FAST RETAILING

ANNUAL REPORT 2014

Year ended August 31, 2014

Contents

Changing Clothes.

Changing Conventional Wisdom.

Change the World.

Great Clothes Can Change Our World

Novak Djokovic is the world’s top tennis player. He’s also a UNIQLO Global Brand Ambassador. Driven by a shared desire to make the world a better place, UNIQLO and Djokovic have launched various initiatives under the Clothes for Smiles project to help bring joy to the lives of underprivileged children around the world.


UNI
QLO
PEUGEOT
UNI
QLO


UNIQLO

Helping People Thrive on the Global Stage

The morning meeting at our UNIQLO Ikebukuro Sunshine 60 Street Store, which opened in March 2014 in one of Japan's busiest transport terminals. The buzz and excitement at this global hotspot store is attracting a wide range of customers, of all ages.

A New Global Company from Japan

In April 2014, the UNIQLO Tauentzien global flagship store, our largest store in Europe, opened in Berlin. Showcasing the vast range of great UNIQLO products in one of Berlin's most popular shopping areas, this 2,700m² store is greatly boosting UNIQLO's presence in Europe.


Tauentzienstraße
7b
UNI QLO
BERLIN LONDON PARIS NEW YORK
PARIS NEW YORK BEIJING SHANGHAI
OPENING
OPENING

A Company that Gives Back to Society

We redistribute quality secondhand UNIQLO and GU clothing to refugees, displaced persons and others around the world, either through our global partnership with the Office of the United Nations High Commissioner for Refugees (UNHCR) or with the help of various NGOs. This picture shows children in the Zaatari refugee camp in Jordan wearing clothes donated through our All-Product Recycling Initiative.

To Be a Truly Global Company

We have made huge progress in our quest to become a truly global company. In order to continue growing as a confident and effective global corporation, we need to ensure that all of our staff worldwide embrace our Global One and Zenin Keiei management principles. The former encourages our people to seek the best available global approach to everything they do; the latter encourages every employee to adopt the mindset of a manager. Given our Japanese origins, these principles also mean sharing and applying the Japanese DNA of which we are so proud, namely our commitment to superior quality, attentive customer service and close teamwork.

Our business and our brands have received some great recognition this year. UNIQLO's global network has grown, with stores spanning Asia, Europe and the United States. Fast Retailing won the fiscal 2014 Retailer of the Year Award from the World Retail Congress for exceptional, world-class performance. I see this as a testament to UNIQLO's unique position as the world's only LifeWear brand. LifeWear means everyday clothes for a better life—high-quality, fashionable, affordable and comfortable.

UNIQLO International has gone from strength to strength. We expect further robust growth in fiscal 2015, with a scheduled 200 new stores increasing the overall network to approximately 820 stores by the end of August 2015. We expect stable growth for UNIQLO Japan as we press ahead with our strategy to transform the operation from a chain of centrally managed retail stores to a group of local stores managed by empowered local employees. A stronger community focus should boost local appreciation and love of the UNIQLO brand even further.

The low-priced GU casualwear label, our second mainstay operation, has been growing rapidly. Revenue topped ¥100 billion in fiscal 2014, and we are now targeting annual revenue of ¥300 billion and operating profit of ¥30 billion over the medium term. GU's successful launch in Taiwan in fall 2014 proves the brand has great potential in Asia.

Fulfilling our responsibilities to society is as important to us as ensuring the success of our business, and we remain determined to pursue both with equal vigor. Recent activities include global disaster relief, our Grameen UNIQLO social business in Bangladesh, the All-Product Recycling Initiative, and title sponsorship for the International Tennis Federation's Wheelchair Tennis Tour. I passionately believe that, working as a company, we can use clothes to bring joy and happiness to people. We can help make the world a better place.

January 2015

Tadashi Yanai

Tadashi Yanai
Chairman, President and CEO

LifeWear
A New Kind of Clothing

UNIQLO: Loved around the World

Comfortable Everyday Clothing, Made for All

We opened the first UNIQLO store in June 1984: 30 years ago now. Since that day, UNIQLO has worked hard to create everyday clothes for a better life. Our LifeWear concept epitomizes that long-standing commitment. Created and designed entirely by UNIQLO, LifeWear is a truly new category of clothing.

If you look at the history of fashion, Europe invented the dress. Then, in the United States, work clothes evolved into jeans, while undergarments became T-shirts. Casualwear and sportswear followed. In Japan, we still refer to these items as “Western clothes”—we’ve only worn them for a few generations. UNIQLO, with its Japanese DNA, is in a strong position to develop new clothing concepts, unfettered by historical fashion norms. LifeWear is one such concept. LifeWear is high-quality, fashionable, affordable, and comfortable everyday clothing, which we continue to improve by developing and procuring revolutionary new materials and refining our designs.

LifeWear

You feel it instantly.

So comfortable, so right, so *you*—

Clothes that are who you are

And where you are going.

LifeWear. Clothes for a better life

for everyone, every day.

UNIQLO's Growing Worldwide Popularity

When we opened our first store outside Japan, in London 14 years ago, local customers didn't really seem to understand the UNIQLO brand concept or clothing style. We worked hard to communicate our LifeWear concept, and now we enjoy a loyal, worldwide customer base. I believe this is because LifeWear is precisely what people the world over want from their clothes. Customers are impressed by the comfort and quality of UNIQLO items the minute they try them on. We are attracting many new UNIQLO fans, who say they are amazed by the comfort of our everyday clothing and our attentive in-store service.

Continuing to Impress the World

As part of our strategy to boost the global popularity of the UNIQLO brand, we are improving product development by opening full-fledged research and design (R&D) centers in the major global fashion cities of New York, Paris, London, Tokyo and Shanghai.

Our quest to develop new revolutionary materials with strategic partner Toray Industries (a major manufacturer of synthetic fibers) continues in earnest. Several Toray employees have relocated to the UNIQLO Tokyo head office to facilitate enthusiastic discussion of potential new materials.

We have injected fresh vitality and originality into the UNIQLO brand by seeking new collaborations with diverse designers and partner companies. Our inspired joint project with New York's Museum of Modern Art (MoMA) has successfully boosted UNIQLO's visibility worldwide: we offer a range of Ultra Light Down, sweatshirts and T-shirts sporting designs from both cutting-edge artists and established pop masters such as Andy Warhol and Keith Haring. In Europe, UNIQLO's collaboration with French fashion icon Ines de la Fressange was a great success, with some products selling out on the day they launched.

UNIQLO also continues to promote the core basic items that fueled much of its original success. Many global consumers now readily recognize our flagship HEATTECH, Ultra Light Down and AIRism ranges. As we refine our products even further, I believe they will also grow to love our other core items, including jeans, pants, shirts, and sweaters.

UNIQLO International Driving Future Growth

Asia Leading the Way, United States to Follow

Greater China Revenue Tops ¥200 Billion for the First Time

UNIQLO International is the clear driver of current growth for the Fast Retailing Group. Two hundred new stores are scheduled to open in fiscal 2015, with Greater China and other parts of Asia expected to perform strongly. Within the next couple of years, we expect revenues at UNIQLO International to surpass those of UNIQLO Japan.

Revenue in Greater China (Mainland China, Hong Kong and Taiwan) topped ¥200 billion in fiscal 2014. With 374 stores at the end of August 2014, UNIQLO has established a solid operation in Greater China offering strong growth potential, and a strong operating margin of 11.9%. Moving forward, we plan to open 100 stores annually until we reach 1,000 stores, and then target 3,000 stores in the medium term.

With 133 stores at the end of August 2014, UNIQLO South Korea continues to generate strong growth. In fact, UNIQLO has proved so popular that it has been named South Korea's No.1 fashion brand, ahead of all international rivals.

In Southeast Asia and Oceania, UNIQLO had expanded to 80 stores at the end of August 2014. The huge success of the first store in Australia, opened in Melbourne in April 2014, points to the brand's strong potential there.

Victory Plaza Store (China)

Exciting Opportunities for UNIQLO in the U.S. Market

As the world's largest consumer nation, the United States offers the most exciting opportunity for UNIQLO outside Asia. But determining how to develop the brand and build a profitable business there is a huge challenge.

Our three prominent New York stores are attracting more customers each year, and generating double-digit sales growth. Since the opening of the Fifth Avenue global flagship store in 2011, New Yorkers have clearly embraced the UNIQLO brand. We plan to open 20 to 30 new stores annually for the time being, but eventually want to accelerate that to 100 stores per year. I view the many invitations we receive from retail developers as proof that people in the U.S. realize UNIQLO is here to stay and has great growth potential.

Having said that, the UNIQLO brand is still not as broadly recognized in the United States as it is in Asia. Naturally, this poses many challenges, but I am confident that our predominantly American management team, with its extensive knowledge of the market, will swiftly get the U.S. business into the black. After that, we plan to accelerate our expansion, and ultimately become the No.1 apparel brand in the United States.

New UNIQLO Stores in Major European and Global Centers

In Europe, we have concentrated on opening new stores in major cities. Our first German store, opened in Berlin in April 2014, was a success, and we plan to open our first Belgian store in Antwerp in fall 2015. This is all part of our strategy to advertise our LifeWear clothing concept and gain new UNIQLO fans in Europe's major urban areas. In order to become the world's No.1 brand, we must extend our reach in a similar way to cities across the globe.

Berlin Tauentzien global flagship store

Merging Real and Virtual Retail

Revolutionizing the Retail Industry

A New Supply Chain that Merges Our Real and Virtual Businesses

Retailers should aim to offer better services by combining virtual and real resources and enhancing their mutual functionality. Fast Retailing wants to be a pioneer in facing this challenge. The internet revolution, including the instant global sharing of information, initially transformed IT and the finance industry. Now, it has also inspired fashion, apparel and retail businesses to instigate fundamental changes that will become increasingly apparent over the next few years. Many people expect virtual storefronts (online retailing) to expand, and physical store networks to shrink, but I don't agree.

UNIQLO has already established a successful SPA (Specialty store retailer of Private label Apparel) business model spanning the entire clothes-making process. Now we need to build on this to create a comprehensive, viable and efficient global supply chain.

As information flows accelerate, so does product processing. This puts distribution systems right in the spotlight. As a first step towards transforming our distribution system, we have enlisted the help of Daiwa House Industry, one of Japan's largest home builders, to help construct a state-of-the-art distribution center in a prominent Tokyo location. By revolutionizing distribution systems worldwide, we hope to create an entirely new way of shopping. If a store runs out of a particular product a customer wants, we can order it from our virtual store and deliver it to that customer by the time they get home! This is an extremely exciting prospect, and not an impossible one if we can successfully merge and maximize the potential of our real and virtual businesses.

For us, the age of the internet represents a huge opportunity to transform and develop our retail business. I am eager to explore and experiment with these new possibilities. Industries are changing worldwide, and we, as a global company, are ideally positioned to be at the forefront.

Local Stores, Managed by Local Employees

Dramatic Changes in the Management of UNIQLO Stores

From Centrally to Locally Managed

We are changing our approach to the management of UNIQLO stores dramatically. Our chain of centrally managed retail stores, which has spearheaded UNIQLO's growth up to this point, is currently being transformed into a group of individual stores managed by empowered local employees. This has been motivated by the broad success of our employee franchise stores*1. Employee franchise stores tend to perform well because of their strong community focus. They know their customers well and have a better grasp of local needs. Franchise store managers embrace Fast Retailing's corporate vision, values and culture, and local employees feel secure in their positions and in their prospects for long-term employment.

In order to encourage our directly operated stores to achieve a similar level of managerial skill, we introduced a new regional employee system*2 in spring 2014. The system is designed to increase the responsibility of individual staff members and enhance their personal growth in the UNIQLO workplace. Our aim is to expand the number of regional employees in directly operated stores to roughly 50% within a few years. There is no reason why, in the future, we can't extend this system beyond Japan as well.

The UNIQLO Kichijoji global hotspot store, opened in October 2014, is a great example of a community-focused store. A range of fun ideas proposed by local staff was incorporated into the opening events, including in-store displays which referenced Kichijoji's strong manga culture. We also gave customers a commemorative mug designed by a local illustrator. We want to repeat this experience with other new stores, so local customers can really enjoy shopping in a community they know and love.

Leaflet and commemorative mug for the new UNIQLO Kichijoji Store



*1 Under UNIQLO's employee franchise system, experienced store managers take on independent management of their store.
*2 Regional employees are staff members with full benefits and flexible hours in stable placements in their local regions.

GU: Our Second Pillar

Revenue Tops ¥100 Billion

Fast Fashion Brand from Japan Aiming to be No.1 in Asia

Revenue at our low-priced GU casualwear brand topped ¥100 billion in fiscal 2014, just eight years after the very first GU store opened in October 2006. Such rapid growth is rarely seen in the retail industry; it is a great achievement. In a short span of time, GU has managed to carve out an identity in the Japanese market as a brand offering low-priced fun fashion. Like fast fashion companies from Europe and the U.S., GU wins the hearts of consumers by enabling them to mix and match outfits freely, and to enjoy fashion without spending a fortune.

Although GU still has plenty of room to grow in the Japanese market, we decided to expand our horizons by opening the first GU store outside Japan in Shanghai in September 2013. We opened our first store in Taiwan in the fall of 2014, and the response was fantastic. I sense that, like UNIQLO, GU has the potential for strong expansion in Asia. As a fast fashion brand from Japan, GU has an advantage in Asia over rivals from Europe or the U.S. GU designs offer the perfect balance of fashion trends, basic functionality and attention to detail. GU clothes also incorporate an element of Japanese *kawaii* (cuteness) that is likely to appeal to Asian consumers, and help the brand establish itself as the Asian fast fashion leader.

To ensure consistent growth, we will improve the development of fashionable GU clothing, and greatly expand the total number of items. GU can draw on the expertise of UNIQLO, Theory, Comptoir des Cotonniers and J Brand. The Fast Retailing Group stands firmly behind the GU brand.

