there are no distinctive interests between the Company and other external directors or external statutory auditors.

The external directors and external statutory auditors receive reports at the Board of Directors meeting regarding internal audits, the operation of internal controls, audits by statutory auditors and the results of accounting audits. In addition, the external statutory auditors have mutual alliances with Internal Audit Department and Accounting Auditors as detailed in (v) Internal audits and audits by auditors.

With regard to the selection of external directors and external statutory auditors, the Company has no specific standards on independence from the Company, but it is the Company's responsibility to reflect their advice and counsel in its decision-making processes in an objective and independent fashion. For many years now, the Company has chosen many external directors with rich experience as corporate managers in industry, with broad-ranging expertise and discerning views. In addition, to incorporate wide range of stakeholders' view in the audits of our business activities, we value both the independence and the diversity of our external statutory auditors in various fields.

(viii) Items regarding independent directors

The Board of Directors serves by making important decisions, and by overseeing the representative director and other executives in the performance of their duties. The Board of Directors has six members, of whom five are external directors, capable of offering objective and highly specialized advice from a wide variety of fields. Among the Company's external directors, Toru Hambayashi, Nobumichi Hattori, and Masaaki Shintaku are registered as independent directors with the TSE.

The role of the statutory auditor is to oversee the directors in the performance of their duties. In addition, statutory auditors participate as members and as observers in the activities of the Company's various committees, verifying the suitability, legality and fairness of the agendas, and providing advice and counsel. The Board of Statutory Auditors is comprised of five members, of whom three are external statutory auditors. External statutory auditors Takaharu Yasumoto, Akira Watanabe and Keiko Kaneko are registered as independent directors with the TSE.

(ix) Outline of External Directors' limited liability agreement

The Company has concluded agreements with the external directors, external statutory auditors and Ernst & Young ShinNihon LLC, limiting their liabilities based on provisions in Article 427, Paragraph 1 of the Companies Act, which limits the liabilities for damages as provided for in Article 423, Paragraph 1 of the Companies Act.

These agreements state that liabilities for damages shall be limited to the higher amount of either 5 million yen or the amount stipulated by law. For Ernst & Young ShinNihon LLC, the limit of liabilities in damages shall be limited to the highest of the following amounts multiplied by two: the total economic benefits received or to be received from the Company as remuneration and payment received for performance of duties in each business year during its service as the Accounting Auditor.

(x) Limitation of liabilities for directors and statutory auditors

Under the stipulations of the Company's articles of incorporation, the Company may exempt, by decision of the Board of Directors, directors (including former directors), and statutory auditors (including former statutory auditors) from liabilities for actions described in Article 423-1 of the Companies Act, to the extent allowed by law. The purpose of this is to create an environment where directors and statutory auditors can perform their duties and pursue their expected roles to the full extent of their abilities.

(3) Details of executive remuneration

Details of remuneration of the Company's executives are as follows:

For each category of executive: total amount of executive remuneration, total amount of remuneration by type of remuneration, and number of executives

Executive category	Total amount of remuneration (million yen)	Total amount of remuneration, by type (million yen)		Number of executives (# of persons)
		Basic compensation	Bonuses	
Directors (excluding external directors)	240	240	—	1
Statutory Auditors (excluding external statutory auditors)	35	35	—	2
External Directors and External Statutory Auditors	80	80	—	8

(i) Directors' remuneration 290 million yen (of which, external directors 50 million yen)

(ii) Statutory Auditors' remuneration 65 million yen (of which, external statutory auditors 30 million yen)

(iii) Total consolidated executive remuneration, by executive, but only for those whose total consolidated executive remuneration is at least 100 million yen

Representative director Tadashi Yanai 240 million yen

Policies for determining executive compensation

Directors' compensation is calculated based on various factors including areas of responsibility, liability, earnings performance. Directors' compensation has to be approved by the Board of Directors, in accordance with the guidelines for executive compensation set by the General Meeting of Shareholders. Regarding compensation for statutory auditors, this is fixed in consultation with the statutory auditors, following the guidelines for statutory auditor compensation set by the General Meeting of Shareholders.

(4) Other stipulation in the Company's articles of incorporation

(i) Number of directors

The Company's articles of incorporation stipulate that the number of directors shall be at least 3 but not more than 10.

(ii) Election criteria for directors

The Company's articles of incorporation stipulates that the election of directors shall not be based on cumulative voting. Also, the articles of incorporation stipulates that elections shall be based on a majority vote by shareholders, with at least one-third of eligible shareholders participating.

(iii) Procedure for deciding dividends from surplus

Regarding the payment of dividends from surplus pursuant to the Companies Act, Article 459-1, the Company's articles of incorporation stipulates that dividends are decided by a resolution of the Board of Directors, and not by a resolution of the General Meeting of Shareholders, unless otherwise stipulated by law. The authority to decide payments of dividends from surplus is granted to the Board of Directors to give flexibility in the return of cash to shareholders.

(iv) Interim dividend

Pursuant to the stipulations of Companies Act Article 454-5, and under the Company's articles of incorporation, an interim dividend may be paid at the end of February every year by a resolution of the Board of Directors. This is part of the Company's efforts to be flexible in the return of cash to shareholders.

(v) Special resolutions of the General Meeting of Shareholders

Regarding extraordinary resolutions of the General Meeting of Shareholders based on the Companies Act, Article 309-2, the Company's articles of incorporation stipulates that these resolutions shall be passed by two-thirds vote of the shareholders, in which at least one-third of the eligible shareholders participate. This easing of the quorum rules for extraordinary resolutions by the General Meeting of Shareholders is meant to ensure the smooth functioning of the General Meeting of Shareholders.

(5) Status of shareholding

(i) Investment shares held for purposes other than long-term holding: issues, number of issues and balance sheet total

Number of issues	Balance sheet total
Four issues	439 million yen

(ii) Investment shares held for purposes other than long-term holding: class, issues, number of shares, balance sheet total and purpose of investment

Year ended 31 August 2013

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Sojitz Corporation	1,342,540	236 million yen	To maintain business relationship

Year ended 31 August 2014

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Sojitz Corporation	1,342,540	230 million yen	To maintain business relationship

(iii) Investment shares held for purpose of long-term holding

Not applicable.

(2) Details of accounting auditors' remuneration

(i) Details of remuneration for CPAs, etc.

Class	Year ended 31 August 2013		Year ended 31 August 2014	
	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)
Reporting Entity	109	44	150	47
Consolidated subsidiaries	14	—	17	—
Total	123	44	167	47

(ii) Other important details regarding remuneration

Year ended 31 August 2013 (1 September 2012 — 31 August 2013)

The Company's consolidated subsidiaries paid 96 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

Year ended 31 August 2014 (1 September 2013 — 31 August 2014)

The Company's consolidated subsidiaries paid 163 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

(iii) Non-auditing services provided by the CPA firm to the reporting entity

Year ended 31 August 2013 (1 September 2012 — 31 August 2013)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

Year ended 31 August 2014 (1 September 2013 — 31 August 2014)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

(iv) Policies for determination of accounting audit remuneration

The Company's articles of incorporation stipulates that remuneration to accounting auditors for audit services is determined by the representative director, with the consent of the Board of Statutory Auditors.

FINANCIAL INFORMATION

1. Preparation of consolidated financial statements

(1) Since the Company meets the criteria of "specific company" defined in item 1 under the first clause of Articles 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.

(2) The financial statements of the Company were prepared in accordance with the Rules Governing Term, Form and Presentation of Financial Statements (Financial Ministerial Order the 59th, 1963).

(3) The revisions to the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Cabinet Office Ordinance the 73rd (11 December 2009)) paved the way for the preparation of consolidated financial statements based on IFRS. The year ended 31 August 2014 marks the first time of the Group's adoption of IFRS to prepare its consolidated financial statements.

(4) In this report, sums have been rounded down to the nearest million yen.

2. Audits

Our consolidated financial statements and other financial statements for the fiscal year from 1 September 2013 to 31 August 2014 have been audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2-1 of the Financial Instruments and Exchange Act.

3. Special measures for ensuring the accuracy of our consolidated financial statements and a framework for ensuring consolidated financial statements are appropriately prepared in accordance with IFRS

The Company has taken special measures to ensure the appropriateness of our consolidated financial statements and has established a framework to ensure our consolidated financial statements are appropriately prepared in accordance with IFRS. Details of these are given below.

(1) To establish a framework capable of adapting appropriately to changes in accounting standards, we have put efforts to build up our specialist knowledge by appointing employees who are well versed in IFRS, joining the Accounting Standards Board of Japan and similar organizations, and participating in training programs.

(2) To ensure that we appropriately prepared consolidated financial statements in accordance with IFRS, we drafted group guidelines for accounting practices based on IFRS, and have been conducting accounting procedures based on these guidelines. We regularly obtain standards and press releases published by the International Accounting Standards Board, study the latest standards and their potential impact on our Company, and update our group guidelines for accounting practices accordingly.