To Be a Top Global Company

The Fast Retailing Way —FR Group Corporate Philosophy—

Changing clothes. Changing conventional wisdom. Change the world.

Group Mission

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

Sights Set on ¥5 Trillion Revenue, ¥1 Trillion Operating Profit

Fast Retailing strives to change clothes, change conventional wisdom and change the world. To that end, we embrace our quintessentially Japanese values, including the passionate pursuit of perfect clothes, attentive customer service, diligence, and teamwork. We also encourage all employees to think and act like a business manager each and every day. In order to become the world's No.1 casualwear brand, with revenue of ¥5 trillion and operating profit of ¥1 trillion, it is vital that employees worldwide pursue challenging targets, and live by our Global One, Zenin Keiei management principles.

Giving Back to Society through Our Clothes

CSR is as important to us as our core business, and we have proven that we can make a difference with our clothes. Our CSR activities include the All-Product Recycling Initiative and our Grameen UNIQLO social business in Bangladesh. We also endeavor to help partner factories improve their workplaces and protect the environment.

M&A to Strengthen Our Operations

M&A can help secure new sources of Group growth, particularly when a brand with cutting-edge expertise in our main business of clothing and accessories generates strong synergies. For instance, we have applied experience gained from our U.S.-based J Brand premium denim label throughout UNIQLO's product development. We also look for labels which, with the benefit of our Group's infrastructure, can be developed into global brands. M&A will become more important as we expand our global reach.

Strong Performance = Strong Dividends

Our policy is to offer high dividends that closely reflect business performance. We use profits to fund future growth, while retaining earnings to ensure healthy finances and provide good shareholder returns. In fiscal 2014, we paid an annual dividend of ¥300. Rewarding shareholders remains one of Fast Retailing's most important objectives.

Our Approach to Corporate Governance

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

We employ a system that uses entrusted operating officers, to separate the decision-making and executive functions of management. The majority of directors on the Board are external, to heighten the Board's independence and its surveillance ability.

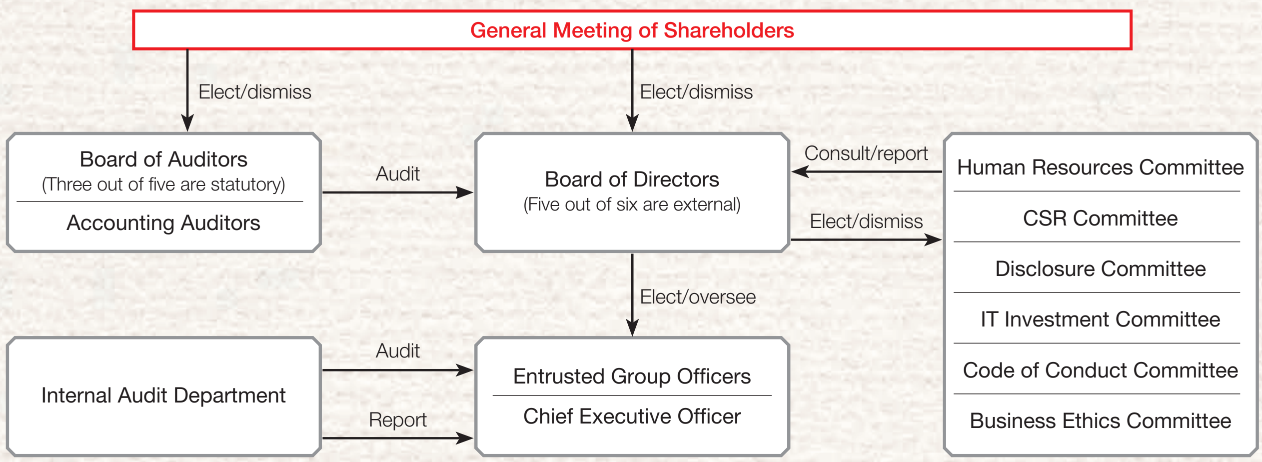
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human resources, CSR, disclosure, IT investment, the Code of Conduct, and business ethics.

Outline of Corporate Governance (Year ended August 31, 2014)

Form of Organization		Corporate auditor governance model
Chairman of the Board		Tadashi Yanai
Number of Directors		6, including 5 external directors
Number of Auditors		5, including 3 statutory auditors
Board of Directors Meetings in Fiscal 2014	· Number of Meetings	13
	· Director Attendance*1	96.2%
	· Auditor Attendance*2	98.5%
	· Sample Agenda	Fiscal year budget, Approval of corporate results, Approval of group officers appointments, GU operation in Taiwan
Board of Auditors Meetings in Fiscal 2014	· Number of Meetings	13
	· Auditor Attendance*2	98.5%
	· Sample Agenda	Auditing policy, Auditing planning, Discussion with Executive Board, GU business and future issues, Key labor issues, Current Production Department Issues, Auditing of UNIQLO Japan and UNIQLO International stores
Main Meetings Requiring Auditor Attendance		Board of Directors meetings, Human Resources Committee, CSR Committee, Disclosure Committee, Code of Conduct Committee, Business Ethics Committee, IT Investment Committee
Election of Independent Directors		3 external directors and 3 statutory auditors elected
Determination of Individual Director Remuneration		Overall limit approved at the general shareholders meeting. Individual remuneration determined by the Executive Board to reflect occupational duties, responsibilities, actual performance and contributions. Fiscal 2014 compensation to the six directors totaled 290 million yen, including 50 million yen to external directors.
Determination of Individual Auditor Remuneration		Overall limit determined at the general shareholders meeting. Individual compensation decided through mutual consultation between auditors. Fiscal 2014 compensation to the five auditors totaled 65 million yen, including 30 million yen to statutory auditors.
Accountant Auditor		Ernst & Young ShinNihon LLC

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

Corporate Governance at Fast Retailing (As of December 31, 2014)




Fast Retailing Head Office, Yamaguchi

Internal Control

Fast Retailing seeks to consistently improve its corporate ethics and compliance through a number of internal controls, ensuring strict adherence to the Group's policies and rules, including the Group's management principles, the Fast Retailing Way and the Fast Retailing Group Code of Conduct (CoC). In conjunction with this, we have internal control systems for financial reporting and information disclosure. Our Internal Audit Department, which is entirely separate from Group business activities, and our Legal Department, which oversees compliance issues, work to ensure the smooth operation of this system. These departments regularly conduct risk analyses.

Code of Conduct for Officers and Employees

We heighten awareness of the Fast Retailing Group CoC by requiring all officers and employees to confirm and sign a written commitment each year. Our internal reporting system, or hotline, is accessible by any employee wishing to report a potential violation of the CoC or to discuss work concerns. Employees receive confidential advice pertaining to communication problems with managers, sexual harassment, working hours and paid vacations, renewal of employment contracts, etc. In some cases, advice can be sought from external legal counsel. If necessary, reports received via the hotline will be referred to the Code of Conduct Committee.

Guidelines to Prevent the Abuse of Superior Bargaining Power

Building equal and amicable relationships with our business partners is extremely important. The Fast Retailing Group is in a particularly strong position in terms of bargaining leverage given that it operates approximately 2,700 stores worldwide and orders more than 800 million items annually. As a pre-emptive measure, the Business Ethics Committee established the Guidelines to Prevent the Abuse of Superior Bargaining Power, which ensure that our partner factories and suppliers do not consider themselves under inappropriate pressure.

The Business Ethics Committee sends surveys to the Group's principal business partners on an annual basis, and discusses and advises the relevant departments if any issues arise. The Committee deliberated on 53 specific survey responses in fiscal 2014.

CoC and Monitoring Workplace Conditions at Partner Factories

UNIQLO works with partner companies to manage product safety, quality and working conditions, and has instituted a Code of Conduct for Production Partners. We regularly check working conditions at partner factories* for any inappropriate practices, such as child or forced labor, and instigate improvements. We have also compiled the Environmental Standards for Materials Factories. These are adopted by sewing factories and fabric manufacturing plants, which are now monitored* by specialized external institutions.

* For more information on monitoring activities, see p.58-59

Composition of Committees (As of December 31, 2014)

✓ = Committee Members

	Internal Director	External Directors					Full-time Auditors		Statutory Auditors			Officers and Other External Professionals
	Yanai	Hambayashi	Hattori	Murayama	Shintaku	Nawa	Tanaka	Shinjo	Yasumoto	Watanabe	Kaneko	
Human Resources Committee	✓	Chairperson	✓	✓	✓	✓	✓		✓			—
CSR Committee							✓		✓			12
Disclosure Committee	✓							✓				6
IT Investment Committee	Chairperson			Observer	Observer			✓				3
Code of Conduct Committee							✓				✓	7
Business Ethics Committee								✓	✓	✓		3

Notes: The head of the CSR Department chairs both the CSR Committee and the Business Ethics Committee.
The Disclosure Committee is chaired by the individual responsible for disclosing information to the Tokyo Stock Exchange.
The head of the General Administration & Employee Satisfaction Department chairs the Code of Conduct Committee.
The required notification pertaining to independent directors has been submitted to the Tokyo Stock Exchange for Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku, Takaharu Yasumoto, Akira Watanabe and Keiko Kaneko.

Directors

From left: Nobumichi Hattori, Takashi Nawa, Toru Hambayashi, Masaaki Shintaku, Tadashi Yanai, Toru Murayama

Takashi Nawa

External Director

Appointed November 2012. Previously a director of McKinsey & Company, he is currently professor in the Graduate School of International Corporate Strategy at Hitotsubashi University, senior advisor to the Boston Consulting Group and external director at both NEC Capital Solutions Limited and Denso Corporation.

Masaaki Shintaku

External Director

Appointed November 2009. Previously executive vice president of Oracle Corp. (U.S.) and chairman of Oracle Corp. (Japan). Currently, he is an external director at Cookpad Inc. and vice chairman of the non-profit organization Special Olympics Nippon.

Toru Murayama

External Director

Appointed November 2007. Previously representative director, chairman and president of Accenture Japan Ltd. He is now a professor in the Faculty of Science and Engineering of Waseda University, specializing in management design.

Nobumichi Hattori

External Director

Appointed November 2005. Former managing director at Goldman Sachs, currently an M&A research specialist. He serves as visiting professor at the Graduate School of International Corporate Strategy at Hitotsubashi University and at the Waseda Graduate School of Finance, Accounting and Law. External director at Miraca Holdings Inc.

Toru Hambayashi

External Director

Appointed November 2005. Former president of Nichimen Corp. and chairman and Co-CEO of Nissho Iwai-Nichimen Holdings Corp. (currently Sojitz Corp.). Currently serving as an external director at Maeda Corp. and a statutory auditor at Unitika Ltd.

Tadashi Yanai

Chairman, President and CEO

Entered Fast Retailing Co., Ltd. in August 1972. Appointed president and CEO in September 1984. Currently also chairman, president and CEO of UNIQLO Co., Ltd., chairman of G.U. Co., Ltd., director of Link Theory Japan Co., Ltd., and external director at SoftBank Corp.

Auditors

From left: Masaaki Shinjo, Keiko Kaneko, Akira Watanabe, Akira Tanaka, Takaharu Yasumoto

Masaaki Shinjo

Full-time Internal Corporate Auditor

Full-time internal corporate auditor since November 2012. Since joining FR in February 1994, he has served as general manager of FR Group Auditing, FR Group Corporate Transformation, Sales Support at UNIQLO Co., Ltd. and FR Group Planning Management, as well as statutory auditor of G.U. Co., Ltd.

Akira Watanabe

Statutory Auditor

Statutory auditor since November 2006. Currently a partner in the Seiwa Meitetsu Law Office. Also serves as an external director for Maeda Corp, MS&AD Insurance Group Holdings, Inc. and Dunlop Sports Co. Ltd.

Takaharu Yasumoto

Statutory Auditor

Statutory auditor since November 1993. President of the Yasumoto CPA Office. Also serves as statutory auditor for UNIQLO Co., Ltd., Link Theory Japan Co., Ltd., ASKUL Corp. and UBIC, Inc.

Keiko Kaneko

Statutory Auditor

Statutory auditor since November 2012. Currently a partner in the Anderson Mori & Tomotsune law firm and statutory auditor at The Asahi Shimbun Company and UNIQLO Co., Ltd.

Akira Tanaka

Full-time Internal Corporate Auditor

Full-time internal corporate auditor since November 2006. Entered McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) in September 1972 and rose within the company to become deputy president and advisor.

Messages from Our External Directors

Toru Hambayashi
External Director

Fast Retailing: A Responsible, Accountable Public Company

Today, Fast Retailing is making the transition from being a "my company" under founder, CEO and major shareholder Tadashi Yanai, to being a "your company," a more public corporation. While Mr. Yanai is undeniably an amazing businessman, our task is to evaluate on behalf of various stakeholders whether Fast Retailing is generating sound results. Furthermore, and this is still a way off, but at some point we will have to offer advice regarding Mr. Yanai's successor.

Fast Retailing aspires to become the world's top apparel retailer, and I intend to use my own management experience to help realize that aim. Regardless of what happens in the global economy, we need to maintain profitability at UNIQLO Japan, expand buoyant and profitable UNIQLO operations in Asia, and nurture a strong operational base. Accelerating UNIQLO's development in the U.S. and Europe will also be key. Without doubt, FR will face some tough challenges, and this is why it must continue improving its corporate culture and push on with its Zenin Keiei philosophy, where everybody is encouraged to think like a business manager.

Nobumichi Hattori
External Director

Making Winning Investments

Mergers and acquisitions are all about the premium the bidder pays. In that sense, M&A start from a position of loss. If we grasp this concept and fully discuss the potential Group synergies from any particular merger, then we can conduct M&A with minimum risk and the greatest chance of success. Given my background managing M&A activities at a leading U.S. financial institution, I assess and attempt to improve the corporate value of Fast Retailing from a capital markets perspective.

Fast Retailing is much more adept than it once was at conducting in-depth discussions on levels of profit and potential growth following a merger or acquisition, as well as on the potential synergies for the Group and adjustments to its management systems. Fast Retailing's high level of growth is clearly an advantage and has attracted a greater number of potential M&A opportunities, including even some large-scale candidates. In such an environment, the Board of Directors has the increasingly important role of resolutely highlighting any downside risks.

Toru Murayama
External Director

Conflict and Challenge Reveal Growth Potential

Companies face conflicts of interest and tradeoffs as they expand and grow, but in resolving these issues they often discover new sources of further growth. Under the astute leadership of Mr. Yanai, Fast Retailing has developed new approaches to management. Now, in the manner of a true global retailer, its management team must strive to resolve conflicts by forming strong channels of communication across all geographical locations, businesses and operations. To that end, it is extremely important to instill FR's management principles in employees worldwide, so that they have the appropriate means to act on these principles swiftly.

Fast Retailing's success to date has been based on its ability to constantly question established convention, develop new product concepts, and suggest new lifestyles. The development of innovative ideas will always generate some friction, but that friction can also generate fresh energy and momentum. I will help train FR's new managers to keep on generating these vital sources of power.

Masaaki Shintaku
External Director

Advancing Globalization and Zenin Keiei

As someone well versed in the positive and negative aspects of managing a global company, I can offer objective advice to Fast Retailing, where globalization is not just a concept, but an essential part of its quest to become the world's best. FR employees understand that to become World No.1 you have to globalize, and they are all working towards that goal.

Over the past few years, radical improvements in IT have helped encourage greater managerial awareness. Thanks to new inventory management systems, all employees can instantly access data on in-store inventory, and make executive decisions on store operations in a way they never could before. Fast Retailing has always believed that its employees are its true source of power, and the new regional employee system will encourage greater autonomy. Mr. Yanai is a dynamic leader who heeds the advice of external directors. I am eager to keep contributing to Fast Retailing's growth as a member of the Board.

Takashi Nawa
External Director

Thinking Globally

During my career at a large consulting firm, I advised many Japanese companies about global expansion. Diversity of opinion and experience is important in any management discussion, and so I always consider the international perspective and work to include that in the debate.

Fast Retailing's comprehensive business model, which spans clothing design, production and retail, is very successful. However, the company tends to focus narrowly on optimizing individual functions, rather than developing strong links across the entire organization. It needs to take a step back. It also needs to consider how to best combine UNIQLO's business on the internet and its physical store network. Given its origins as a brick-and-mortar retailer, FR discusses real-world operations confidently, but has yet to fully exploit opportunities in the virtual world. It is my job to point out any misguided decisions, and offer appropriate, objective advice on new business areas.

Auditor Message

Takaharu Yasumoto
Statutory Auditor

Helping Fast Retailing Grow and Evolve

In FR's Board meetings, auditors are encouraged to participate on an equal footing with directors, so the discussions are always extremely lively and fruitful. Governance committees complement the functioning of the Board, and auditors attend all committee meetings (either as committee members or observers) in order to confirm the legality, appropriateness, and, at times, even the validity of everything we discuss. This lively debate and full participation ensures healthy corporate governance and strict compliance.

Mr. Yanai is an effective leader, setting challenging targets and nurturing large numbers of capable managers and employees to achieve rapid growth. Good teamwork and open communication help to keep the company moving in the right direction. Managers must always consider how to allocate their resources most effectively, from people to physical goods and infrastructure, finances and information. There is no single right answer, but, as a strict auditor, I can offer advice, proposals and support to help FR grow and develop into an even better company.

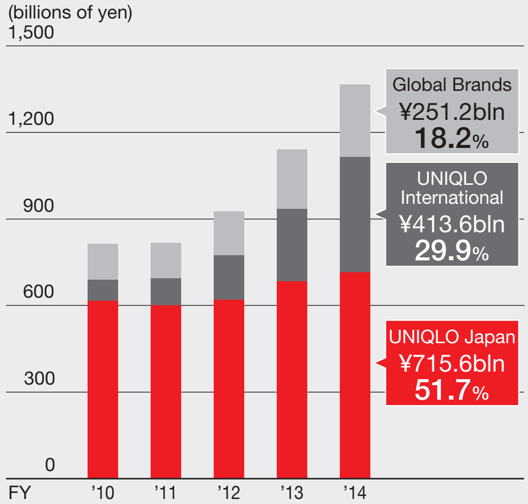
About Fast Retailing

- Fast Retailing owns brands including UNIQLO, GU, Theory, Comptoir des Cotonniers and J Brand. UNIQLO International is currently driving Group growth by opening approximately 200 new UNIQLO stores each year in various countries outside Japan. UNIQLO operations in Asia—Greater China (China, Hong Kong and Taiwan), South Korea, and Southeast Asia and Oceania—have proved the strongest. We launched our low-priced GU casualwear fashion brand in 2006, and have since built it into a 100 billion yen business. We are currently positioning GU as a second mainstay for the Group alongside UNIQLO.
- We opened our first UNIQLO store in 1984. From there, we built a chain of suburban roadside stores and shopping mall outlets. Our 1998 fleece campaign ignited a UNIQLO boom across Japan and instantly transformed the brand into a household name. Today, UNIQLO is Japan's No.1 apparel brand. As an SPA (Specialty store retailer of Private label Apparel) controlling the entire clothes-making process from design through manufacture and retail, UNIQLO is able to offer high-quality casualwear at reasonable prices and unique items made from new superior functional materials such as HEATTECH and Ultra Light Down. UNIQLO accounts for 6.5%*1 of the Japanese apparel market (menswear: 10.2%, womenswear: 5.0%).

*1 Japan's department store, supermarket and apparel retail sales totaled ¥10.7 trillion in 2010 (Ministry of Economy, Trade and Industry).
*2 See p.65 for changes in accounting standards. For continuity, data in this section is calculated using Japanese Generally Accepted Accounting Principles (JGAAP).

Fiscal 2014 Performance by Business Segment (JGAAP*2)

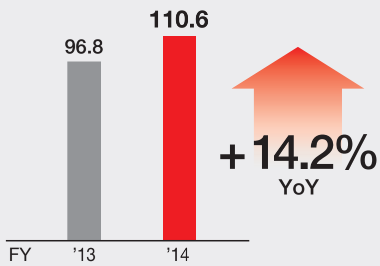
■ Contribution to Group Sales



GU
theory
J BRAND
COMPTOIR DES COTONNIERS
PRINCESSE tam•tam PARIS

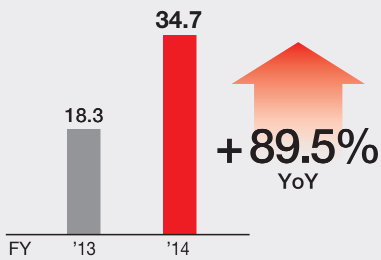
UNIQLO Japan

■ Operating Income



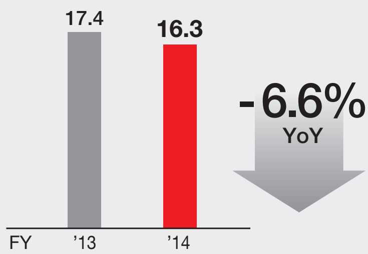
UNIQLO International

■ Operating Income

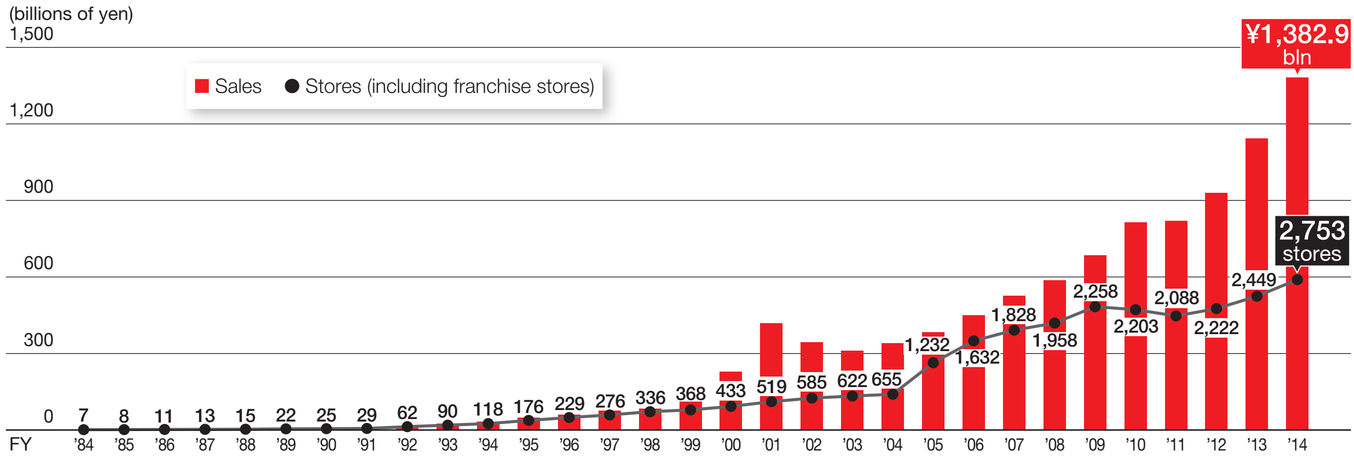


Global Brands

■ Operating Income



■ **Sales and Stores of Fast Retailing Group (JGAAP*2)**



FY2014 Overview	Growth Initiatives
• Strong sales of core items (HEATTECH, Ultra Light Down, AIRism, sweatshirts and sweat-pants, jeans). • Improved gross profit margin helped generate higher-than-expected operating income. • New global hotspot stores in Ikebukuro (opened in March) and Okachimachi (opened in April) helped boost urban market share and UNIQLO's brand image.	• Boost sales per store by promoting a store management approach focused on the local community: more regional employees; adapt product mix and marketing to suit local needs. • Maintain growth by expanding the average sales floor area per store through "scrap and build" strategy. • Expand market share by strengthening development of women's, kids and baby wear.
• The addition of 187 new stores helped fuel significant gains in sales and income. Greater China: 94, South Korea: 28, Southeast Asia & Oceania: 41, U.S.: 18, Europe: 6. • UNIQLO Greater China performed especially well. Sales: ¥208.1 billion (+66.5% YoY), operating income: ¥24.8 billion (+83.0%). • Successful opening of first UNIQLO stores in Germany and Australia in April.	• Open 200 stores in FY2015. Greater China: 100, South Korea: 30, Southeast Asia & Oceania: 45, U.S.: 20, Europe: 5. • Boost UNIQLO visibility by opening global flagship stores in major global centers and hotspot beacons for individual regions. • Develop marketing worldwide to promote LifeWear. • Establish a new global system to promote online sales. • Bring UNIQLO USA swiftly into the black. Develop 100-store networks on East and West Coasts.
• GU sales ¥107.5 billion (+28.4%), operating income ¥6.8 billion (-10.8%). Overemphasis on fashion for younger customers dampened sales and undermined profit. • Theory reported rising sales but a slight contraction in profit. • Comptoir des Cotonniers achieved higher-than-expected gains in sales and income. • J Brand reported an impairment loss due to continued operational losses.	• Target GU revenue of ¥300 billion, operating profit of ¥30 billion over the medium term. Strengthen low-cost management to boost profit margins. • Open 50 GU stores annually in Japan. Expand GU in Asia and other global markets. • Achieve stable growth for the Theory brand in Japanese and U.S. markets. • Expand operations and boost efficiency by harnessing synergies across Group labels.

UNIQLO

UNIQLO's Strengths

Business Model

Global Expansion

Asia

United States

Europe

Japan

Professional golfer
Adam Scott

Professional tennis player
Novak Djokovic

Unique to UNIQLO

UNIQLO believes great clothes can change the world. Simply put, everyone understands the value and the appeal of good clothing. By procuring the world's best fabrics and developing its own superior functional materials, UNIQLO will continue to offer the world all kinds of amazing clothes.

1 Seeking the World's Best Materials

UNIQLO is able to offer reasonably priced garments made with luxury materials, including cashmere, Supima cotton and premium down.

You might expect to pay several hundred dollars for a cashmere sweater, but at UNIQLO you can find men's V-neck cashmere sweaters for $89.90. We can do this because we negotiate directly with global materials manufacturers and secure mass-volume orders at low cost.

2 Creating New Markets with New Materials

Another key UNIQLO strength is our ability to create fresh value for our customers by developing new functional materials, and using them in clothes that anyone can afford.

For example, UNIQLO developed its innovative HEATTECH items with Toray Industries, and this highly functional clothing is constantly improving.