4. Consolidated Financial Statements

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	Notes	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
ASSETS				
Current assets				
Cash and cash equivalents	7, 28	266,023	296,708	314,049
Trade and other receivables	8, 28	22,607	37,933	47,428
Other current financial assets	10, 28	1,672	2,461	9,119
Inventories	9	100,491	167,521	223,223
Derivative financial assets	28	—	113,641	99,125
Income taxes receivable		10,628	8,980	11,951
Others	11	7,291	10,291	12,139
Total current assets		408,715	637,537	717,037
Non-current assets				
Property, plant and equipment	12	70,554	91,385	114,398
Goodwill	13	15,992	37,016	26,715
Other intangible assets	13	27,199	52,838	46,968
Non-current financial assets	10, 28	57,112	63,608	71,293
Deferred tax assets	17	22,787	15,467	11,257
Others	11	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	18, 28	89,158	153,364	185,119
Derivative financial liabilities	28	22,625	—	1,012
Other current financial liabilities	10, 15, 28	9,405	9,450	12,696
Income taxes payable		28,394	26,760	32,750
Provisions	19	9,789	11,420	16,154
Others	11	16,219	16,583	25,462
Total current liabilities		175,594	217,578	273,196
Non-current liabilities				
Non-current financial liabilities	10,15,28	16,551	30,077	27,604
Provisions	19	4,167	5,818	7,694
Deferred tax liabilities	17	3,985	49,752	37,387
Others	11	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	20	10,273	10,273	10,273
Capital surplus	20	6,296	6,859	9,803
Retained earnings	20	404,554	481,746	525,722
Treasury stock, at cost	20	(16,003)	(15,851)	(15,790)
Other components of equity	20	(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	21	1,142,971	1,382,935
Cost of sales		(577,826)	(683,161)
Gross profit		565,145	699,773
Selling, general and administrative expenses	22	(426,177)	(549,195)
Other income	23	4,050	7,025
Other expenses	14, 23	(8,916)	(27,200)
Operating profit		134,101	130,402
Finance income	24	22,269	6,001
Finance costs	24	(638)	(933)
Profit before income taxes		155,732	135,470
Income taxes	17	(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)	26	1,026.68	731.51
Diluted (Yen)	26	1,025.75	730.81

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	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	25	207	66
Exchange differences on translation of foreign operations	25	19,462	8,402
Cash flow hedges	25	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)

						Other components of equity						
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	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 changes during the year												
Comprehensive income												
Profit for the year		—	—	104,595	—	—	—	—	—	104,595	2,879	107,474
Other comprehensive income	25	—	—	—	—	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	20	—	—	—	(9)	—	—	—	—	(9)	—	(9)
Disposal of treasury stock	20	—	421	—	161	—	—	—	—	583	—	583
Dividends	20	—	—	(27,504)	—	—	—	—	—	(27,504)	(891)	(28,396)
Share-based payments	20	—	140	—	—	—	—	—	—	140	—	140
Acquisition of a subsidiary	6	—	—	—	—	—	—	—	—	—	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)

	Notes	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 changes during the year												
Comprehensive income												
Profit for the year		—	—	74,546	—	—	—	—	—	74,546	4,790	79,337
Other comprehensive income	25	—	—	—	—	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	20	—	—	—	(25)	—	—	—	—	(25)	—	(25)
Disposal of treasury stock	20	—	471	—	86	—	—	—	—	558	—	558
Dividends	20	—	—	(30,571)	—	—	—	—	—	(30,571)	(633)	(31,204)
Share-based payments	20	—	746	—	—	—	—	—	—	746	—	746
Acquisition of non-controlling interests	6, 20	—	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)

	Notes	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	6	(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	20	(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	7	266,023	296,708
Cash and cash equivalents at end of year	7	296,708	314,049

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 the Group's 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 retail business in Japan and overseas), etc.

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Group adopted Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements, because the Group meets the all criteria of a "specified company" defined under Article 1-2 of the said rules.

The Group adopted IFRS issued by 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 comparative peiord are presented in "34. 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) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 25 November 2014 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

(3) 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".

(4) Functional Currency and Presentation Currency

The presentation currency for the Group's consolidated financial statements is the Japanese yen, which is also the Company's functional currency. All values are rounded down to the nearest million yen, except when otherwise indicated.

(5) Use of Estimates 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 (Notes 12,13)
- Recoverable amounts from cash-generating units for impairment test (Note 14)
- Recoverability of deferred tax assets (Note 17)
- Valuation of inventories (Note 9)
- Recoverability of trade and other receivables (Notes 8, 28)
- Accounting treatment and valuation of provisions (Note 19)
- Fair value measurement of financial instruments (Note 28)
- Fair value unit price for share-based payments (Note 27)
- Probability of outflow of future economic benefits from contingent liabilities (Note 32)

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 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 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. Fair value is determined using the method described in “28. Financial Instruments”.

(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. Fair value is determined using the method described in “28. Financial Instruments”. 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 to 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. Fair value is determined using the method described in “28. Financial Instruments”.

(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 periods. 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. Fair value of stock options is further disclosed in "27. Share-based Payments".

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. Issued but not yet effective IFRS

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards were issued but not yet effective and have not been early adopted by the Group.

The Company is in the process of assessing the impact of the adoption of these standards and interpretations, but is not yet in a position to state whether these new and revised IFRS would have a significant impact on the Group's results of operation and financial position.

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IAS 32 (Amendments)	Amendments to IAS 32 Financial Instruments: Presentation	1 January 2014	Year ending 31 August 2015	Offsetting financial assets and financial liabilities.
IAS 36 (Amendments)	Amendments to IAS 36 Impairment of Assets	1 January 2014	Year ending 31 August 2015	Recoverable amount disclosures for non-financial assets.
IAS 39 (Amendments)	Amendments to IAS 39 Financial Instruments: Recognition and Measurement	1 January 2014	Year ending 31 August 2015	Novation of derivatives and continuation of hedge accounting.
IFRIC 21	Levies	1 January 2014	Year ending 31 August 2015	Clarifies the timing of recognition of liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.
IFRS 10 (Amendments)	Amendments to IFRS 10 — Consolidated Financial Statements	1 January 2014	Year ending 31 August 2015	Defines investment entity and provide an exception to the consolidation requirement for entities that meet the definition of investment entity.
IFRS 12 (Amendments)	Amendments to IFRS 12 — Disclosures of interests in other entities	1 January 2014	Year ending 31 August 2015	Sets out the disclosure requirements for investment entities.
IFRS 15	Revenue from Contracts with Customers	1 January 2017	Year ending 31 August 2018	Provides a single revenue recognition model based on the transfer of control of a good or service to a customer.
IFRS 9 (2014)	Financial Instruments	1 January 2018	Year ending 31 August 2019	Replaces IAS39 Financial Instruments: Recognition and Measurement, and addresses the classification and measurement of financial assets and financial liabilities, and hedge accounting requirements.

5. 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 "3. 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)

Breakdown	Japan	Overseas	Total
Total	122,730	140,940	263,670
Of which, long-term financial assets, deferred tax assets	63,428	15,648	79,076
Difference	59,301	125,291	184,594

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)

Breakdown	Japan	Overseas	Total
Total	128,910	146,359	275,270
Of which, long-term financial assets, deferred tax assets	66,690	15,860	82,551
Difference	62,219	130,499	192,719

6. Business Combination

Year ended 31 August 2013

1. Names and line of business of companies acquired, purpose of acquisition, date of acquisition, legal form of acquisition, names of companies after acquisition, acquired voting rights, and reasons for determining the acquiring companies

(1) Names and lines of business of companies acquired

Name: J Brand Holdings, LLC

Line of business: Manufacture and distribution of clothing

(2) Purpose of acquisition

- To expand the brand portfolio among the affordable luxury apparel category
- To strengthen the Group's capability to develop denim products by leveraging J Brand's outstanding know-how in the area of premium denim
- To reinforce the presence of the Group by acquiring a Los Angeles-based apparel brand in the crucial U.S. market

(3) Date of acquisition

20 December 2012

(4) Form of acquisition

Share acquisition in the form of cash

(5) Name of company after acquisition

J Brand Holdings, LLC

(6) Percentage of voting rights acquired

80.76%

(7) Determination of acquiring company

A subsidiary of the Group acquired the shares in the form of cash consideration and became the acquiring company.

2. Price and details of acquisition

	Millions of yen
Cash consideration	26,834

The Group reported costs associated with this acquisition amounting to 759 million yen as “Other expenses”.

3. Fair value of assets and liabilities acquired in connection with this acquisition

	Millions of yen
Current assets	4,459
Non-current assets	19,984
Current liabilities	(1,423)
Non-current liabilities	(8,255)
	14,764

4. Fair value of non-controlling interests in connection with this acquisition

	Millions of yen
	6,666

Fair value of non-controlling interests is calculated as the prorated fair value of the distinguishable net assets of the acquired company.

5. Goodwill from acquisition

	Millions of yen
Cash consideration	26,834
Non-controlling interests	6,666
Total identifiable net assets at fair value	(14,764)
	18,737

6. Net cash flow generated due to acquisition of subsidiaries

	Millions of yen
Cash consideration	(26,834)
Cash and cash equivalents of J Brand Holdings, LLC	62
	(26,771)

7. Amount of goodwill recognized, reasons for recognizing goodwill

(1) Amount of goodwill recognized 18,737 million yen

(2) Reasons for recognizing goodwill

The above amount is based on a reasonable estimate of future excess earning power that can be expected of future business development.

Year ended 31 August 2014

With regard to the additional share acquisition of J Brand Holdings, LLC, the carrying amount of non-controlling interests decreased by 7,813 million yen. Capital surplus increased by 1,726 million yen as a result of this acquisition, which is equal to the difference between the price of acquisition and the carrying amount.

7. Cash and cash equivalents

The breakdown of cash and cash equivalents as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Cash and bank balances	132,235	148,492	172,364
Money market funds (MMF), cash funds, negotiable certificates of deposits	133,788	148,215	141,684
Total	266,023	296,708	314,049

8. Trade and other receivables

The breakdown of trade and other receivables as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Accounts receivable — trade	19,858	34,103	42,960
Notes receivable	62	84	69
Other accounts receivable	2,954	4,234	4,909
Allowance for doubtful accounts	(268)	(488)	(511)
Total	22,607	37,933	47,428

See note “28. Financial Instruments” for credit risk management and the fair value of trade and other receivables.

9. Inventories

The breakdown of inventories as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Products	98,253	163,939	219,492
Supplies	2,237	3,581	3,730
Total	100,491	167,521	223,223

No inventories were pledged as collateral to secure debt.