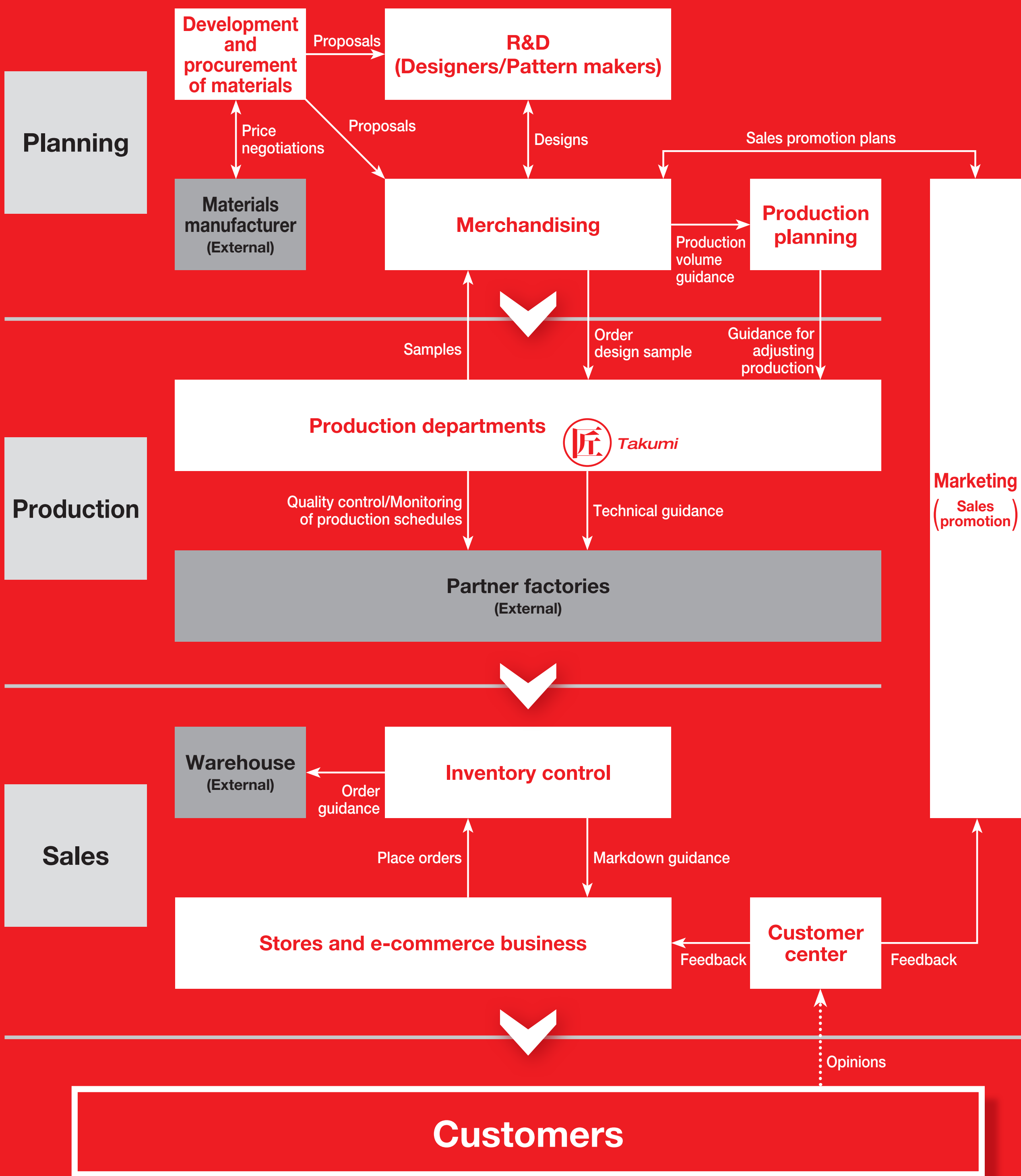
ULTRA LIGHT DOWN

The common perception of down garments has been transformed by UNIQLO's amazing Ultra Light Down. We replaced bulky down packs with a single high-density layer to create quality Premium Down garments of unprecedented warmth. Our down garments are also much lighter than anything else on the market: a women's jacket weighs just 197g. Our 2014 Fall/Winter Ultra Light Down Parka (pictured right) features a special aluminum printing on the lining for even greater warmth.

ULTRA LIGHT,
ULTRA WARM.

UNIQLO's Business Model

UNIQLO was the first company in Japan to establish an SPA (Specialty store retailer of Private label Apparel)* model encompassing all stages of the business—from design and production to final sale. By continuously refining its SPA model, UNIQLO successfully differentiates itself from other companies by developing unique products. We quickly make adjustments to production to reflect the latest sales trends and to minimize store-operation costs such as personnel expenses and rent. This is how we at UNIQLO provide such high-quality clothing at such reasonable prices.



* The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

Planning

Product concept › Material selection › Design samples › Materials procurement, materials development › Design

Research & Design (Designers/Pattern makers)

UNIQLO's research and design (R&D) centers analyze the latest fashions and lifestyles from around the world as well as look into new materials.

Concept meetings are held roughly one year before a product's intended launch. On these occasions, designers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO's R&D centers prepare designs and refine samples until each product is finalized.

Development and Procurement of Materials

UNIQLO can secure stable, high-volume supplies of top-quality materials at low cost by negotiating directly with materials manufacturers, and placing large-volume orders. The materials used for our core items are particularly important. Our in-depth research and experimentation generates multi-layered improvements in the functionality, feel, silhouette and texture of our clothes. For example, we source denim to specific spinning standards and dyeing specifications from Kaihara Corporation. We also develop materials with synthetic fiber manufacturer Toray Industries, a strategic partner, to create HEATTECH.

Merchandising

Merchandisers play a vital role from product planning through production. After meeting with the R&D designers, merchandisers then apply the concepts for each season to product plans, materials and designs.

Next, they decide the product lineup and volume for each season, paying close attention to a detailed marketing strategy.

One other important task for our merchandisers is to decide when to increase or reduce production during a season. Any decisions about adjusting production in line with demand are made jointly with the product planning department.

Global Quality Declaration
(September 2004)

In the decade since making our Global Quality Declaration, UNIQLO has been transformed from a retailer of low-priced clothes to a retailer of high-value, high-quality clothing. Our research and development systems are much more sophisticated; we can now procure the world's best materials and develop our own unique functional fabrics.

UNIQLO's Key Strategic Materials and Products

Production

Set volume and begin production › **Spinning and dyeing** › **Knitting and sewing**

Quality and Production Control

UNIQLO deploys about 400 staff and textile *takumi* (skilled artisans) to offices in Shanghai, Ho Chi Minh City, Dhaka, Jakarta and Istanbul. Production managers visit partner factories each week to resolve outstanding issues. Customer concerns regarding quality are communicated immediately to production departments, and then improvements are made.

UNIQLO *Takumi* Teams

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

Dyer *Takumi*
Kazuaki Iida

Expanding Our Production Network

As UNIQLO expands its global reach, we have formed business relationships with partner factories in China, Vietnam, Bangladesh and Indonesia. We have established production offices in Shanghai, Ho Chi Minh City, Dhaka, Jakarta and Istanbul to help ensure our clothes are made to the highest global standards.

■ UNIQLO Production Offices

Processing and finishing → Product inspection → Shipping to individual countries

The Cut and Sew Manufacturing Process

Spinning

Begins with the unraveling of raw yarn materials. Cotton is blended from multiple localities to ensure a high level of quality.

Dyeing

Computer-generated test colors are adjusted by skilled artisans with an eye for slight differences in color.

Knitting and sewing

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.

Processing and finishing

Great care is taken over the ironing and packing, with regular quality and safety inspections.

Sales

Products reach the warehouse → **Shipping to stores**

Inventory Control

The Inventory Control department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill orders.

At the end of each season, merchandisers and the Marketing Department help coordinate the timing of markdowns and limited-period sales (typically 20-30% off the regular price) to ensure that inventory sells out.

Marketing

Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down, AIRism and HEATTECH. During these campaigns, UNIQLO advertises these core products' unique qualities and noteworthy features on TV and in other media. For example, weekly flyers in the Friday editions of Japan's national newspapers, which are delivered to most households, promote the apparel that will be discounted through Monday.

UNIQLO Stores

UNIQLO Japan had 852 stores at the end of August 2014. Since the first store opened outside Japan in 2001, UNIQLO International has expanded to 633 stores, including 374 in Greater China (Mainland China, Hong Kong and Taiwan), 133 in South Korea, and 80 in Southeast Asia and Oceania. We have enjoyed rapid expansion in Asia and are developing a full-fledged store network in the United States.

Promotional flyer

TV commercial


Roadside UNIQLO store

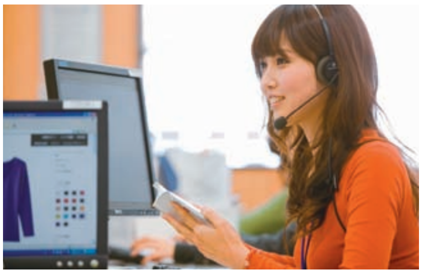
In-store and e-commerce sales

E-commerce Business

Online sales in Japan totaled ¥25.5 billion in fiscal 2014, or 3.6% of total UNIQLO sales. We also offer online sales in places including Greater China, South Korea and the United States.

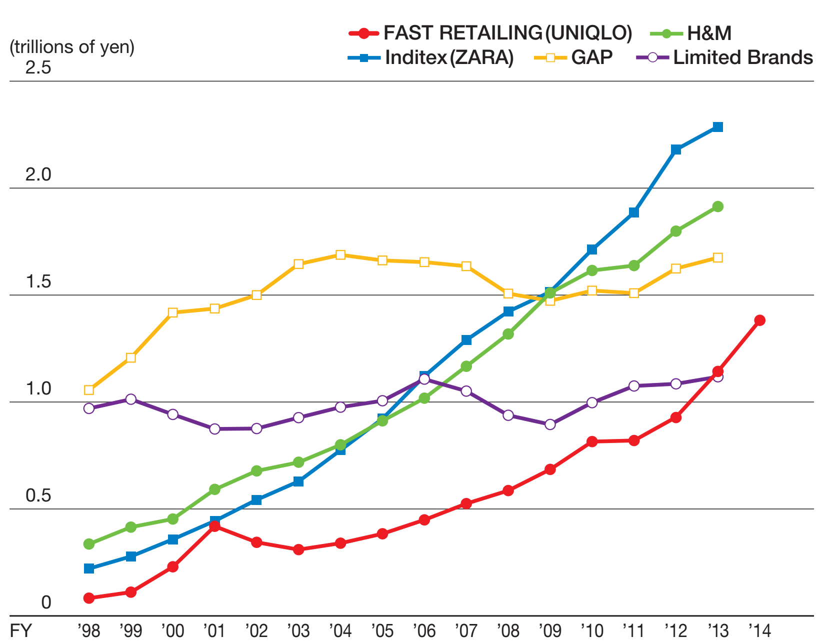
Customer Center

The Customer Center receives more than 100,000 comments and requests annually. Appropriate departments act on them to improve products, stores and services.



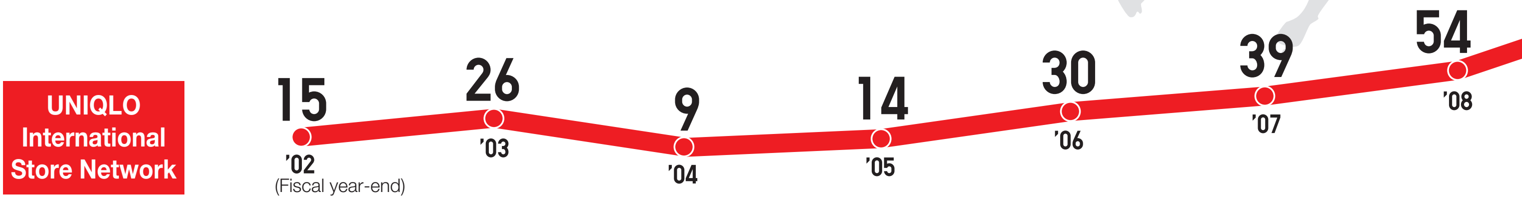
Customer center

■ Sales of Major Global SPA Firms



Note: Compiled using data from the annual reports converted at August 31, 2014 exchange rates

UNIQLO’s Growing Global Presence




Paris Opera Store


Berlin Tauentzien Store


UNIQLO SHANGHAI Store


New York Fifth Avenue Store


Ginza Store


UNIQLO OSAKA Store


Shinsaibashi Store


BICQLO Shinjuku East Exit Store

Becoming No.1 in Greater China

Fast Retailing Group Executive Vice President
CEO of UNIQLO Greater China
Co-CEO of UNIQLO Southeast Asia
Pan Ning

100 Stores a Year, 1,000 Stores and Beyond

Sales at UNIQLO Greater China (Mainland China, Hong Kong and Taiwan) topped ¥200 billion for the first time in fiscal 2014, rising 66.5% year on year to ¥208.1 billion. Our commitment to staff training and brand building in the region is clearly paying off.

Just four short years after the first store was opened in 2010, UNIQLO Taiwan boasts 46 stores. UNIQLO's popularity is booming there, and we have expanded our store network beyond major urban centers into regional shopping malls.

In China, we have over 100 stores across the four major cities of Shanghai, Beijing, Guangzhou and Shenzhen, and there is potential for further near-term expansion, given these cities' rapidly expanding economies and urban populations.

We have also been expanding faster into smaller cities across China. Many of the customers at these regional stores say they've come because they heard about UNIQLO through word of mouth, or because they learned about UNIQLO on the internet. For us, this is proof that UNIQLO has become an established brand in China, and an integral part of people's lives.

While the purchasing power of consumers in China's regional cities may be lower than in major urban centers, they offer huge potential for expansion. We will continue to open roughly 100 stores per year in Greater China, with the aim of boosting our network beyond 1,000 stores as soon as possible.

UNIQLO SHANGHAI Store (Global flagship store)

Quality Keeps UNIQLO Out in Front

Consumers in China's regional cities tend to prefer familiar local brands. But UNIQLO has trumped these and other rivals with its unique LifeWear concept. Chinese consumers now understand the superior functionality and quality of UNIQLO products and are embracing HEATTECH, Ultra Light Down and other items. UNIQLO's influence as a global fashion brand is also increasingly clear. Our UT printed T-shirts have always been popular in China, and this year young Chinese consumers were particularly enthusiastic about our pop-art T-shirt range designed in collaboration with New York's Museum of Modern Art.

Developing a chain store in China is extremely difficult: it covers a huge geographical area, with differing regional cultures and consumer behavior patterns as well as sharp inequalities in regional economic development. Each individual store has struggled with unique circumstances, but because all of UNIQLO's stores are directly operated, we can communicate and react swiftly to any challenge.

As CEO of UNIQLO Greater China, I encourage all employees to embrace Fast Retailing's Japanese qualities: integrity, heartfelt consideration of customer needs, and a commitment to superior quality and service. I want to make UNIQLO Greater China a place where young employees who share our corporate spirit are inspired to pursue their dreams. We want to satisfy our customers' needs today, tomorrow and every day after that.

New Frontiers on the Horizon

Chestnut Street Store (Pennsylvania)

Smith Haven Mall Store (New York)

Plaza Escuela Store (California)

Serramonte Center Store (California)

Fast Retailing Group Senior Vice President
CEO, UNIQLO USA
Larry Meyer

Broadcasting the UNIQLO Message from NYC

The recent firm sales trends from our three prominent New York stores (Fifth Avenue, Soho and 34th Street) reflect just how strongly New Yorkers have embraced the UNIQLO brand in the eight years since the Soho Store opened in 2006.

In spring 2014, the second floor of the Fifth Avenue Store was remodeled into SPRZ NY ("Surprise New York"). It is a unique, unified space where people can grab a Starbucks coffee and browse a wide-ranging collection of modern art-inspired clothing that's intended to amaze New York and the world. Developed in collaboration with the Museum of Modern Art (MoMA), the collection includes T-shirts, sweatshirts and sweatpants, dresses and tote bags, all featuring pop-art motifs. The space is like a museum, with framed displays of T-shirts sporting designs from some of the most celebrated artists of our time, including Andy Warhol and Keith Haring.

New York City is constantly in the spotlight. It's vibrant, trendsetting, and attracts visitors from all over the world. I believe New York is the place for UNIQLO to establish a powerful virtuous cycle: use unique and imaginative products and projects launched in New York to transmit powerful brand messages and clothing concepts around the world, boosting brand awareness for UNIQLO.

UNIQLO SPRZ NY Store

Build U.S. Business by Expanding Real and Virtual Platforms

My key mission is to make UNIQLO the No.1 casualwear brand in the United States. Expanding e-commerce is vital to ensure full coverage of this vast nation, but customers must also be able to actually experience UNIQLO products first-hand. We need to expand our store network and e-commerce business simultaneously.

Our store opening strategy is designed to carve out concentrated retail positions in major cities. Our first stores opened in New York and New Jersey, then we moved on to Connecticut and San Francisco. In 2014, we extended that store network to Philadelphia, Boston and Los Angeles. Some stores have proved more successful than others. However, I believe we can achieve stronger performance across the board by boosting awareness of the UNIQLO brand and building a concentrated presence region by region. Ideally, we want to steadily expand business in the United States by maximizing the benefits of a physical store network and an e-commerce business that are growing together.

Customers in the U.S. are still not fully aware of UNIQLO's unique value. We have to encourage more customers to visit our stores, and find a way to better convey the superior functionality and quality of UNIQLO products. Resolving these issues and actively growing the UNIQLO brand in the United States is really exciting. We feel proud of and supported by a corporate culture that encourages managerial drive and entrepreneurial spirit in each and every one of us.

Introducing Europe to LifeWear

New Stores in Major European Centers

The first UNIQLO store in Germany, the UNIQLO Tauentzien global flagship store, opened in Berlin in April 2014. Ultra Light Down and other products made from UNIQLO's superior functional materials proved very popular, as did our high-quality cashmere sweaters. We plan to open our first Belgian store in fall 2015, in Antwerp, which will be followed by new stores in other major European centers.

UNIQLO Europe outstripped our expectations in fiscal 2014. It reported a profit, thanks to the decision to adjust product ranges to better suit the climate and lifestyles of individual countries. For instance, we introduced Ultra Light Down items earlier in Europe than in Japan because summer in Europe is less humid, and the mornings and evenings are cooler. We also offered HEATTECH items and long-sleeved T-shirts year round. UNIQLO is prepared to adjust its LifeWear ranges to suit local customer needs, and this has helped to boost the brand's popularity.

The Ines de la Fressange collection, launched in Spring/Summer 2014, proved hugely popular in Europe. Ines is a fashion icon who symbolizes the chic, refined lifestyle of the Parisian woman. According to Ines, "There is nothing like the joy of buying clothing of excellent quality that is stylish and well-suited to you." We believe this collaboration has created clothes that women everywhere want to wear every day.

Berlin Tauentzien global flagship store

Ines sporting a trench coat from the 2014 Fall/Winter collection

Landmark Le Marais Store Connects France and Japan

In April 2014, we opened a new store in the fashionable Paris district of Le Marais. Located in a former foundry built in the mid-19th century, the new store beautifully showcases the preserved historic site, and has become a local landmark in its own right. The original red brick chimney forms the centerpiece of the store, and actual tools used to melt precious metals at the foundry are on display in the basement. This space, steeped in French history, is significant as a stage upon which France and Japan can meet and interact. Visitors can enjoy fashion and appreciate these two cultures coming together.

The UNIQLO Le Marais Store offers select UNIQLO items such as jeans, UT printed T-shirts, and highly functional AIRism innerwear. The store also showcases a variety of products representative of Japanese culture. The clothes in the store serve to illustrate the history of UNIQLO as a Japanese brand, the cultural background which nurtured UNIQLO, and the Japanese technology that allows the country's highly advanced textile industry to thrive.

The original foundry chimney standing tall in the center of the UNIQLO Le Marais Store

Efficiency for Stable Growth

Locally Managed Community Stores for Optimized Sales and Profit

The opening of the UNIQLO Kichijoji Store in October 2014 generated strong interest as a new community-focused store. For the opening, we set up in-store displays featuring Kichijoji's vibrant manga subculture, and a special corner offering fun information about the neighborhood shopping district. The store's layout and marketing were planned with meticulous care to create bonds with the local community.

To date, UNIQLO has focused on developing an efficient, centrally managed national chain. However, under such a system, individual stores often don't have the authority to adjust product ranges and services to best meet local needs. We also felt we could improve communication with our customers. For these reasons, we decided to transform our network into a group of individual local stores, managed by empowered local employees. This should help stores strengthen links with their local communities, which will in turn increase overall sales and profits in the long run.

We have introduced a new "regional employee" system to attract talented personnel and empower them to meet the needs of their local communities.

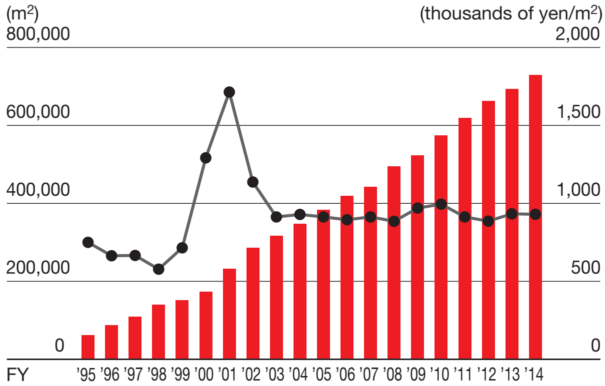
Illustration by Kichijoji resident Kin Shiotani

Expand Sales Floors while Maintaining Efficiency

UNIQLO Japan has been actively expanding average sales floor area for its stores through a "scrap and build" strategy of replacing standard 800m² stores with large-scale stores of 1,600m² or more. UNIQLO's surge in popularity in 2000 and 2001 led to a significant increase in sales per square meter. Since then, we have maintained stable, extremely high sales of approximately ¥1 million per square meter per year. The exact figure in fiscal 2014 was ¥930,000 per square meter.

■ UNIQLO Japan: Sales Floor Space and Sales per Square Meter

■ Average sales floor space (left)
● Directly operated store sales per square meter (right)



UNIQLO Kichijoji's displays are a nod
to the area's manga subculture

Global Brands

GU

Theory

J Brand

Comptoir des Cotonniers

Princesse tam.tam

GU

http://www.gu-global.com/

GU Shinsaibashi flagship store

Fashion Freedom and Japanese *Kawaii* The Keys to Asian Expansion

GU (pronounced “jee-you”) offers fun fashion at fabulously low prices. Building on UNIQLO’s experience as an SPA apparel manufacturer and retailer, GU has created its own unique business model for low-priced fashion in Japan. In fiscal 2014, GU revenue topped ¥100 billion for the first time, and we are now looking to expand revenue to ¥300 billion over the medium term.

The number of GU stores in Japan increased to 275 at the end of August 2014. We want to grow to 500 stores by opening approximately 50 new stores each year. Moreover, GU’s ambitious expansion has moved beyond Japan. We opened our first store outside Japan in Shanghai in September 2013. This was followed by two stores in Taiwan that received an enthusiastic reception when they opened in fall 2014. We plan to open GU stores all over Asia.

GU offers a wide range of low-priced, trendy fashion, under the concept “more freedom with fashion.” CEO Osamu Yunoki says, “I am determined to ensure GU balances fashion and attention to detail. GU’s *kawaii* (cute) Japanese image helps set it apart from European and U.S. fast fashion brands in Asia. I want to create stores with lots of fun fashion that everyone can enjoy.” We believe GU’s Japanese-style fast fashion will become increasingly popular in Asia as the brand expands further.

theory

PLST

HELMUT LANG

http://www.link-theory.com/

The flagship Theory Aoyama Store

A Contemporary Brand Leading Advances in Fashion

Launched in New York in 1997, the Theory fashion brand appeals to the contemporary woman. Theory is well known for its silhouette-enhancing designs, which use stretch materials for ultimate comfort and a smooth fit. The brand's concept is basic clothes with a subtle, natural sense of fashion. Theory's CEO, Andrew Rosen, played a pivotal role in the founding of Theory and has shepherded its subsequent development. The brand enjoyed instant success when it was launched in Japan in 1999.

Lisa Kulson, Theory's original head designer and current creative director, wants to uphold the brand's integrity and aesthetic while pushing it forward. "The Theory customer wants to see a little bit more femininity and sexiness, but in a sophisticated way," she says. "Theory has become known as the "go-to" place to furnish a career woman's wardrobe, and we want to make clothes that enhance the lifestyles of fashionable, sophisticated urban women." Indeed, Theory's 2015 Spring/Summer collection offers more color, as well as fashion-forward, sophisticated silhouettes.

Other Theory brands include HELMUT LANG, and the Japan-born PLST brand. PLST has proved extremely popular among elegant, fashion-conscious consumers, and is fast becoming a second mainstay brand for the Theory business. At the end of August 2014, Theory boasted a total of 460 stores and sales of approximately ¥80 billion.

J BRAND

http://www.jbrandjeans.com/


J Brand Hankyu Umeda Store

The LA Premium Denim Label Celebrities Love

J Brand is a Los Angeles-based contemporary fashion brand that specializes in denim. Founded in 2005, J Brand is recognized for its high-quality denim fabrics, sophisticated product design, beautiful silhouettes and perfect fit. The premium denim ranges for women in particular are considered among the best in the world, appealing to many actresses, models and other celebrities.

J Brand is sold in more than 2,000 leading department stores and specialty boutiques in over 20 countries, with a large presence in the United States. Following the opening of the first Japanese store in Osaka's Hankyu Umeda department store in October 2013, J Brand is now building a fan base in Japan as well.

J Brand's Stocking Jeans, launched in March 2014, use fabric made from a perfect mix of denim and nylon for maximum stretch and outstanding fit. It is not only the superior fabrics that set J Brand apart. Its dedication to fine details, such as the use of the rare metal ruthenium to give buttons a unique patina, is evident in its products.

J Brand collaborated with Simone Rocha, named an Emerging Designer by the British Fashion Awards, to create a capsule collection for the 2014 Fall/Winter season, which featured attractive denim jackets and pants with modern yet feminine ruffles. J Brand will continue to push boundaries and bring new perspectives to the denim industry.

COMPTOIR DES COTONNIERS

http://www.comptoirdescotonniers.com/


Comptoir des Cotonniers, Rue Pavée, Paris

Fashion and Style Full of French Esprit

The Comptoir des Cotonniers (CDC) women's fashion brand emerged from boutiques that opened in 1995 in Paris and Toulouse. CDC, known for its quality fabrics and sharp silhouettes, designs timeless collections full of French esprit. CDC offers French style and elegance that appeal to the modern active city woman. The label's popularity as a brand offering high-quality fashion at affordable prices is only growing.

The 2014 Fall/Winter collection was inspired by the French New Wave films of the late 1950s, featuring trench coats as well as oversized cardigans, shoes, bags and accessories—the collection proved extremely popular among trendy women. The light down jackets featured in the Mademoiselle Plume mini collection also won acclaim for their unconventional French style, light feel, and convenient portability.

CDC's launch of a mobile shopping app for Europe in spring 2014 captured customer attention, as did the one-click payment feature and 48-hour delivery service offered as part of its Fast Shopping campaign.

At the end of August 2014, CDC had a total of 374 stores: 227 in France, 93 in other parts of Europe, 46 in Japan and the rest of Asia, and 8 in the United States.

PRINCESSE tam•tam
PARIS

http://www.princessetamtam.com/

Princesse tam.tam Saint Honoré Store, Paris

Creative French Elegance Wins Repeat Customers

Princesse tam.tam (PTT) is a French brand offering corsetry, homewear, swimwear and sportswear. After winning acclaim for lingerie that featured original prints and bright colors, the sisters Loumia and Shama Hiridjee opened their first store in the Saint Germain area of Paris in 1987.

The brand concept of "lingerie made by women for women" resonates strongly with its loyal repeat customers. Tapping the craft skills of the French corsetry industry, PTT garments are made from the finest lace, silk and cotton and crafted to the smallest detail.

In April 2014, PTT opened its online store for Europe, and in August it expanded the service to Japan. The site is very popular with Japanese customers, as it offers the virtual experience of shopping in Paris. The 2014 Fall/Winter Résille Collection, which combined a bold interpretation of famous Résille lace patterns with cool and elegant style, proved very popular.

At the end of August 2014, PTT boasted 152 directly operated and franchise stores housed in leading department stores and boutiques in France (such as Galeries Lafayette and Printemps) and other parts of Europe. PTT products are also offered in over 1,000 other stores in 48 countries.