Write-down of inventories to net realizable value is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Write-down of inventories to net realizable value	2,169	1,976

10. Other financial assets and other financial liabilities

The breakdown of other financial assets and other financial liabilities as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Other financial assets:			
Available-for-sale financial assets	354	467	450
Loans and receivables			
Loans and receivables	59,267	65,681	80,039
Allowance for doubtful accounts	(837)	(78)	(76)
Total loans and receivables	58,429	65,602	79,962
Total	58,784	66,069	80,413
Other current financial assets total	1,672	2,461	9,119
Other non-current financial assets total	57,112	63,608	71,293

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Other financial liabilities:			
Financial liabilities measured at amortized cost			
Interest-bearing bank and other borrowings	23,434	37,259	37,561
Deposits	509	510	1,135
Deposits/guarantees received	2,005	1,730	1,603
Others	7	27	—
Total	25,957	39,528	40,300
Other current financial liabilities total	9,405	9,450	12,696
Other non-current financial liabilities total	16,551	30,077	27,604

11. Other assets and other liabilities

The breakdown of other assets and other liabilities as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Other assets:			
Prepayments	6,532	8,025	9,192
Long-term prepayments	2,018	3,356	4,743
Others	777	2,262	2,839
Total	9,328	13,644	16,775
Current	7,291	10,291	12,139
Non-current	2,036	3,353	4,636

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Other liabilities:			
Accruals	11,361	14,790	19,606
Employee benefits accruals	2,507	3,068	3,534
Others	7,601	6,977	12,704
Total	21,470	24,836	35,845
Current	16,219	16,583	25,462
Non-current	5,250	8,253	10,383

12. Property, plant and equipment

Increase/(decrease) in acquisition costs, accumulated depreciation and impairment of property, plant and equipment are as follows:

(Millions of yen)

Acquisition costs	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Total
At 1 September 2012	100,911	25,070	4,194	1,947	132,125
Additions	17,539	10,717	—	5,626	33,884
Business combination	104	70	—	46	221
Disposals	(2,205)	(2,660)	—	—	(4,865)
Transfers	3,946	—	—	(3,946)	—
Exchange realignment	10,894	4,034	—	586	15,516
At 31 August 2013	131,192	37,233	4,194	4,260	176,881
Additions	20,907	14,019	—	13,273	48,201
Business combination	—	—	—	—	—
Disposals	(5,209)	(3,150)	(504)	—	(8,864)
Transfers	13,036	—	—	(13,036)	—
Exchange realignment	5,203	1,193	—	1,523	7,920
At 31 August 2014	165,130	49,297	3,689	6,021	224,139

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Total
At 1 September 2012	(48,938)	(12,316)	(315)	—	(61,570)
Depreciation provided during the year	(12,589)	(5,965)	—	—	(18,555)
Impairment	(4,551)	(517)	—	—	(5,068)
Disposals	1,822	2,507	—	—	4,329
Exchange realignment	(2,868)	(1,762)	—	—	(4,630)
At 31 August 2013	(67,125)	(18,054)	(315)	—	(85,495)
Depreciation provided during the year	(16,776)	(7,833)	—	—	(24,609)
Impairment	(3,550)	(1,086)	—	—	(4,636)
Disposals	3,349	2,942	—	—	6,291
Exchange realignment	(895)	(394)	—	—	(1,290)
At 31 August 2014	(84,998)	(24,427)	(315)	—	(109,741)

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Total
At 1 September 2012	51,973	12,754	3,879	1,947	70,554
At 31 August 2013	64,066	19,178	3,879	4,260	91,385
At 31 August 2014	80,131	24,869	3,374	6,021	114,398

Net carrying amounts of finance-leased assets are as follows:

(Millions of yen)

	Buildings and structures	Furniture, equipment and vehicles	Others	Total
At 1 September 2012	1,059	6,007	—	7,066
At 31 August 2013	917	8,123	—	9,040
At 31 August 2014	831	9,437	—	10,269

There are no restrictions on ownership rights and no pledges on the Group’s property, plant and equipment.

13. Goodwill and intangible assets

The increase/(decrease) in acquisition costs, accumulated amortization and impairment of intangible assets and goodwill are as follows:

(Millions of yen)

Acquisition costs	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2012	15,992	23,411	6,569	7,748	37,729	53,721
External purchases	—	4,313	17	376	4,706	4,706
Business combination	18,737	75	9,473	10,105	19,653	38,390
Disposals	—	(668)	—	(210)	(878)	(878)
Exchange realignment	2,286	334	3,180	3,784	7,299	9,587
At 31 August 2013	37,016	27,466	19,239	21,805	68,511	105,527
External purchases	—	6,690	—	164	6,854	6,854
Bussiness combination	—	—	—	—	—	—
Disposals	—	(498)	—	(231)	(730)	(730)
Exchange realignment	1,393	30	918	1,023	1,972	3,366
At 31 August 2014	38,410	33,688	20,158	22,762	76,608	115,018

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2012	—	(8,631)	(711)	(1,186)	(10,529)	(10,529)
Amortization provided during the year	—	(3,586)	(1)	(1,464)	(5,052)	(5,052)
Impairment	—	—	—	—	—	—
Disposals	—	613	—	10	624	624
Exchange realignment	—	(260)	(195)	(259)	(715)	(715)
At 31 August 2013	—	(11,865)	(908)	(2,898)	(15,673)	(15,673)
Amortization provided during the year	—	(4,498)	—	(1,872)	(6,371)	(6,371)
Impairment	(11,154)	—	(4,376)	(3,793)	(8,170)	(19,324)
Disposals	—	455	—	173	628	628
Exchange realignment	(540)	(33)	(30)	9	(54)	(594)
At 31 August 2014	(11,694)	(15,941)	(5,315)	(8,382)	(29,640)	(41,334)

(Note) Amortization of intangible assets is included in "selling, general and administrative expenses" on the consolidated statement of profit or loss.

(Millions of yen)

Net carrying amount	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2012	15,992	14,779	5,857	6,562	27,199	43,191
At 31 August 2013	37,016	15,600	18,330	18,906	52,838	89,854
At 31 August 2014	26,715	17,746	14,842	14,379	46,968	73,684

(2) Significant goodwill and intangible assets

Goodwill and intangible assets recorded in the consolidated statement of financial position are mainly for goodwill and trademarks related to J Brand.

Some of the trademarks will continue to be used as long as the business remains viable; therefore, management considers the useful lives of these as indefinite.

The carrying amount of the goodwill and intangible assets with indefinite useful lives by cash-generating unit ("CGU") is as follows:

(Millions of yen)

Net carrying amount	Goodwill			Intangible assets with indefinite useful lives		
	UNIQLO Japan	UNIQLO International	Global Brands	UNIQLO Japan	UNIQLO International	Global Brands
At 1 September 2012	—	—	15,992	—	—	10,498
At 31 August 2013	—	—	37,016	—	—	24,709
At 31 August 2014	—	—	26,715	—	—	21,695

14. Impairment losses

During the year ended 31 August 2014, the Group recognized impairment losses on 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 of 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 changes in key assumptions — lower estimated future cash flow or higher discount rate (pre-tax), would cause further impairment loss to be recognized.

15. Finance lease obligations

A breakdown of finance lease obligations is as follows:

(Millions of yen)

	Future minimum lease payments			Present value of future minimum lease payments		
	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Finance lease obligations						
Due within one year	3,070	3,514	3,997	2,973	3,417	3,894
Due after one year through five years	5,511	6,523	7,811	5,415	6,420	7,705
Due after five years	—	—	—	—	—	—
Total	8,581	10,038	11,809	8,389	9,837	11,599
Deductions – future finance costs	(192)	(200)	(209)	—	—	—
Total net finance lease payables	8,389	9,837	11,599	8,389	9,837	11,599
Current portion	—	—	—	2,973	3,417	3,894
Non-current portion	—	—	—	5,415	6,420	7,705

The Group has no sublease contracts, accrued variable lease fees or escalation clauses (clauses providing for increases in leasing fees), and no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

16. Operating lease arrangements

(1) As Lessee

The Group's total future minimum lease payments on non-cancellable operating leases as at each reporting date are as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Due within one year	12,142	16,672	28,662
Due after one year through five years	39,296	64,846	79,871
Due after five years	30,512	36,348	69,296
Total	81,951	117,867	177,830

The total minimum lease payments and contingent rents for operating lease contracts recognized as expenses in each reporting period are as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Total minimum lease payments	60,393	91,383
Contingent rents	46,073	47,269
Total	106,466	138,652

Contingent rents, renewal options, and escalation clauses (clauses providing for increases in leasing fees) are included in the operating lease agreements.

The Company has no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

(2) As lessor

The Company sub-leases some of the properties it leased through operating leases, and so while it pays rent to the property owner, it also receives rent from the sub-tenant.

A breakdown of the future minimum rental receivables under non-cancellable leases is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Due within one year	124	58	58
Due after one year through five years	177	63	8
Due after five years	—	—	—
Total	301	121	67

The total of contingent rents recorded as revenue during each reporting period is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Contingent rents	1,141	1,139

17. Deferred taxes and income taxes

(1) Deferred taxes

The main factors in the increase/(decrease) of deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	As at 1 September 2012	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Acquisitions through business combination	As at 31 August 2013
Temporary differences					
Accrued business tax	1,967	(183)	—	—	1,784
Allowance for bonuses	2,186	151	—	—	2,338
Provision of allowance for doubtful accounts	92	89	—	—	182
Impairment losses	—	1,143	—	—	1,143
Unrealized gains/(losses) on available-for-sale securities	(2)	—	2	—	—
Depreciation	2,753	2,255	—	—	5,008
Net gain/(loss) on revaluation of cash flow hedges	8,629	—	(51,096)	—	(42,467)
Temporary differences on shares of subsidiaries	(2,190)	(12)	—	—	(2,203)
Accelerated depreciation	(2,576)	(230)	—	—	(2,807)
Intangible assets	—	—	—	(8,344)	(8,344)
Others	4,609	1,033	—	303	5,946
Subtotal	15,469	4,246	(51,094)	(8,040)	(39,418)
Tax losses carried forward	3,333	1,800	—	—	5,133
Net deferred tax assets/ (liabilities)	18,802	6,047	(51,094)	(8,040)	(34,284)

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

(Millions of yen)

	As at 1 September 2013	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Acquisitions through business combination	As at 31 August 2014
Temporary differences					
Accrued business tax	1,784	289	—	—	2,073
Allowance for bonuses	2,338	359	—	—	2,697
Provision of allowance for doubtful accounts	182	(59)	—	—	122
Impairment losses	1,143	(144)	—	—	998
Unrealized gains/(losses) on available-for-sale securities	—	—	(1)	—	(1)
Depreciation	5,008	515	—	—	5,524
Net gain/(loss) on revaluation of cash flow hedges	(42,467)	—	6,606	—	(35,861)
Temporary differences on shares of subsidiaries	(2,203)	—	—	—	(2,203)
Accelerated depreciation	(2,807)	(698)	—	—	(3,505)
Intangible assets	(8,344)	3,596	—	—	(4,747)
Others	5,946	(1,353)	—	—	4,593
Subtotal	(39,418)	2,505	6,604	—	(30,308)
Tax losses carried forward	5,133	(956)	—	—	4,177
Net deferred tax assets/(liabilities)	(34,284)	1,549	6,604	—	(26,130)

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

Tax effects of unrecognized tax losses carried forward and deductible temporary differences for which deferred tax assets were not recognized is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Unrecognized tax losses carried forward	5,962	3,797	5,653
Deductible temporary differences	14,044	10,812	12,568
Total	20,007	14,609	18,222

Tax effects of unrecognized tax losses carried forward for which no deferred tax asset is recognized in the consolidated statement of financial position, if unutilized, will expire as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
First year	—	—	—
Second year	—	—	—
Third year	—	—	—
Fourth year	—	—	—
Fifth year and thereafter	5,962	3,797	5,653
Total	5,962	3,797	5,653

The Group has the above unrecognized tax losses available offsetting against future taxable profits of the companies in which the losses arose, whereof no deferred tax assets have been recognized.