Corporate Social Responsibility

All-Product Recycling Initiative

Monitoring Working Conditions

Environmental Protection

Making the World a Better Place through CSR

Our Main CSR Initiatives

All-Product Recycling Initiative

Collecting secondhand clothing for distribution to refugee camps worldwide

Social Business

Establishing and operating a social business in Bangladesh

Employing People with Disabilities

Actively hiring people with disabilities at UNIQLO and GU worldwide

Monitoring Working Conditions

Thoroughly monitoring working conditions at partner factories

Environmental Protection

Conscientiously monitoring to minimize our environmental impact

Warm Clothes and Compassion for Those in Need

A heartfelt rainbow of messages delivered along with warm clothes, helping refugees get through the harsh winter.

Our All-Product Recycling Initiative collects quality secondhand clothing donated by UNIQLO and GU customers and delivers it to people around the world. By the end of September 2014, we had collected 32.5 million used garments from customers and donated 14.2 million items to those in need, including refugees, displaced persons and victims of natural disaster. We achieved this with the help of our global partner, the United Nations High Commissioner for Refugees (UNHCR), as well as NGOs worldwide.

From April through July 2014, we conducted our Deliver Warmth campaign in Japan, soliciting donations of warm clothes for Syrian refugees who have fled to Jordan. Participating customers were asked to write a message of encouragement on a heart-shaped card, so that we could deliver expressions of hope and compassion along with the clothes. The response was overwhelming, and we were able to deliver warm clothing and over 10,000 messages before the harsh winter set in.

Clothes protect people not only from the elements, but also from injury and infection. They help give children the opportunity to go to school, and women the courage to participate in their local communities. Fast Retailing is acutely aware of the value of clothes, and we are determined to provide them to the people who need them.

UNIQLO RECYCLE

32.5
Million Items Collected
From 11 countries and regions

14.2
Million Items Donated
To 53 countries and regions

(as of September 2014)

Responsible Environments and Procedures at Partner Factories

Fast Retailing has a Code of Conduct for Production Partners to ensure its clothing is always manufactured under safe and appropriate working conditions. We employ external institutions to regularly inspect partner factories. These inspections are designed to detect unlawful child or forced labor, enhance safety in the workplace and restrict unauthorized overtime work. We only work with partner factories that meet our strict standards. At partner factories that need to make improvements, members of our CSR department go there directly to offer practical advice and guidance. In fiscal 2014, we monitored 332 partner factories.

■ Enhancing Safety at Factories in Bangladesh

Following the 2012 Ashulia fire and the 2013 Savar building collapse, Fast Retailing signed the Accord on Fire and Building Safety in Bangladesh in August 2013. This was a commitment initiated by IndustriALL Global Union, a Geneva-based international workers organization. Moreover, Fast Retailing supplements its workplace monitoring activities in Bangladesh by conducting independent inspections of partner factories to check for any problems with fire prevention equipment and building structure.

■ Monitoring Results

Grade	Description	FY2012	FY2013	**FY2014**
		FR Group (UNIQLO)	FR Group (UNIQLO)	**FR Group (UNIQLO)**
A	**No violations**	9 (8)	11 (10)	**1 (1)**
B	**One or more minor violations**	87 (59)	134 (95)	**175 (115)**
C	**One or more major violations**	69 (51)	97 (45)	**72 (32)**
D	**One or more severe violations**	56 (34)	48 (19)	**77 (17)**
E	**Highly unethical, serious offense (immediate review of contract)**	8 (7)	4 (1)	**7 (3)**
	Number of factories monitored	229 (159)	294 (170)	**332 (168)**

We stepped up our monitoring and guidance in fiscal 2014 following an increase in the number of D and E grades. For E-grade partner factories, we revise our production orders, and ultimately terminate business altogether if the situation does not improve.

Minimizing Environmental Impact Across the Whole Supply Chain

Fabric producers use large amounts of energy, water and chemicals in the dyeing process.

We do frequent checks to ensure appropriate effluent disposal.

We also enforce proper legal management of effluents.

In 2014, Fast Retailing instituted a new basic environmental strategy that aims to minimize the environmental impact of processes across the entire supply chain. In addition to our current monitoring of working conditions at sewing factories, we also monitor the commitment to environmental protection at fabric manufacturers, whose processes can have a particularly harmful impact on the environment.

Under its Environmental Guidebook for Fabric Producers, Fast Retailing conducts independent monitoring in six areas: 1. Environmental Management; 2. Chemicals Management; 3. Waste Materials Management and Disposal; 4. Treatment of Asbestos and PCBs; 5. Measurement and Management of Effluents (discharged water, etc.); and 6. Worker Health and Safety. In fiscal 2014, we monitored 62 fabric producers. The compliance score for Worker Health and Safety was low because while gloves and other protective equipment had been distributed, some workers were not wearing them. Our CSR team works hard to boost compliance ratings by providing feedback to fabric manufacturers and offering advice and guidance on how to improve factory processes.

■ **Compliance with FR Environmental Guidebook for Fabric Producers (as of August 2014, 62 fabric producers)**

Category	Compliance		Required Improvements
	FY2013	**FY2014**	
Environmental Management	85%	**90%**	• Appointing Environmental Officers • Training on environmental management • Environmental management planning
Chemicals Management	29%	**35%**	• Creating detailed lists of chemicals used • Safe storage of chemicals (e.g. installing containers to prevent leakage, labeling, appointing Chemicals Management Officers, compiling and sharing of safety information)
Waste Materials Management & Disposal	30%	**34%**	• Delivering waste materials to certified contractors • Separate treatment (e.g. of chemical and other waste), labeling • Safe storage of waste materials
Asbestos & PCBs	100%	**97%**	• Appropriate confirmation and management of asbestos and PCBs
Measurement & Management of Effluents (Discharged Water, etc.)	74%	**74%**	• Obtaining emissions permits and other licenses from the authorities • Measuring effluents from facilities and complying with legal standards
Worker Health & Safety	36%	**27%**	• Wearing protective clothing (masks, earplugs, gloves, etc.) • Ensuring existence of emergency exits and fire safety equipment • Conducting health checks for occupational diseases

Global Brand Ambassadors Take the World by Storm

2014 was a stellar year for the three professional tennis players who serve as UNIQLO Global Brand Ambassadors. Kei Nishikori became the first Asian man to advance to the finals of the U.S. Open. Novak Djokovic ended 2014 as the world's No.1 professional men's tennis player, having won his third straight victory at the ATP World Tour Finals. World champion wheelchair tennis pro Shingo Kunieda won the calendar Grand Slam with his victory at the 2014 U.S. Open USTA Wheelchair Championships in September.

In June 2014, Fast Retailing signed a contract with the International Tennis Federation (ITF) to become title sponsor of the Wheelchair Tennis Tour. The UNIQLO Wheelchair Tennis Tour will cover 160 tournaments annually, hosted by the ITF, in over 40 countries over the next three years.

As these three players impress fans the world over, UNIQLO will continue to support them by designing the highest quality tennis wear and sponsoring sporting events worldwide.

Shingo Kunieda (center), at the press conference to announce the signing of the FR-ITF sponsorship agreement, with Kei Nishikori (left) and Novak Djokovic (right)

Kei Nishikori


Shingo Kunieda

Novak Djokovic

Financial Information

Financial Summary

Fiscal 2014 Financial Highlights

Management's Discussion and Analysis

For complete details, please see the volume *Fast Retailing Co., Ltd. Consolidated Financial Statements for the year ended August 31, 2014.*

Financial Summary

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

	JGAAP			
	2009	2010	2011	2012
For the year				
Net sales/Revenue	¥685,043	¥814,811	¥820,349	¥928,669
Operating income/Operating profit	108,639	132,378	116,365	126,450
EBITDA*1	112,621	152,141	141,716	150,687
Income before income taxes and minority interests/ Profit before income taxes	95,487	116,867	93,881	123,390
Net income/Profit attributable to owners of the parent	49,797	61,681	54,354	71,654
Net cash provided by operating activities/ Net cash from operating activities	59,214	88,623	57,158	127,643
Net cash used in investing activities	(34,273)	(23,389)	(26,643)	(35,313)
Free cash flow*2	24,941	65,234	30,515	92,330
Net cash used in financing activities	(16,847)	(28,897)	(26,156)	(29,056)
Cash and cash equivalents*3	169,574	200,462	202,104	266,020
Depreciation and amortization	9,765	12,229	18,755	18,573
Capital expenditures	22,601	28,018	33,993	40,184
At year-end				
Total assets	¥463,285	¥507,287	¥533,777	¥595,102
Total net assets/Total equity	261,413	287,987	319,911	394,892
Interest-bearing debt	35,400	28,834	28,263	23,194
Reference indices				
Operating income margin/Operating profit margin (%)	15.9%	16.2%	14.2%	13.6%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	19.1	22.6	18.1	20.4
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	56.0	56.3	59.0	65.0
Debt-equity ratio (%)	13.6	10.1	9.0	6.0
Dividend payout ratio (%)	32.7	38.0	33.7	37.0
Per share data				
Net income/Profit attributable to owners of the parent (EPS) (yen, dollar)	¥ 488.96	¥ 605.99	¥ 533.93	¥ 703.62
Net assets/Equity attributable to owners of the parent (yen, dollar)	2,550.86	2,804.34	3,091.17	3,797.04
Cash dividends (yen, dollar)	160.00	230.00	180.00	260.00
Other data (at fiscal year-end)				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, $ million)*4	¥ 1,182.7	¥ 1,228.3	¥ 1,535.9	¥ 1,938.0
Number of subsidiaries	96	90	98	91
Total number of stores	2,258	2,203	2,088	2,222
Directly-operated stores in Japan	[1,454]	[1,370]	[1,213]	[1,250]
Directly-operated stores overseas	[397]	[474]	[491]	[589]
Franchise stores	[407]	[359]	[384]	[383]
Commercial complexes	4	4	4	4
Total sales floor space (m^2)*5	740,489m^2	847,523m^2	938,896m^2	1,170,353m^2
Number of full-time employees	11,037	11,596	14,612	18,854

*1 EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Operating profit + Depreciation and amortization
*2 Free cash flow (JGAAP) = Net cash provided by operating activities + Net cash used in investing activities
Free cash flow (IFRS) = Net cash from operating activities + Net cash used in investing activities

	Millions of yen (except per share data and other data)			Thousands of U.S. dollars*4	Millions of yen (except per share data and other data)			Thousands of U.S. dollars*4
	JGAAP				IFRS			
	2013	2014	YoY	2014	2013	2014	YoY	2014
	¥1,143,003	¥1,382,907	+21.0%	$13,330,513	¥1,142,971	¥1,382,935	+21.0%	$13,330,782
	132,920	148,646	+11.8	1,432,875	134,101	130,402	(2.8)	1,257,017
	161,908	185,434	+14.5	1,787,505	157,708	161,210	+2.2	1,553,993
	141,525	140,115	(1.0)	1,350,645	155,732	135,470	(13.0)	1,305,869
	90,377	78,118	(13.6)	753,019	104,595	74,546	(28.7)	718,593
	99,439	111,399	+12.0	1,073,831	99,474	110,595	+11.2	1,066,083
	(63,901)	(63,574)	(0.5)	(612,824)	(62,584)	(56,323)	(10.0)	(542,931)
	35,538	47,825	+34.6	461,007	36,890	54,272	+47.1	523,152
	(23,945)	(38,014)	+58.8	(366,437)	(24,226)	(44,060)	+81.9	(424,724)
	295,622	313,746	+6.1	3,024,357	296,708	314,049	+5.8	3,027,275
	23,691	30,828	+30.1	297,170	23,607	30,808	+30.5	296,975
	39,681	58,343	+47.0	562,404	39,681	58,814	+48.2	566,945
	¥ 885,800	¥ 977,609	+10.4%	$ 9,423,654	¥ 901,208	¥ 992,307	+10.1%	$ 9,565,329
	579,591	626,581	+8.1	6,039,923	589,726	636,041	+7.9	6,131,113
	37,259	37,561	+0.8	362,075	37,259	37,561	+0.8	362,075
	11.6%	10.7%	(0.9)pts.	10.7%	11.7%	9.4%	(2.3)pts.	9.4%
	19.1	13.4	(5.7)	13.4	21.7	12.5	(9.2)	12.5
	63.2	62.1	(1.1)	62.1	63.3	62.3	(1.0)	62.3
	6.7	6.2	(0.5)	6.0	6.5	6.1	(0.4)	6.1
	32.7	39.1	+6.4	39.1	28.2	41.0	+12.8	41.0
	¥ 887.12	¥ 766.57	(13.6)%	$ 7.38	¥ 1,026.68	¥ 731.51	(28.7)%	$ 7.05
	5,489.86	5,958.54	+8.5	57.43	5,598.12	6,067.40	+8.4	58.48
	290.00	300.00	+3.4	2.89	290.00	300.00	+3.4	2.89
	106,073,656	106,073,656	—	106,073,656	106,073,656	106,073,656	—	106,073,656
	¥ 3,383.7	¥ 3,452.6	2.0%	$ 33,282	¥ 3,383.7	¥ 3,452.6	2.0%	$ 33,282
	98	111	13	111	102	112	10	112
	2,449	2,753	304	2,753	2,449	2,753	304	2,753
	[1,331]	[1,406]	75	[1,406]	[1,331]	[1,406]	75	[1,406]
	[743]	[1,072]	329	[1,072]	[743]	[1,072]	329	[1,072]
	[375]	[275]	(100)	[275]	[375]	[275]	(100)	[275]
	4	4	—	4	4	4	–	4
	1,387,367m^2	1,835,095m^2	447,728m^2	1,835,095m^2	1,387,367m^2	1,835,095m^2	447,728m^2	1,835,095m^2
	23,982	30,448	6,466	30,448	23,982	30,448	6,466	30,448

*3 Cash and cash equivalents (JGAAP) include cash, time deposits with maturities of generally three months or less and marketable securities.
Cash and cash equivalents (IFRS) include cash, bank deposits with maturity over three months and marketable securities.
*4 Calculations are based on the closing share price of ¥32,550 at the end of August 2014 and an exchange rate of ¥103.74 to U.S.$1.
*5 Total sales floor space includes only directly-operated stores.