During the year ended 31 August 2013, unrecognized tax losses amounted to 2,245 million yen was utilized.

Temporary differences on shares of subsidiaries for which deferred tax liabilities were not recognized.

The aggregate amounts of temporary differences associated with undistributed retained earnings of subsidiaries for which deferred tax liabilities have not been recognized as at 1 September 2012, 31 August 2013 and 31 August 2014 were 147,987 million yen, 274,486 million yen, and 332,519 million yen respectively.

No liability has been recognized with respect to these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

(2) Income taxes

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Current tax	54,486	58,207
Deferred tax	(6,228)	(2,074)
Total	48,257	56,133

Reconciliations between the statutory income tax rates and the effective tax rates are as follows. The effective tax rate shown is the corporate income tax rate applied to the Group's profit before income taxes.

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Statutory income tax rate	38.0%	38.0%
Increase/(decrease) in valuation allowance	(4.4%)	2.8%
Difference in statutory income tax rates of subsidiaries	(2.4%)	(4.4%)
Impairment loss of goodwill	—	3.2%
Inhabitant tax on per capita basis	0.4%	0.6%
Others	(0.6%)	1.2%
Effective tax rate	31.0%	41.4%

18. Trade and other payables

The breakdown of trade and other payables as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Trade payables	71,142	121,960	137,069
Other payables	18,015	31,403	48,049
Total	89,158	153,364	185,119

19. Provisions

The breakdown of provisions as at each reporting date is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Allowance for bonuses	7,760	9,056	12,192
Asset retirement obligations	6,196	8,182	11,656
Total	13,957	17,238	23,849
Current liabilities	9,789	11,420	16,154
Non-current liabilities	4,167	5,818	7,694

The main factors for the increase/(decrease) in provisions are as follows:

(Millions of yen)

	Allowance for bonuses	Asset retirement obligations	Total
Balances as at 1 September 2012	7,760	6,196	13,957
Additional provisions	12,268	1,679	13,947
Amounts utilized	(11,677)	(226)	(11,903)
Increase in discounted amounts arising from passage of time	—	87	87
Others	705	444	1,149
Balances as at 31 August 2013	9,056	8,182	17,238
Additional provisions	15,966	3,606	19,573
Amounts utilized	(13,051)	(398)	(13,449)
Increase in discounted amounts arising from passage of time	—	91	91
Others	221	173	394
Balances as at 31 August 2014	12,192	11,656	23,849

Please refer to “3. Significant Accounting Policies (11) Provisions” for explanation of respective provisions.

20. Equity and other equity Items

(1) Share Capital

	Number of authorized shares (Common stock with no par-value) (shares)	Number of issued shares (Common stock with no par-value) (shares)	Number of outstanding shares (Common stock with no par-value) (shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
Balances as at 1 September 2012	300,000,000	106,073,656	101,854,222	10,273	6,296
Increase/(decrease) (Note)	—	—	42,270	—	562
Balances as at 31 August 2013	300,000,000	106,073,656	101,896,492	10,273	6,859
Increase/(decrease) (Note)	—	—	22,119	—	2,944
Balances as at 31 August 2014	300,000,000	106,073,656	101,918,611	10,273	9,803

(Note) The main factor for the increase/(decrease) in the number of shares in circulation was the increase/(decrease) in the number of treasury stock as indicated below.

(2) Treasury Stock and Capital Surplus

① Treasury Stock

	Number of shares (shares)	Amount (Millions of yen)
Balances as at 1 September 2012	4,219,434	16,003
Repurchase of shares less than one unit	335	9
Exercise of stock options	(42,605)	(161)
Balances as at 31 August 2013	4,177,164	15,851
Repurchase of shares less than one unit	699	25
Exercise of stock options	(22,818)	(86)
Balances as at 31 August 2014	4,155,045	15,790

② Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 2012	4,578	962	755	—	6,296
Disposal of treasury stock	—	421	—	—	421
Share-based payments	—	—	140	—	140
Balances as at 31 August 2013	4,578	1,384	896	—	6,859
Disposal of treasury stock	—	471	—	—	471
Share-based payments	—	—	746	—	746
Acquisition of non-controlling interests	—	—	—	1,726	1,726
Balances as at 31 August 2014	4,578	1,856	1,642	1,726	9,803

Please refer to “27. Share-based payments” for details of share-based payments (stock options).

(3) Other components of equity

The breakdown of other comprehensive income included in non-controlling interests is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Exchange differences on translation of foreign operations	3,010	1,818
Cash flow hedges	—	(94)
Other comprehensive income	3,010	1,724

(4) Dividends

The Company’s basic policy is to pay two dividends a year, an interim dividend and a year-end dividend. These dividends are decided by resolution of the Board, unless otherwise stipulated by laws and regulations.

The total amount of dividends paid was as follows:

Year ended 31 August 2013

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors’ meeting held on 5 November 2012	13,241	130
Board of Directors’ meeting held on 11 April 2013	14,263	140

Year ended 31 August 2014

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors’ meeting held on 4 November 2013	15,284	150
Board of Directors’ meeting held on 10 April 2014	15,286	150

Proposed dividends on common stock are as follows:

	Year ended 31 August 2013	Year ended 31 August 2014
Total amount of dividends (million yen)	15,284	15,287
Dividends per share (yen)	150	150

Regarding the proposed dividends per common stock, the Board has approved the proposal subsequent to the year-end date, and this sum is not recognized as a liability at year end.

21. Revenue

The breakdown of revenue for each reporting period is as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Revenue		
Sales of goods	1,139,171	1,379,077
Service revenue	3,799	3,857
Total	1,142,971	1,382,935

22. Selling, general and administrative Expenses

The breakdown of selling, general and administrative expenses for each reporting period 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 amortisation	23,607	30,808
Outsourcing	17,185	22,953
Salaries	140,111	184,864
Others	81,303	110,975
Total	426,177	549,195

23. Other income and other expenses

The breakdown of other income and other expenses for each reporting period 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

* Foreign exchange gains incurred in the course of operating transactions are included in “other income”.

24. Finance income and finance costs

The breakdown of finance income and finance costs for each reporting period 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

* Foreign exchange gains incurred in the course of non-operating transactions are included in “finance income”.

25. Other Comprehensive Income

The breakdown of amounts recorded during the year, reclassification adjustments and income tax effect generated by individual comprehensive income items included in “other comprehensive income” for each reporting period are as follows:

Year ended 31 August 2013

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	243	—	243	(35)	207
Exchange differences on translation of foreign operations	19,372	90	19,462	—	19,462
Cash flow hedges	157,945	(22,443)	135,502	(51,097)	84,405
Total	177,561	(22,353)	155,208	(51,132)	104,075

Year ended 31 August 2014

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	66	—	66	—	66
Exchange differences on translation of foreign operations	8,793	(391)	8,402	—	8,402
Cash flow hedges	42,639	(55,022)	(12,382)	6,608	(5,773)
Total	51,500	(55,413)	(3,913)	6,608	2,695

26. 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 each reporting period is as follows:

	Year ended 31 August 2013	Year ended 31 August 2014
Basic earnings per share for the year		
Profit for the year attributable to owners of the parent (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)

27. Share-based Payments

The Group has a program for issuing share subscription rights as stock-based compensation stock options for employees of the Company and its subsidiaries as a means of recognizing their contribution to Group's profit. By linking the Company's stock price to the benefits received by personnel, this program aims to boost staff morale and motivation, improve Group performance and enhance shareholder value by strengthening business development with a focus on shareholder return.

1. Details, scale and changes in stock options

(1) Description of stock options

	1st Share subscription rights A type	1st Share subscription rights B type
Category and number of grantee	Employees of the Company: 7 Employees of the Group subsidiaries: 3	Employees of the Company: 266 Employees of the Group subsidiaries: 413
Number of stock options by type of shares (Note)	Common stock: maximum 3,370 shares	Common stock: maximum 77,542 shares
Grant date	8 November 2010	8 November 2010
Vesting conditions	To serve continuously until the vesting date (7 November 2013) after the grant date (8 November 2010)	To serve continuously until the vesting date (7 December 2010) after the grant date (8 November 2010)
Eligible service period	From 8 November 2010 to 7 November 2013	From 8 November 2010 to 7 December 2010
Exercise period	From 8 November 2013 to 7 November 2020	From 8 December 2010 to 7 November 2020
Settlement	Equity settlement	Equity settlement

	2nd share subscription rights A type	2nd share subscription rights B type
Category and number of grantee	Employees of the Company: 14 Employees of the Group subsidiaries: 4	Employees of the Company: 139 Employees of the Group subsidiaries: 584
Number of stock options by type of shares (Note)	Common stock: maximum 13,894 shares	Common stock: maximum 51,422 shares
Grant date	15 November 2011	15 November 2011
Vesting conditions	To serve continuously until the vesting date (14 November 2014) after the grant date (15 November 2011)	To serve continuously until the vesting date (14 December 2011) after the grant date (15 November 2011)
Eligible service period	From 15 November 2011 to 14 November 2014	From 15 November 2011 to 14 December 2011
Exercise period	From 15 November 2014 to 14 November 2021	From 15 December 2011 to 14 November 2021
Settlement	Equity settlement	Equity settlement

	3rd share subscription rights A type	3rd share subscription rights B type
Category and number of grantee	Employees of the Company: 18 Employees of the Group subsidiaries: 8	Employees of the Company: 136 Employees of the Group subsidiaries: 615
Number of stock options by type of shares (Note)	Common stock: maximum 10,793 shares	Common stock: maximum 39,673 shares
Grant date	13 November 2012	13 November 2012
Vesting conditions	To serve continuously until the vesting date (12 November 2015) after the grant date (13 November 2012)	To serve continuously until the vesting date (12 December 2012) after the grant date (13 November 2012)
Eligible service period	From 13 November 2012 to 12 November 2015	From 13 November 2012 to 12 December 2012
Exercise period	From 13 November 2015 to 12 November 2022	From 13 December 2012 to 12 November 2022
Settlement	Equity settlement	Equity settlement

	4th share subscription rights A type	4th share subscription rights B type
Category and number of grantee	Employees of the Company: 19 Employees of the Group subsidiaries: 11	Employees of the Company: 180 Employees of the Group subsidiaries: 706
Number of stock options by type of shares (Note)	Common stock: maximum 7,564 shares	Common stock: maximum 29,803 shares
Grant date	3 December 2013	3 December 2013
Vesting conditions	To serve continuously until the vesting date (2 December 2016) after the grant date (3 December 2013)	To serve continuously until the vesting date (2 January 2014) after the grant date (3 December 2013)
Eligible service period	From 3 December 2013 to 2 December 2016	From 3 December 2013 to 2 January 2014
Exercise period	From 3 December 2016 to 2 December 2023	From 3 January 2014 to 2 December 2023
Settlement	Equity settlement	Equity settlement

Note: The number of stock options is equivalent to the number of shares.