Fiscal 2014 Financial Highlights

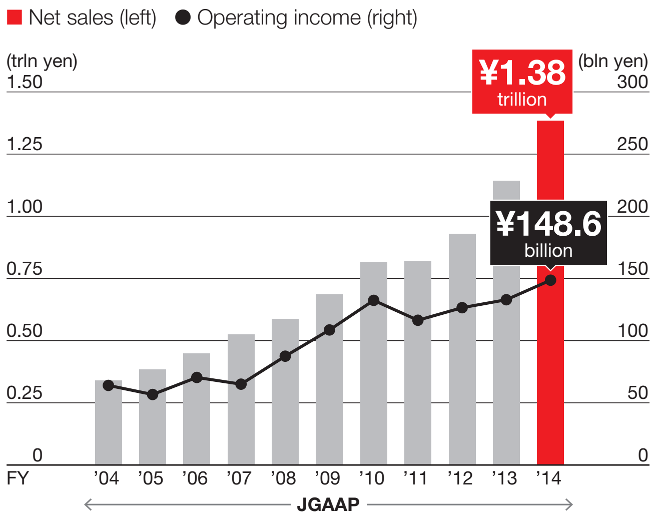
■ Fiscal 2014: Group Overview JGAAP

Operating income for the Fast Retailing Group rose thanks to strong gains in sales and income at UNIQLO Japan and UNIQLO International. UNIQLO Greater China and South Korea strongly contributed to profits at UNIQLO International. However, impairment losses at J Brand knocked down consolidated net income. The annual dividend per share increased ¥10 to ¥300.

Net sales **¥1.38**trillion **+21.0**%

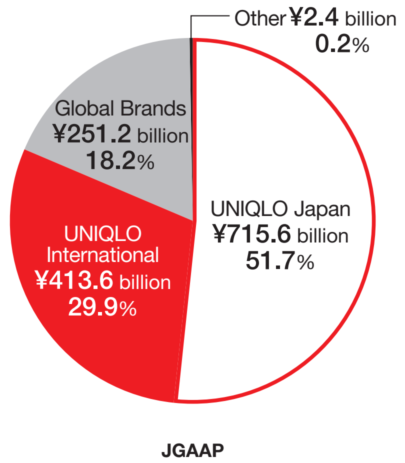
Operating income **¥148.6**billion **+11.8**%

UNIQLO International surges ahead with strong performance from Greater China, reports strong gains in sales and income.



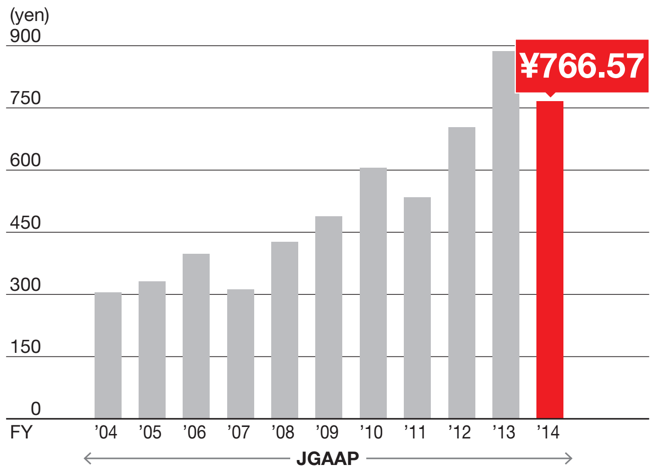
UNIQLO International's contribution to sales **29.9**% **+7.9**pt

UNIQLO International's contribution to Group sales rises to 29.9% on the back of aggressive new store openings.



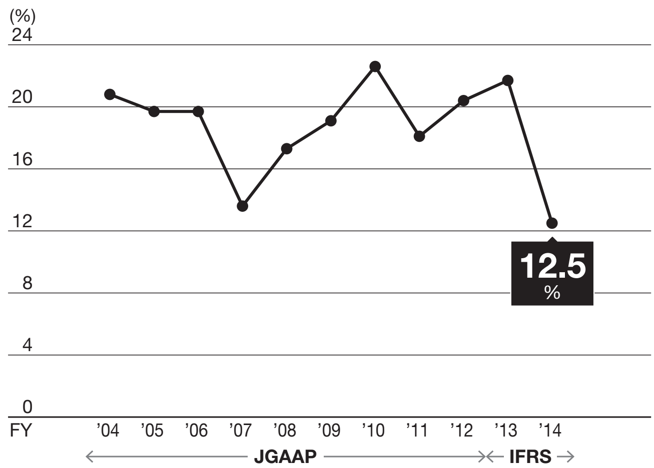
Earnings per share **¥766.57** **-13.6**%

The reporting of impairment losses at J Brand knocks EPS down 13.6% year on year.



Return on equity* **12.5**% **-9.2**pt

J Brand impairment losses decreased net income, shaving ROE to 12.5%.



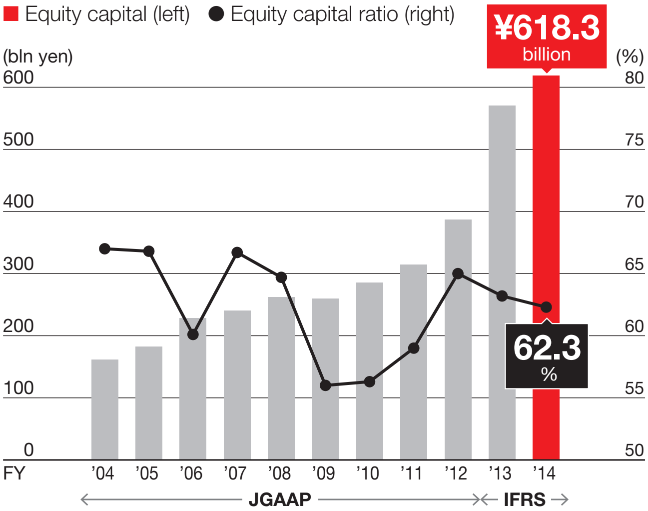
* Ratio of profit to equity attributable to owners of the parent (under IFRS)

Adoption of International Financial Reporting Standards

Approximately one third of Fast Retailing Group revenue is generated outside Japan. Operations are becoming increasingly global, and the company has listed Hong Kong Depositary Receipts on the Hong Kong Stock Exchange. For these reasons, Fast Retailing decided to switch from Japanese Generally Accepted Accounting Principles (JGAAP) to International Financial Reporting Standards (IFRS), starting from the year ended August 31, 2014. To ensure continuity with previous financial reporting, the income statement and data for individual business segments in this annual report are calculated using JGAAP, while the balance sheet and cash flow data are calculated using IFRS. For IFRS data, please see *Fast Retailing Co., Ltd. Consolidated Financial Statements for the year ended August 31, 2014.*

Equity capital ratio* 62.3% -0.9pt

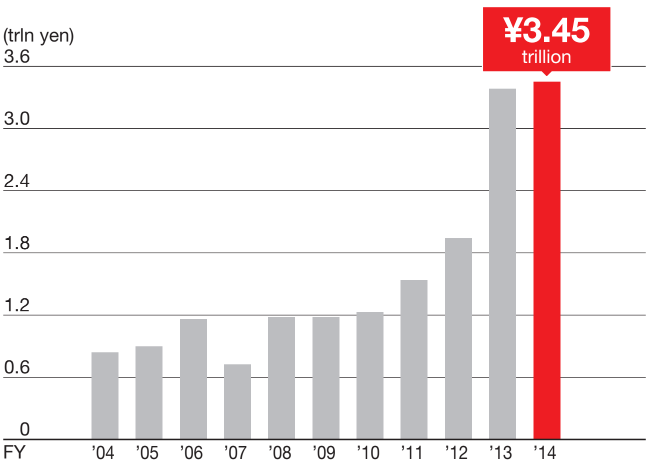
Despite the 0.9 point year-on-year contraction, our equity capital ratio remained high at 62.3%.



* Ratio of equity attributable to owners of the parent to total assets (under IFRS)

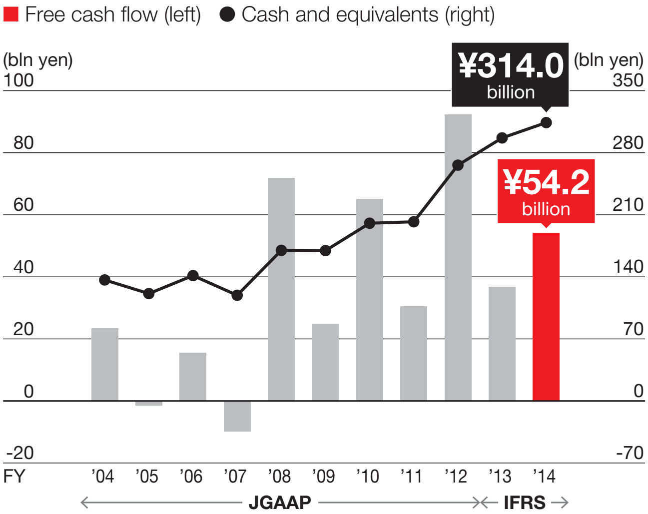
Market capitalization ¥3.45trillion +2.0%

Due to increase in share price from ¥31,900 on August 31, 2013 to ¥32,550 on August 31, 2014.



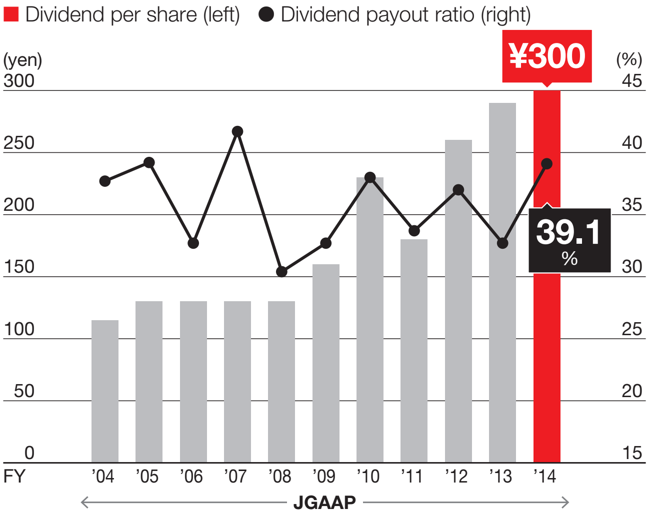
Cash and equivalents ¥314.0billion +5.8%

A large free cash flow boosted cash, cash equivalents and marketable securities to ¥314.0 billion.



Dividend per share ¥300 +¥10

Annual dividend per share: ¥300 (+¥10 YoY). Dividend payout ratio: 39.1%.



Highlights of Group Performance in Fiscal 2014 (Year to August 31, 2014) JGAAP

- Strong increases in sales and income at UNIQLO Japan and UNIQLO International boosted consolidated sales to ¥1.38 trillion (+21.0% YoY) and operating income to ¥148.6 billion (+11.8% YoY)
- Net income dropped 13.6% YoY to ¥78.1 billion following ¥12.7 billion impairment loss at J Brand
- Annual dividend per share: ¥300 (up ¥10 YoY), dividend payout ratio 39.1%

1 Operating Environment and Management Strategy JGAAP

Overall, conditions in the Japanese retail industry remained severe in fiscal 2014, with the deterioration in consumer confidence following the April 1 sales-tax increase undermining any positive impact from the gradual improvement in the broader economy. We faced some operational challenges, as rising raw materials prices and a weaker yen boosted the cost of apparel manufacture, and Japanese personnel costs increased.

Despite that, Fast Retailing achieved increases in net sales and income in fiscal 2014, with consolidated sales reaching ¥1.38 trillion (+21.0% YoY) and operating income ¥148.6 billion (+11.8% YoY). UNIQLO Japan performed well on the back of firm sales and improved gross margins. UNIQLO International's aggressive store expansion strategy generated significant increases in both sales and income, with especially strong profit contributions from UNIQLO Greater China and South Korea. Income at Global Brands decreased on the back of lackluster performances from our low-priced GU casualwear brand and Theory fashion label. Consolidated ordinary income rose by just 5.3% to ¥156.8 billion, as foreign exchange gains on our foreign currency assets decreased. Net income decreased by 13.6% to ¥78.1 billion, following a ¥12.7 billion impairment loss at our J Brand premium denim operation.

Fast Retailing pursued its vision of becoming the world's No.1 apparel manufacturer and retailer through corporate globalization, Group-wide cooperation and a renewed entrepreneurial spirit. We expanded UNIQLO's international operations and strengthened our operational base by targeting 200 new store openings annually, and opening more global flagship and hotspot stores in major cities. We also looked to expand the GU and Theory brands.