Expenses recognized for share-based payments are as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Expenses recognized Share-based payments	723	1,269

(2) Scale of stock options program and changes

Movement of stock options during the reporting period. The number of stock options is equivalent to the number of shares.

① The number and weighted average exercise prices of stock options

Stock options

	Year ended 31 August 2013	Year ended 31 August 2014
	Number of shares (shares)	Number of shares (shares)
Non-vested		
Non-vested at beginning of the year	16,254	25,696
Granted	50,466	37,367
Forfeited	(1,351)	(525)
Vested	(39,673)	(32,163)
Non-vested at end of the year	25,696	30,375

	Year ended 31 August 2013	Year ended 31 August 2014
	Number of shares (shares)	Number of shares (shares)
Vested		
Outstanding at beginning of the year	58,769	55,809
Vested	39,673	32,163
Exercised	(42,605)	(22,818)
Forfeited	(28)	(380)
Outstanding at end of the year	55,809	64,774

All stock options are granted with an exercise price of 1 yen per share.

② Stock price on exercise date

Stock options exercised during the year ended 31 August 2014 are as follows:

Type	Number of shares (shares)	Weighted average stock price on exercise date (Yen)
Stock options	22,818	36,775

③ Expected life of stock options

The weighted average expected life of outstanding stock options as at 31 August 2014 was 7.83 years.

In addition, the weighted average expected life of outstanding stock options as at 31 August 2013 was 8.27 years.

2. Methods of estimating fair value of stock options, etc.

The methods of estimating fair value of 4th share subscription rights, A type and B type, granted during the year ended 31 August 2014, were as follows:

① Valuation model: Black-Scholes model

② The following table lists the inputs to the model used:

	4th share subscription rights A type	4th share subscription rights B type
Stock price volatility (Note 1)	37%	37%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	290 yen/share	290 yen/share
Risk-free interest rate (Note 4)	0.308%	0.189%

Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from June 2007 to December 2013) and 5.04 years for B type (from December 2008 to December 2013).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are the actual dividends for the year ended 31 August 2013.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

Also, the method of estimating fair value for the 3rd share subscription rights A type and B type granted during the year ended 31 August 2013 are as follows:

① Valuation model: Black-Scholes model

② The following table lists the inputs to the model used:

	3rd share subscription rights A type	3rd share subscription rights B type
Stock price volatility (Note 1)	36%	36%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	260 yen/share	260 yen/share
Risk-free interest rate (Note 4)	0.352%	0.203%

Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2006 to November 2012) and 5.04 years for B type (from November 2007 to November 2012).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are the actual dividends for the year ended 31 August 2012.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

3. Estimation method of the number of share subscription rights which have already been vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the method reflecting actual numbers of forfeiture is adopted.

28. Financial Instruments

(1) Capital risk management

The Group engages in capital management to achieve continuous growth and maximize corporate value.

The ratio of the Group's net interest-bearing borrowings to equity is as follows:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Interest-bearing borrowings	23,434	37,259	37,561
Cash and cash equivalents	266,023	296,708	314,049
Net interest-bearing borrowings	(242,588)	(259,449)	(276,487)
Equity	398,849	589,726	636,041

To maximize corporate value, the Group engages in cash flow-oriented management. As at 1 September 2012, 31 August 2013 and 2014, the Group maintained a position where the value of cash and cash equivalents exceeded interest-bearing borrowings.

As at 31 August 2014, the Group is not subject to any externally imposed capital requirement.

(2) Significant accounting policies

See Note "3. Significant Accounting Policies" for significant accounting policies regarding standards for recognizing financial assets, financial liabilities, equity financial instruments, as well as the fundamentals of measurement and recognition of profit or loss.

(3) Categories of financial instruments

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Financial assets			
Loans and receivables			
Trade and other receivables	22,607	37,933	47,428
Other current financial assets	1,672	2,461	9,119
Other non-current financial assets	56,757	63,141	70,842
Available-for-sale investments	354	467	450
Derivatives			
Financial assets at fair value through profit or loss ("FVTPL")	—	—	21
Foreign currency forward contracts designated as hedging instruments	—	114,011	99,103
Financial liabilities			
Financial liabilities at amortized cost			
Trade and other payables	89,158	153,364	185,119
Other current financial liabilities	9,405	9,450	12,696
Other non-current financial liabilities	16,551	30,077	27,604
Derivatives			
Financial liabilities at FVTPL	144	369	140
Foreign currency forward contracts designated as hedging instruments	22,481	—	871

No items in the above categories are included in discontinued operations or disposal group held-for-sale. Also, there are no financial assets or liabilities valued using the fair value option to measure fair value.

On the consolidated statement of financial position, available-for-sale investments are included under "non-current financial assets".

(4) Financial risk management

In relation to the cash management, the Group seeks to ensure effective utilization of group funds through the Group's Cash Management Service ("CMS"). The Group obtained credit facilities from financial institutions. Any temporary surplus funds are invested mainly in fixed interest rate-bearing instruments with minimal credit risk.

The Group entered into foreign currency forward contracts to hedge risk arising from fluctuations in foreign currency exchange rates and did not conduct any speculative trading in derivatives.

(5) Market risk management

The Group conducts its business on a global scale, and is therefore exposed to the price fluctuation risk of currencies and equity financial instruments.

① *Foreign currency risk*

1) Foreign currency risk management

The Group conducts its business on a global scale, and is exposed to foreign currency risk in relation to purchases and sales transactions and financing denominated in currencies other than the local currencies of those countries in which the Group operates its business.

In regard to operating obligations denominated in foreign currencies, the Group in principle hedges risk by using foreign currency forward contracts and other instruments for foreign currency risk assessed on a semi-annual basis.

For imports, the Group endeavors to stabilize purchasing costs by concluding foreign currency forward contracts and standardizing import exchange rates. If the yen should weaken significantly against the US dollar in the future and this situation continued for an extended period, it could have a negative impact on the Group's performance.

The Group identifies concentration of risk in regard to foreign currency forward contracts.

The Group's notional amount of foreign currency forward contracts was 855,103 million yen as at 31 August 2014.

2) Foreign currency sensitivity analysis

Below is an analysis of the impact an 1% increase in the yen against the Euro ("EUR") and the United States dollar ("$") would have on the Group's profit for the year and other comprehensive income on the respective reporting periods.

These calculations assume no changes in the value of other foreign currencies not included herein.

	Year ended 31 August 2013	Year ended 31 August 2014
Average exchange rate (Yen)		
$	89.83	101.54
EUR	117.30	138.20
Impact on profit for the year (Millions of yen)		
$	(430)	(613)
EUR	(48)	(42)
Impact on other comprehensive income (Millions of yen)		
$	(9,820)	(8,933)
EUR	(8)	(5)

3) Currency derivatives and hedges

The Group uses foreign currency forward contract transactions to hedge against the risk of future fluctuations in exchange rates in regard to foreign currency transactions and applies hedge accounting to transactions that meet hedge requirements, and did not conduct any speculative trading in derivatives.

Cash flow hedges

A cash flow hedge is a hedge for avoiding risk of volatility in future cash flows. The Company uses foreign currency forward contracts to hedge cash flow fluctuations relating to planned transactions.

Fluctuations in the fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, and included in other components of equity, and are reclassified to profit or loss at the time net profit is recognized on the hedged item.

The gain/(loss) on derivative transactions (after tax effects) projected to be reclassified to profit or loss within one year was 54,154 million yen (gain) as at 31 August 2014, and 59,973 million yen (gain) as at 31 August 2013.

1. Derivative transactions of which hedge accounting is not applied

	Average exchange rates			Foreign currencies (Millions of respective currency)			Contract principal (Millions of yen)			Fair value (Millions of yen)		
	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014
Foreign currency forward contracts												
Within 1 year												
Buy USD (sell EUR)	0.78 (€/$)	0.76 (€/$)	0.71 (€/$)	33	63	5	2,510	6,317	535	(66)	46	20
Buy USD (sell SGD)	1.27 (SG$/$)	– (SG$/$)	– (SG$/$)	23	–	–	1,851	–	–	(39)	–	–
Buy USD (sell KRW)	1,145.00 (KRW/$)	1,135.84 (KRW/$)	1,056.10 (KRW/$)	118	290	3	9,363	29,217	364	(35)	(414)	(6)
Buy USD (sell TWD)	30.01 (TWD/$)	29.98 (TWD/$)	30.05 (TWD/$)	20	33	34	1,604	3,293	3,634	3	(2)	(10)
Buy USD (sell THB)	31.80 (THB/$)	– (THB/$)	32.99 (THB/$)	18	–	45	1,447	–	4,672	(6)	–	(116)
Buy USD (sell AUD)	– (AUD/$)	– (AUD/$)	1.08 (AUD/$)	–	–	8	–	–	879	–	–	1
Buy USD (sell IDR)	– (IDR/$)	– (IDR/$)	12,230.00 (IDR/$)	–	–	6	–	–	682	–	–	(6)

2. Derivative transactions of which hedge accounting is applied

	Average exchange rates			Foreign currencies (Millions of respective currency)			Contract principal (Millions of yen)			Fair value (Millions of yen)		
	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014	1 September 2012	31 August 2013	31 August 2014
Foreign currency forward contracts												
Over 1 year												
Buy USD (sell JPY)	80.89 (¥/$)	89.40 (¥/$)	93.59 (¥/$)	4,326	6,139	5,229	349,719	548,859	489,422	(12,931)	54,038	44,077
Within 1 year												
Buy USD (sell JPY)	79.89 (¥/$)	81.34 (¥/$)	88.08 (¥/$)	3,341	4,139	3,538	269,790	336,701	311,645	(9,549)	59,982	54,647
Buy USD (sell EUR)	– (€/$)	– (€/$)	0.73 (€/$)	–	–	104	–	–	10,402	–	–	378
Buy USD (sell SGD)	– (SG$/$)	– (SG$/$)	1.26 (SG$/$)	–	–	49	–	–	5,129	–	–	(32)
Buy USD (sell KRW)	– (KRW/$)	– (KRW/$)	1,087.34 (KRW/$)	–	–	247	–	–	27,152	–	–	(827)
Buy EUR (sell JPY)	– (¥/€)	131.34 (¥/€)	136.55 (¥/€)	–	6	4	–	893	587	–	(8)	(12)

② Interest rate risk management

The Group's interest-bearing borrowings are mainly loans with variable interest rates, but the Group maintains positions in cash and cash equivalents that exceed the outstanding balance of its interest-bearing borrowings.

At present, the impact of interest payments on the Group is quite small. Consequently, the Group's current level of interest-rate risk is minor, and the Group has not performed any interest rate sensitivity analysis.

③ Price risk management in equity instruments

The Group is exposed to the risk of price volatility in equity financial instruments. The Group holds no equity financial instruments for short-term trading purposes.

The Group makes regular periodic checks of the market value of the equity financial instruments it holds, as well as the financial health of the issuers.

(6) Credit risk management

When the Group initiates ongoing transactions where receivables will be generated on an ongoing basis, the finance department manages the Group's risk exposure by setting credit limits and credit periods, as needed.

Trade receivables encompass many customers spanning a wide range of industries and geographic regions. The Group conducts regular credit checks of the companies it does business with, and when necessary takes appropriate protective measures, such as requiring collateral.

The Group does not have excessively concentrated credit risk exposure to any single company or corporate group.

As for deposits and guarantees, the Group mitigates risk by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health.

① Financial assets and other credit risk exposure

Except for the items listed below, the carrying amounts after adjustment for impairment shown in the consolidated financial statements represent the Group's maximum exposure to credit risk before consideration of collateral assets.

(Millions of yen)

	Maximum credit risk		
	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Guaranteed liabilities	12	8	7

The Company holds no properties or other credit enhancement as collateral for exposure to the credit risk described above.

② Impaired or past-due financial assets

Below is an age analysis of financial assets whose due date had not passed as at each reporting date, and financial assets that are overdue whereof no asset impairment was recognized.

(Millions of yen)

	Total	Within due date	Overdue amounts		
			Within 90 days	91 days to 1 year	Over 1 year
Balances as at 1 September 2012					
Trade and other receivables (total)	22,875	21,760	856	138	120
Allowance for doubtful accounts	(268)	(146)	(84)	(6)	(30)
Trade and other receivables (net)	22,607	21,613	772	131	90
Other financial assets (total)	59,621	59,588	—	1	30
Allowance for doubtful accounts	(837)	(824)	—	—	(13)
Other financial assets (net)	58,784	58,764	—	1	16
Balances as at 31 August 2013					
Trade and other receivables (total)	38,421	36,463	1,630	73	254
Allowance for doubtful accounts	(488)	(269)	(28)	(14)	(175)
Trade and other receivables (net)	37,933	36,194	1,601	58	79
Other financial assets (total)	66,148	66,145	—	—	3
Allowance for doubtful accounts	(78)	(78)	—	—	—
Other financial assets (net)	66,069	66,066	—	—	3
Balances as at 31 August 2014					
Trade and other receivables (total)	47,940	45,688	1,617	230	403
Allowance for doubtful accounts	(511)	(255)	(7)	(17)	(231)
Trade and other receivables(net)	47,428	45,432	1,610	213	172
Other financial assets (total)	80,490	80,410	13	31	34
Allowance for doubtful accounts	(76)	(76)	—	—	—
Other financial assets (net)	80,413	80,333	13	31	34

The Group does not hold any collateral or other credit enhancements on the above financial assets.

When the Group recognizes impairment of a financial asset, it does not subtract the value of the impairment directly from the carrying amount. Rather, this is recorded as an allowance for doubtful accounts.

The main factors increasing/decreasing the Group's allowances for doubtful accounts were as follows:

(Millions of yen)

	Allowance for doubtful accounts (current)	Allowance for doubtful accounts (non-current)	Total
Balances as at 1 September 2012	268	837	1,105
Provision for the year	415	78	494
Decrease (intended purposes)	(54)	—	(54)
Others	(141)	(837)	(978)
Balances as at 31 August 2013	488	78	567
Provision for the year	216	76	292
Decrease (intended purposes)	(55)	—	(55)
Others	(137)	(78)	(215)
Balances as at 31 August 2014	511	76	588

Where recoverability is uncertain, the Group conducts ongoing monitoring of the credit status of companies with which it does business, including receivables whose maturity date has been changed.

Based on the credit facts uncovered by this monitoring, the Group assess the recoverability of trade receivables, etc., and makes provisions accordingly, in the form of allowances for doubtful accounts.

In addition, because the Group does business on a world-wide scale and its credit risk is distributed, it is not overly reliant on any specific counterparty and faces minimal exposure to the impact of chain-reaction credit risk due to the worsening of the credit conditions of any given counterparty.

Consequently, there is no need to record additional allowances for doubtful accounts based on credit risk concentration.

(7) Liquidity risk management

The Group manages liquidity risk by formulating and revising its funding plans on a timely basis and maintains an appropriate level of liquidity on hand.

The ultimate responsibility for management of liquidity risk lies with the CFO appointed by the Board of Directors. The finance department, under the direction of the CFO, performs the day-to-day aspects of liquidity risk management by maintaining appropriate levels of surplus funds and bank loans, and by monitoring budgets and cash flows.

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 1 September 2012								
Non-derivative financial liabilities								
Trade and other payables	89,158	89,158	89,158	—	—	—	—	—
Long-term borrowings (excluding current portion)	9,129	9,129	—	2,796	2,766	2,766	800	—
Current portion of long-term borrowings	3,410	3,410	3,410	—	—	—	—	—
Short-term borrowings	2,505	2,505	2,505	—	—	—	—	—
Long-term finance lease obligations	5,415	5,415	—	2,448	1,749	973	244	—
Short-term finance lease obligations	2,973	2,973	2,973	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	22,625	—						
Total	135,219	112,593	98,048	5,245	4,516	3,739	1,044	—
As at 31 August 2013								
Non-derivative financial liabilities								
Trade and other payables	153,364	153,364	153,364	—	—	—	—	—
Long-term borrowings (excluding current portion)	21,926	21,926	—	4,571	4,571	1,967	2,950	7,865
Current portion of long-term borrowings	3,632	3,632	3,632	—	—	—	—	—
Short-term borrowings	1,862	1,862	1,862	—	—	—	—	—
Long-term finance lease obligations	6,420	6,420	—	2,735	1,971	1,255	457	—
Short-term finance lease obligations	3,417	3,417	3,417	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	—	—						
Total	190,624	190,624	162,276	7,307	6,543	3,222	3,408	7,865

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 31 August 2014								
Non-derivative financial liabilities								
Trade and other payables	185,119	185,119	185,119	—	—	—	—	—
Long-term borrowings (excluding current portion)	18,295	18,295	—	4,809	2,074	3,112	4,149	4,149
Current portion of long-term borrowings	4,809	4,809	4,809	—	—	—	—	—
Short-term borrowings	2,857	2,857	2,857	—	—	—	—	—
Long-term finance lease obligations	7,705	7,705	—	3,140	2,429	1,634	500	—
Short-term finance lease obligations	3,894	3,894	3,894	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	1,012	—						
Total	223,693	222,680	196,680	7,950	4,504	4,746	4,649	4,149

(Note) Guaranteed obligations are not included in the above, as the probability of having to act on those guarantees is remote.

(8) Fair value of financial instruments

(Millions of yen)

	As at 1 September 2012		As at 31 August 2013		As at 31 August 2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	2,505	2,505	1,862	1,862	2,857	2,857
Long-term borrowings (Note)	12,540	12,316	25,559	24,581	23,104	22,065
Lease obligations (Note)	8,389	8,191	9,837	9,637	11,599	11,379
Total	23,434	23,013	37,259	36,081	37,561	36,302

(Note) The above includes the outstanding balance of borrowings due within 1 year.

The fair value of short-term financial assets, short-term financial liabilities, long-term financial assets and long-term financial liabilities, which are measured by amortized cost, approximates carrying amounts.

The fair value of long-term borrowings and lease obligations are classified by term, and are calculated on the basis of the current value applying a discount rate that takes into account time remaining to maturity and credit risk.

(9) Fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

(Millions of yen)

As at 1 September 2012	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	147	—	207	354
Financial liabilities at FVTPL	—	(144)	—	(144)
Foreign currency forward contracts designated as hedging instruments	—	(22,481)	—	(22,481)
Net amount	147	(22,625)	207	(22,270)

As at 31 August 2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	247	—	219	467
Financial liabilities at FVTPL	—	(369)	—	(369)
Foreign currency forward contracts designated as hedging instruments	—	114,011	—	114,011
Net amount	247	113,641	219	114,108

As at 31 August 2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	243	—	207	450
Financial liabilities at FVTPL	—	(118)	—	(118)
Foreign currency forward contracts designated as hedging instruments	—	98,231	—	98,231
Net amount	243	98,112	207	98,563

For the valuation of level 2 derivative financial instruments for which a market value is available, we use a valuation model that uses observable data on the measurement date as indicators such as interest rates, yield curves, currency rates and volatility in comparable instruments.

Non-listed shares are included in level 3. The amount of gains recognized from level 3 items during the year ended 31 August 2013 was 13 million yen and included in "other income" on the consolidated statements of profit or loss. There is no significant increase or decrease in level 3 items through purchase, disposal or settlement. Also, there is no transfer from level 3 to level 2.

29. Related Party Disclosures

Remuneration of key management personnel

Remuneration of the Group's key management personnel is as below:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Short-term employee benefits	518	364
Total	518	364

Transactions with officers and major shareholders (individuals only), etc. of the reporting entity submitting these consolidated financial statements

Year ended 31 August 2013 (from 1 September 2012 to 31 August 2013)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2013 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	11	Other current liabilities	1

Notes:
1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
2. Terms of transactions and policy for the terms

   Transaction amounts were determined based on the negotiation with the related party considering market prices.

Year ended 31 August 2014 (from 1 September 2013 to 31 August 2014)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2014 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Other current liabilities	1

Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2. Terms of transactions and policy for the terms

Transaction amounts were determined based on the negotiation with the related party considering market prices.

30. Major subsidiaries

The Group's major subsidiaries are as listed in "Corporate Profile 3. Subsidiaries and Associates".

31. Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Commitment for the acquisition of property, plant and equipment	5,587	8,409	5,487
Commitment for acquisition of intangible assets	745	1,603	373
Total	6,333	10,013	5,861

32. Contingent Liabilities

Amount of guaranteed obligations

As at each reporting date, the Group has provided the following guarantees on loans payable to financial institutions by employees' benefit society.

(Millions of yen)

	As at 1 September 2012	As at 31 August 2013	As at 31 August 2014
Employees' Benefit Society: Fast Retailing Mutual Aid Society	12	8	7
Total	12	8	7

33. Subsequent Events

Year ended 31 August 2013

The Issue of Stock-based Compensation Stock Options (Share Subscription Rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 10 October 2013, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

Year ended 31 August 2014

The Issue of Stock-based Compensation Stock Options (Share Subscription Rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 9 October 2014, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

34. 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 "3. Significant Accounting Policies" 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 Group'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 (Non-current)
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 (Non-current)
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
Total comprehensive income for the year	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.

(2) Others

Quarterly information for the year ended 31 August 2014

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	389,052	764,349	1,088,004	1,382,907
Quarterly income before income taxes and minority interests (Millions of yen)	69,316	108,133	141,538	140,115
Quarterly net income (Millions of yen)	41,848	64,557	84,836	78,118
Earnings per share (Yen)	410.69	633.52	832.50	766.55

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings per share (Yen)	410.69	222.84	198.98	(65.92)

(Notes) 1. The quarterly information for the year ended 31 August 2014 was prepared in accordance with JGAAP.

2. The information for the year ended 31 August 2014 and for the three months ended 31 August 2014 (1 June 2014 to 31 August 2014) have not been audited or reviewed pursuant to the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

2. Financial statements

(1) 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	※1 16,448	※1 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 (3,437)	※3 (3,990)
Buildings, net	2,124	1,745
Structures	298	298
Accumulated depreciation	※3 (202)	※3 (207)
Structures, net	95	91
Tools, furniture and equipment	1,366	1,406
Accumulated depreciation	※3 (1,198)	※3 (1,290)
Tools, furniture and equipment, net	168	116
Land	1,158	1,158
Leased assets	20	20
Accumulated depreciation	※3 (11)	※3 (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	※1 22,876	※1 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	※1 32,512	※1 26,481
Dividends income from subsidiaries and affiliates	※1 59,057	※1 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	※2 58	※2 —
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

(iii) 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

Notes

(Significant accounting policies)

1. Valuation methods for securities

(a) Investments in subsidiaries and affiliates:

The Company's investments in subsidiaries and affiliates are stated at cost. The cost of securities sold is determined by average method.

(b) Available-for-sale securities:

(i) Listed securities:

Listed securities are stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealized gains/(losses) on available-for-sale securities", a separate component of net assets. The cost of securities sold is determined based on moving average cost method.

(ii) Unlisted securities:

Unlisted securities are stated at cost, which is determined by average method.

2. Depreciation method for non-current assets

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated using the straight-line method, to write off the cost of property, plant and equipment to its residual value over its estimated useful lives. The principal ranges of estimated useful lives are as follows:

Buildings and structures	5–10 years
Tools, furniture and equipment	5 years

(b) Intangible assets (other than leased assets)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization of intangible assets is calculated using the straight-line method. The principal range of estimated useful life is as follows:

Software for internal use	5 years

(c) Leased assets

Assets held under capitalized finance leases are depreciated using the straight-line method over the lease terms at zero residual value.

3. Provision basis for allowances

(a) Allowance for doubtful accounts

Provision for potential bad debts, loan loss ratios are recorded for general accounts receivable. Specified doubtful accounts receivable are reviewed individually to determine their recoverability, and an estimate for the non-recoverable portion is recorded.

(b) Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

4. Other significant matter for the preparation of non-consolidated financial statements

Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Notes to balance sheet)

1. Breakdown of assets and liabilities related to subsidiaries and affiliates which were not separately presented are as follows:

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
Trade accounts receivable	16,371	12,600
Deposits received	22,651	42,167

2. Contingent liabilities

(1) Guarantees for office and retail store leases

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
Subsidiaries:		
UNIQLO EUROPE LIMITED	727	820
	(GBP 4 million)	(GBP 4 million)
UNIQLO EUROPE LIMITED	350	641
(formerly UNIQLO FRANCE S.A.S.)	(EUR 2 million)	(EUR 4 million)
Fast Retailing USA, Inc.	40,501	64,238
	($411 million)	($619 million)

(2) Guarantees on loans payable to financial institutions

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
Employees' benefit society		
Fast Retailing Mutual Aid Society	8	7
Employees of the Company	—	20
FAST RETAILING FRANCE S.A.S.	7,813	5,469
	(EUR 60 million)	(EUR 40 million)
Fast Retailing USA, Inc.	17,704	17,635
	($180 million)	($170 million)

3. Accumulated depreciation includes accumulated impairment losses.

(Notes to statement of income)

1. Transactions related to the subsidiaries and affiliates are as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Ordinary revenue:		
Management income from operating companies	30,205	24,189
Dividends income from subsidiaries and affiliates	59,057	50,957

2. Breakdown of losses on retirement of non-current assets are as follows:

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Buildings	4	—
Tools, furniture and equipment	0	—
Software	53	—

(Notes to statement of changes in net assets)

Year ended 31 August 2013 (1 September 2012 – 31 August 2013)

Type and number of shares of treasury stock

Types of shares	As at 1 September 2012	Increase	Decrease	As at 31 August 2013
Common stock (shares)	4,219,434	335	42,605	4,177,164
Total	4,219,434	335	42,605	4,177,164

(Note) The reasons for increase/decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit 335 shares

Decrease due to exercise of stock options 42,605 shares

Year ended 31 August 2014 (1 September 2013 – 31 August 2014)

Type and number of shares of treasury stock

Types of shares	As at 1 September 2013	Increase	Decrease	As at 31 August 2014
Common stock (shares)	4,177,164	699	22,818	4,155,045
Total	4,177,164	699	22,818	4,155,045

(Note) The reasons for increase/decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit 699 shares

Decrease due to exercise of stock options 22,818 shares

(Lease transactions)

Year ended 31 August 2013	Year ended 31 August 2014
1. Finance leases Finance leases that do not involve a transfer of ownership (i) Details of leased assets Property, plant and equipment This is mainly office furniture and equipment. Intangible assets This is mainly software such as business support systems.	1. Finance leases Finance leases that do not involve a transfer of ownership (i) Details of leased assets Same as left
(ii) Depreciation method for leased assets See Significant Accounting Policies 2. Depreciation of non-current assets. Finance leases executed on or before 31 August 2008 that do not involve transfer of ownership are accounted for in a similar manner as operating leases, as shown below. (1) Amounts equivalent to acquisition costs, accumulated depreciation and net carrying amount at the balance sheet date Tools, furniture and equipment Amounts equivalent to: Acquisition costs — million yen Accumulated depreciation — million yen Net carrying amount — million yen (2) Term-end balance of residual leasing fees Due within one year — million yen Due after one year — million yen Total — million yen (3) Lease payments, amounts equivalent to depreciation and amounts equivalent to interest expenses Lease payments 1 million yen Amounts equivalent to depreciation 1 million yen Amounts equivalent to Interest expenses 0 million yen (4) Calculation method for amounts equivalent to depreciation and amounts equivalent to interest expenses are as follows: • Method of calculating depreciation Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value. • Method of calculating interest expenses The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms by the interest method.	(ii) Depreciation method for leased assets Same as left (1) Amounts equivalent to acquisition costs, accumulated depreciation and net carrying amount at the balance sheet date Tools, furniture and equipment Amounts equivalent to: Acquisition costs — million yen Accumulated depreciation — million yen Term-end balance — million yen (2) Term-end balance of residual leasing fees Due within one year — million yen Due after one year — million yen Total — million yen (3) Lease payments, amounts equivalent to depreciation and amounts equivalent to interest expenses Lease payments — million yen Amounts equivalent to depreciation — million yen Amounts equivalent to Interest expenses — million yen (4) Calculation method for amounts equivalent to depreciation and amounts equivalent to interest expenses are as follows: • Method of calculating depreciation — • Method of calculating interest expenses —
2. Future minimum lease payments related to non-cancellable operating lease transactions Due within one year 1,011 million yen Due after one year 4,272 million yen Total 5,284 million yen	2. Future minimum lease payments related to non-cancellable operating lease transactions Due within one year 1,011 million yen Due after one year 3,260 million yen Total 4,272 million yen

(Marketable securities)

As at 31 August 2013

Fair value of the shares of subsidiaries (85,561 million yen on balance sheet) is not described as they do not have market price and the fair value is extremely difficult to determine.

As at 31 August 2014

Fair value of the shares of subsidiaries (74,922 million yen on balance sheet) is not described as they do not have market price and the fair value is extremely difficult to determine.

(Deferred taxes)

1. Breakdown of the causes of deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
Deferred tax assets:		
Allowance for bonuses	339	508
Depreciation	409	338
Write-down of shares in subsidiaries and affiliates	16,400	25,898
Provision of allowance for doubtful accounts	1,122	0
Unrealised gains/(losses) on available-for-sale securities	2,509	1,641
Unused tax losses carried forward	—	1,173
Others	3,075	2,827
Subtotal	23,858	32,387
Valuation allowance	(23,858)	(32,387)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Asset retirement obligations	(53)	(24)
Temporary differences on shares of subsidiaries	(2,203)	(2,203)
Others	(183)	(784)
Total deferred tax liabilities	(2,440)	(3,012)
Net deferred tax liabilities	(2,440)	(3,012)

2. The differences between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

(Millions of yen)

	As at 31 August 2013	As at 31 August 2014
Statutory income tax rate	38.0%	38.0%
(adjustments)		
Non-taxable dividend income	(29.5)	(80.7)
Increase/(decrease) in valuation allowance	(0.5)	39.4
Non-deductible donation	0.1	—
Foreign withholding tax	0.4	2.4
Others	0.6	3.0
Effective tax rates after applying tax effect accounting	9.1	2.2

(Business Combination)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations recorded in the balance sheet:

1. Overview of asset retirement obligations

   Asset retirement obligations include the obligation to restore assets to their original states, etc. related to real estate lease agreements of the head office and other office buildings.

2. Method for calculating the total amount of asset retirement obligations

   The Company estimates the period of potential use (primarily 5 years) since date of acquisition and uses a discount rate of 0.27% when calculating total asset retirement obligations.

3. Changes in total amount of asset retirement obligations

(Millions of yen)

	Year ended 31 August 2013	Year ended 31 August 2014
Balance at the beginning of year	469	471
Increase due to acquisition of property, plant and equipment	—	—
Accretion adjustment	2	2
Decrease due to settlement of asset retirement obligations	—	—
Others	—	—
Balance at the end of year	471	473

(Per share information)

Year ended 31 August 2013		Year ended 31 August 2014	
Net assets per share	3,286.26 yen	Net assets per share	3,243.97 yen
Basic net income per share	675.09 yen	Basic net income per share	228.99 yen
Diluted net income per share	674.48 yen	Diluted net income per share	228.77 yen

(Notes) The basis for calculation of basic net income per share for the period and diluted net income per share for the year is as follows:

Items	Year ended 31 August 2013	Year ended 31 August 2014
Basic net income per share		
Net income (Millions of yen)	68,776	23,336
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common shareholders (Millions of yen)	68,776	23,336
Average number of common stock during the period (Shares)	101,877,010	101,908,470
Diluted net income per share		
Adjustment to net income (Yen)	—	—
Increase in number of common stock (Shares) (of which, shares from exercise of subscription rights)	92,803 (92,803)	97,917 (97,917)
Significant changes in potential shares excluded from the computation of diluted net income per share for the year, because they do not have dilutive effects	—	—

(Notes on Significant Subsequent Events)
Year ended 31 August 2014 (1 September 2013–31 August 2014)
The Issue of Stock-based Compensation Stock Options (Share Subscription Rights)
Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 9 October 2014, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(iv) Associated details

Detailed table of marketable securities

Shares

Issue(s)	Number of shares (Shares)	Carrying amount (Millions of yen)
(Investment securities)		
Available-for-sale securities		
Sojitz Corporation	1,342,540	230
Matsuoka Corporation	573	64
Nippon Venture Capital Co., Ltd.	1,400	137
Just Co., Ltd.	20,000	6
Total	1,364,513	439

Others

Class and issue	Number of units (millions of units)	Carrying amount (Millions of yen)
(Marketable securities)		
Available-for-sale securities		
Negotiable certificates of deposits	—	66,000
USD denominated money market funds (five issues)	—	36,492
Japanese yen-denominated cash liquidity funds	18,034	18,034
EUR-denominated money market funds	0	7,353
USD denominated cash funds	0	3,367
EUR denominated cash funds	0	374
Total	—	131,622

Details of fixed assets

Types of assets	Balances as at 1 September 2013 (Millions of yen)	Increase (Millions of yen)	Decrease (Millions of yen)	Balances as at 31 August 2014 (Millions of yen)	Accumulated depreciation or amortization as at 31 August 2014 (Millions of yen)	Depreciation, amortization during term (Millions of yen)	Net book value as at 31 August 2014 (Millions of yen)
Property, plant and equipment							
Buildings	5,561	174	—	5,736	3,990	553	1,745
Structures	298	—	—	298	207	4	91
Tools, furniture and equipment	1,366	40	—	1,406	1,290	92	116
Land	1,158	—	—	1,158	—	—	1,158
Leased assets	20	—	—	20	15	3	4
Total property, plant and equipment	8,405	215	—	8,620	5,503	654	3,116
Intangible assets							
Software	22,793	3,536	—	26,330	14,481	4,237	11,849
Software in progress	2,603	6,337	3,536	5,403	—	—	5,403
Leased assets	241	—	—	241	220	13	20
Others	64	—	—	64	3	0	60
Total intangible assets, total	25,701	9,874	3,536	32,039	14,705	4,251	17,333
Long-term prepaid expenses	805	1,122	—	1,927	618	543	1,309
Deferred assets	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

(Notes) 1. The main factors listed as increase during the year are as follows:

Types of assets	Amount (Millions of yen)	Contents
Software	3,536	Construction cost for new system
Software in progress	6,337	Construction cost for new system

2. The main factors listed as decrease during the year are as follows:

Types of assets	Amount (Millions of yen)	Contents
Software in progress	3,536	Construction cost for of new systems (transferred to software as the new system was launched)

Details of provisions

(Millions of yen)

Categories	Balance as at 1 September 2013	Increase	Decrease (Intended purposes)	Decrease (Other purposes)	Balance as at 31 August 2014
Allowance for doubtful accounts	3,149	1	3,146	2	1
Allowance for bonuses	827	1,283	827	—	1,283

(Notes) Decrease (Other purposes) in "Allowance for doubtful accounts" is due to reversal of the allowances provided in previous years.

(2) Main details of assets and liabilities

1. Assets

1) Cash and deposits

(Millions of yen)

Class		Amount
Cash		0
Types of deposits	Current deposits	16,866
	Ordinary deposits	19,336
	Time deposits	10,425
	Separate deposits	44
	Subtotal	46,673
Total		46,673

2) Operating income receivable

(A) Breakdown by counterparty

(Millions of yen)

Counterparty	Amount
UNIQLO CO., LTD.	8,416
G.U. CO., LTD.	1,007
FRL Korea Co., Ltd.	875
FAST RETAILING (CHINA) TRADING CO., LTD.	563
LINK THEORY JAPAN CO., LTD.	338
UNIQLO EUROPE LIMITED	263
Others	1,213
Total	12,679

(B) Generation and retention of operating income receivable

At beginning of year (Millions of yen)	Amount generated in current year (Millions of yen)	Amount recovered in current year (Millions of yen)	At end of year (Millions of yen)	Recovery rate (%)	Retention period (Days)
(A)	(B)	(C)	(D)	$\frac{(C)}{(A)+(B)} \times 100$	$\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
16,448	58,185	61,954	12,679	83.0	91.4

3) Short-term loans to affiliated companies

(Millions of yen)

Counterparty	Amount
FAST RETAILING FRANCE S.A.S.	16,109
Fast Retailing USA, Inc.	8,760
FAST RETAILING (SINGAPORE) PTE. Ltd.	8,128
LLC UNIQLO (RUS)	1,076
J Brand Japan Co., LTD.	200
Total	34,275

4) Shares of affiliated companies

(Millions of yen)

Issue(s)	Amount
(Shares of subsidiaries)	
FAST RETAILING FRANCE S.A.S.	22,563
LINK THEORY JAPAN CO., LTD.	20,158
Fast Retailing USA, Inc.	18,343
FAST RETAILING (SINGAPORE) PTE. Ltd.	5,645
UNIQLO EUROPE LIMITED	3,618
UNIQLO CO., LTD.	2,706
FRL Korea Co., Ltd.	1,492
Others	392
Total	74,922

5) Long-term loans to affiliated companies

(Millions of yen)

Counterparty	Amount
Fast Retailing USA, Inc.	17,171
FAST RETAILING FRANCE S.A.S.	5,342
FAST RETAILING (SINGAPORE) PTE. LTD.	1,261
LLC UNIQLO(RUS)	259
Total	24,034

2. Liabilities

1) Deposits

(Millions of yen)

Counterparty	Amount
UNIQLO CO., LTD.	25,759
G.U. CO., LTD.	15,300
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	719
LINK THEORY JAPAN CO., LTD.	387
Others	268
Total	42,435

(3) Others

Not applicable.

Independent Auditors' Report (Group)

Independent auditors' report

To the Board of Directors of FAST RETAILING CO., LTD.

We have audited the accompanying consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 August 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 August 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young ShinNihon LLC

25 November 2014

Independent Auditors' Report (Company)

Independent auditors' report

To the Board of Directors of FAST RETAILING CO., LTD.

We have audited the accompanying financial statements of FAST RETAILING CO., LTD. (the "Company"), which comprise the balance sheet as at 31 August 2014, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2014, and its financial performance for the year then ended in accordance with generally accepted accounting principles in Japan.

Ernst & Young ShinNihon LLC

25 November 2014

Internal Control Report

1. Basic framework of internal control in connection with financial reporting

Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki hold responsibility for the preparation and management of internal controls in connection with financial reporting for the Company and its consolidated subsidiaries (hereinafter, the "Group"). The preparation and management of internal controls in connection with financial reporting are conducted in accordance with the basic framework of internal controls described in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting — Council Opinions", published by the Business Accounting Council.

The basic elements of our internal controls are organically interconnected, and function as a single whole. Our aim is to achieve their purposes within a reasonable range. For this reason, these internal controls on financial reporting may not completely prevent or discover all misstatements in the financial reports.

2. Scope of evaluation, book-close dates, and evaluation procedures

The internal control evaluation of our financial reports was made on 31 August 2014, which was the last day of the fiscal year under review. This evaluation was made using generally accepted internal control evaluation standards for financial reports.

This evaluation was started with an evaluation of internal controls that have a significant influence on our consolidated financial reports as a whole (company-wide internal controls). The operational processes to be evaluated were selected on the basis of this evaluation. In the evaluation of these operational processes, the selected operational processes were analyzed, and the key points of internal controls that might have a significant influence on the credibility of financial reports were categorized. Then, the status of preparation and operation was evaluated in terms of these key points of internal controls to determine the effectiveness of the internal controls.

The scope of the evaluation of the internal controls on financial reporting is of great importance, both fiscally and qualitatively, for the credibility of the Group's financial reports. The methods and procedures employed are:

Based on the principle that the operational procedures for the entire Company's internal controls, accounts, and financial reports should best be evaluated from a company-wide perspective, these evaluations are performed for the Group as a whole. However, because some consolidated subsidiaries are very small, both fiscally and qualitatively, they are not included within the scope of the evaluation.

Regarding operational procedures, based on the results of the company-wide evaluation of internal controls, and as an indicator of sales (adjusted to exclude intra-group sales) for each of our businesses in the fiscal year under review, those businesses that make up roughly two-thirds of consolidated sales in the fiscal year under review are designated "important businesses." The selected important businesses are evaluated in terms of broad indicators such as sales, accounts receivable, inventories and other operational procedures. Next, the impact on the Group's financial reports is calculated. Those operational procedures that are of particular importance are added to the evaluation process.

3. Results of evaluation

Based on the evaluation results discussed above, it was determined that the Group's internal controls on financial reports were effective as of the end of the fiscal year under review.

4. Additional items

None

5. Special items

None

Confirmation Note

1. The Company's Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki have reviewed the contents of the financial reports for the Company's 53rd fiscal year (September 1, 2013 — August 31, 2014), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items

None