■ Number of Stores by Business Segment

FY	2014			2013
Unit: Stores	End Aug.	Open	Close	End Aug.
UNIQLO Japan:	**852**	54	55	853
Directly operated	**831**	51	54	834
Large-scale	**199**	26	4	177
Standard	**632**	25	50	657
Franchise	**21**	3	1	19
UNIQLO International:	**633**	193	6	446
China	**306**	83	2	225
Hong Kong	**22**	5	1	18
Taiwan	**46**	9	0	37
South Korea	**133**	31	3	105
Singapore	**18**	6	0	12
Malaysia	**21**	11	0	10
Thailand	**20**	10	0	10
The Philippines	**16**	10	0	6
Indonesia	**4**	3	0	1
Australia	**1**	1	0	0
U.S.	**25**	18	0	7
U.K.	**10**	0	0	10
France	**6**	3	0	3
Russia	**4**	2	0	2
Germany	**1**	1	0	0
Global Brands:	**1,268**	152	34	1,150
GU	**276**	77	15	214
Theory*	**460**	58	9	411
Comptoir des Cotonniers*	**374**	8	9	375
Princesse tam.tam*	**152**	3	1	150
J Brand	**6**	6	0	0
Total	**2,753**	399	95	2,449

* Including franchise stores
Note: This table does not include mina or Grameen UNIQLO

■ Performance by Business Segment JGAAP

FY	2014			2013		
	Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
UNIQLO Japan						
Net sales	**¥715.6**	**¥32.3**	**+4.7**	¥683.3	¥63.2	+10.2
Operating income	**110.6**	**13.8**	**+14.2**	96.8	-5.4	-5.4
UNIQLO International						
Net sales	**413.6**	**162.4**	**+64.7**	251.1	98.0	+64.0
Operating income	**34.7**	**16.4**	**+89.5**	18.3	7.3	+66.8
Global Brands*						
Net sales	**251.2**	**44.9**	**+21.8**	206.2	53.2	+34.8
Operating income	**16.3**	**-1.1**	**-6.6**	17.4	2.9	+20.1

* Global Brands includes GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand operations.
Note: Consolidated sales also include items reported by the holding company, Fast Retailing Co., Ltd., such as real estate leasing. Consolidated operating income includes FR operating income and goodwill amortization.

2 Net Sales JGAAP

Consolidated net sales rose 21.0% year on year to ¥1.38 trillion. The ¥239.9 billion increase in sales breaks down into ¥162.4 billion from UNIQLO International, ¥32.3 billion from UNIQLO Japan, and ¥44.9 billion from Global Brands. UNIQLO International's sales network expanded by 187 stores, from 446 in fiscal 2013 to 633 in fiscal 2014, and operations in Greater China, South Korea and Europe generated further same-store sales growth. Same-store sales also increased at UNIQLO Japan by 1.9%, thanks to consistently strong sales of core ranges such as HEATTECH, jeans, Ultra Light Down and AIRism.

3 Gross Profit Margin JGAAP

Gross profit rose 24.4% year on year to ¥701.8 billion while the gross profit to net sales ratio (gross profit margin) improved 1.5 points to 50.8%. This was due mainly to the 3.0-point improvement in the gross profit margin at UNIQLO Japan. UNIQLO Japan's gross profit margin in the second half of fiscal 2014 has improved by an even more impressive 5.9 points on strong sales of Spring/Summer core items and new skirts and blouses.

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

SG&A expenses amounted to ¥553.1 billion for fiscal 2014. The SG&A to net sales ratio increased 2.3 points year on year to 40.0%, fueled largely by a 1.7-point increase in the SG&A ratio at UNIQLO Japan, which reported increased costs for distribution and warehousing, as well as for part-time and contract in-store staff.

5 Operating Income JGAAP

Operating income increased 11.8% year on year to ¥148.6 billion. The operating income margin decreased 0.9 point to 10.7%.

6 Non-Operating Income/Loss and Extraordinary Income/Loss JGAAP

The non-operating balance decreased by ¥7.8 billion to ¥8.1 billion in fiscal 2014. This was due to a ¥7.3 billion contraction in foreign exchange gains to ¥8.1 billion. The Group reported an extraordinary loss of ¥19.1 billion, including impairment losses of ¥4.6 billion at UNIQLO Japan and other Group stores and ¥12.7 billion at J Brand.

7 Income Taxes and Other Taxes JGAAP

Corporate income taxes, resident taxes, enterprise taxes and deferred income taxes totaled ¥57.2 billion in fiscal 2014. Our effective corporate tax rate after applying tax effect accounting was 40.8%, 2.8 points higher than Japan's statutory tax rate of 38.0%, mainly because a portion of the J Brand impairment loss did not qualify for tax effect accounting.

8 Net Income and Dividend JGAAP

Net income decreased 13.6% year on year to ¥78.1 billion due to the reporting of impairment losses at J Brand. Net earnings per share fell ¥120.55 to ¥766.57. However, the annual dividend rose ¥10 to ¥300 per share, resulting in a dividend payout ratio of 39.1%. ROE contracted 5.7 points to 13.4%.

■ Breakdown of SG&A Expenses JGAAP

FY	2014			2013			2012		
	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change
Personnel	**¥184,480**	**13.3**	**+32.0**	¥139,746	12.2	+24.5	¥112,238	12.1	+10.6
Advertising and promotion	**60,119**	**4.3**	**+14.5**	52,519	4.6	+20.2	43,694	4.7	+21.8
Rent	**140,149**	**10.1**	**+24.0**	113,068	9.9	+21.6	93,010	10.0	+13.3
Depreciation	**30,828**	**2.2**	**+30.1**	23,691	2.1	+27.6	18,573	2.0	+26.3
Others	**137,609**	**10.0**	**+34.8**	102,065	8.9	+25.2	81,501	8.8	+8.2
Total	**¥553,187**	**40.0**	**+28.3**	¥431,091	37.7	+23.5	¥349,016	37.6	+12.8

9 Results by Business Segment JGAAP

UNIQLO Japan

UNIQLO Japan reported increases in net sales and operating income in fiscal 2014. Net sales rose 4.7% year on year to ¥715.6 billion and operating income increased 14.2% to ¥110.6 billion. Many retailers experienced a rush prior to the April rise in the sales tax rate, followed by a lull. However, we enjoyed firm sales throughout the year, in large part thanks to core ranges such as HEATTECH, Ultra Light Down and AIRism, and we had a very strong performance from our new range of women's items, which includes skirts and blouses. As a result, same-store sales rose 1.9%, and the gross profit margin improved by 3.0 points to 49.5%. The gross profit margin improved by an especially impressive 5.9 points in the second half (March to August) of fiscal 2014. Meanwhile, the SG&A ratio rose 1.7 points to 34.1%, on the back of higher costs for part-time and contract in-store personnel and rising distribution costs. UNIQLO Japan's decision to increase the number of basic items on offer year round also boosted distribution and warehousing costs.

In fiscal 2014, we opened 51 stores and closed 54 stores, resulting in a total of 831 stores (excluding 21 franchise stores). We successfully increased the average size of UNIQLO Japan stores through our "scrap and build" policy of replacing small stores with large-scale stores of 1,600m^2 or more. As a result, the number of large-scale outlets increased by 22 to 199 stores, and the average shop floor space for directly run stores expanded by 4.4% year on year to 882m^2.

UNIQLO International

UNIQLO International reported significant growth, with net sales rising 64.7% year on year to ¥413.6 billion and operating income increasing by an impressive 89.5% to ¥34.7 billion. UNIQLO operations in Greater China (Mainland China, Hong Kong and Taiwan) and South Korea performed especially well. UNIQLO Southeast Asia and Oceania reported increases in net sales and operating income, while improved profitability nudged UNIQLO Europe into the black. Meanwhile, losses at UNIQLO USA held close to the previous year's level.

In fiscal 2014, UNIQLO International added a net total of 187 stores (opened 193 and closed 6) for a final total of 633 stores. That represents a net increase of 94 stores in Greater China, 28 in South Korea, 41 in Southeast Asia and Oceania (Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia), 6 in Europe (United Kingdom, France, Russia, Germany), and 18 in the United States. Our first UNIQLO stores in Germany (Berlin) and Australia (Melbourne), opened in April 2014, have both been successful.

UNIQLO Greater China reported considerable growth, with net sales rising by 66.5% to ¥208.1 billion and operating income increasing by 83.0% to ¥24.8 billion. Continued growth in same-store sales generated significant increases at UNIQLO South Korea. Southeast Asia and Oceania reported increases in net sales and operating income. The new Australian operation outstripped our sales expectations.

UNIQLO Europe's decision to review its product mixes helped drive double-digit growth in same-store sales and boost profitability. Indeed, UNIQLO Europe reported an overall profit, even after incorporating losses from the opening of our first German store in April. This Berlin global flagship store is generating favorable sales and boosting UNIQLO's brand presence in Europe.

UNIQLO USA performed well in the first half of fiscal 2014 but was unable to reduce its operating loss for the full year following a cool summer and increased costs relating to new store openings. We expanded our reach into Philadelphia, Boston, Stamford and Los Angeles, opening 18 new stores to boost the total network to 25.

Global Brands

Global Brands reported a rise in net sales and a fall in operating income. Net sales rose by 21.8% to ¥251.2 billion while operating income dropped 6.6% to ¥16.3 billion. The addition of new stores boosted sales for each individual brand, but profits fell at GU, Theory and Princesse tam.tam. We reported a ¥12.7 billion impairment loss due to continued losses at J Brand premium denim.

Our low-priced GU casualwear brand reported a 28.4% increase in net sales to ¥107.5 billion but a 10.8% reduction in operating income to ¥6.8 billion. Net sales and operating income rose in the first half of fiscal 2014, however an overemphasis on youth fashion dampened sales in the second half of fiscal 2014, leading to greater discounting and a fall in full-year profits. GU increased its network by 62 stores to 276.

Our Theory fashion label reported a slight fall in profits. As for our France-based brands, Comptoir des Cotonniers reported increases in net sales and operating income as expected, while the cool summer dampened swimwear sales at Princesse tam.tam, knocking profits down.

10 Balance Sheet IFRS

Total assets rose ¥91.0 billion year on year to ¥992.3 billion. Current assets increased ¥79.5 billion to ¥717.0 billion, mainly due to a ¥55.7 billion increase in inventories to ¥223.2 billion. Inventories rose by ¥15.5 billion at UNIQLO Japan, ¥33.6 billion at UNIQLO International and ¥5.1 billion at Global Brands. At UNIQLO Japan, higher stocks of basic garments to be sold year round boosted inventories. At UNIQLO International, the net addition of 187 new stores boosted inventories, while at Global Brands, the targeted expansion of the GU and Theory brands was largely responsible for the rise. In addition, cash and cash equivalents increased by ¥17.3 billion to ¥314.0 billion.

Non-current assets increased by ¥11.6 billion to ¥275.2 billion. This increase was largely due to a ¥23.0 billion increase in property, plant and equipment related to the addition of 187 new stores at UNIQLO International and 118 stores at Global Brands. Current liabilities increased by ¥55.6 billion to ¥273.1 billion on the back of a ¥31.7 billion increase in trade and other payables. Non-current liabilities decreased by ¥10.8 billion to ¥83.0 billion following a ¥12.3 billion fall in deferred tax liabilities to ¥37.3 billion.

Total equity increased by ¥46.3 billion to ¥636.0 billion, including a ¥79.3 billion increase in net income and a ¥31.2 billion decrease in dividend payments out of retained earnings. The ratio of equity attributable to owners of the parent contracted 1.0 point to 62.3%. This was due to the fact that, while total assets increased by ¥91.0 billion year on year, equity attributable to the owners of the parent only increased by ¥47.9 billion.

■ Consolidated Subsidiaries (at end of August 31, 2014)

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

11 Cash Flow Information IFRS

In fiscal 2014, net cash from operating activities totaled ¥110.5 billion, net cash used in investing activities totaled ¥56.3 billion and net cash used in financing activities totaled ¥44.0 billion. As a result, total free cash flow from both operating and investing activities totaled ¥54.2 billion, and the balance of cash and cash equivalents increased by ¥17.3 billion to ¥314.0 billion at the end of fiscal 2014.

The Group seeks to ensure consistent, steady growth by effectively using retained earnings and free cash flow both for mergers and acquisitions (M&A) that facilitate the expansion of the Group, and also for investments and loans that strengthen our operational base.

Net Cash from Operating Activities: ¥110.5 Billion

Net inflows included ¥135.4 billion in profit before income taxes and ¥30.8 billion in depreciation and amortization. Working capital outflows, calculated from trade receivables, inventories and trade payables, increased to ¥42.6 billion. Because of the weekly schedule of bank closures at the end of the fiscal year, accounts payable increased by only ¥10.4 billion in fiscal 2014, compared to an increase of ¥46.9 billion in fiscal 2013. Net income taxes paid amounted to ¥55.5 billion.

Net Cash Used in Investing Activities: ¥56.3 Billion

This includes ¥41.4 billion in acquisitions of property, plant and equipment, which helped to expand UNIQLO International and Global Brands store networks, and ¥7.5 billion for the acquisition of intangible assets such as systems investment. Consolidated capital expenditure totaled ¥58.8 billion (UNIQLO Japan: ¥10.3 billion, UNIQLO International: ¥31.4 billion, Global Brands: ¥7.7 billion, Fast Retailing systems investment, etc.: ¥8.7 billion).

Net Cash Used in Financing Activities: ¥44.0 Billion

This includes ¥31.2 billion in cash dividend payments, ¥3.8 billion for the repayment of long-term debt, and ¥6.0 billion to acquire non-controlling interests.

12 Dividend Policy

Returning a portion of our profits to shareholders is a top priority. Our policy is to pay an appropriate dividend, closely linked to performance, after considering the funds required to expand Group operations, increase profits and maintain financial soundness. The Group paid an annual dividend of ¥300 per share in fiscal 2014. This translates into an annual dividend payout ratio of 39.1% under JGAAP.

13 Major Differences between JGAAP and IFRS Calculations for Operating Income

Under JGAAP, operating income was ¥148.6 billion in fiscal 2014, a year-on-year increase, while under IFRS, that figure was ¥130.4 billion, a year-on-year decrease. This ¥18.2 billion discrepancy can be explained by four main factors:

① The ¥12.7 billion impairment loss at J Brand and the ¥4.6 billion impairment loss on stores reported as a special loss under JGAAP are treated as other expenses under IFRS and subtracted directly from operating income.

② Amortization amounting to ¥6.6 billion in J Brand intangible assets and goodwill amortization recorded in previous fiscal years under JGAAP is reported as an additional impairment loss under IFRS and subtracted directly from operating income.

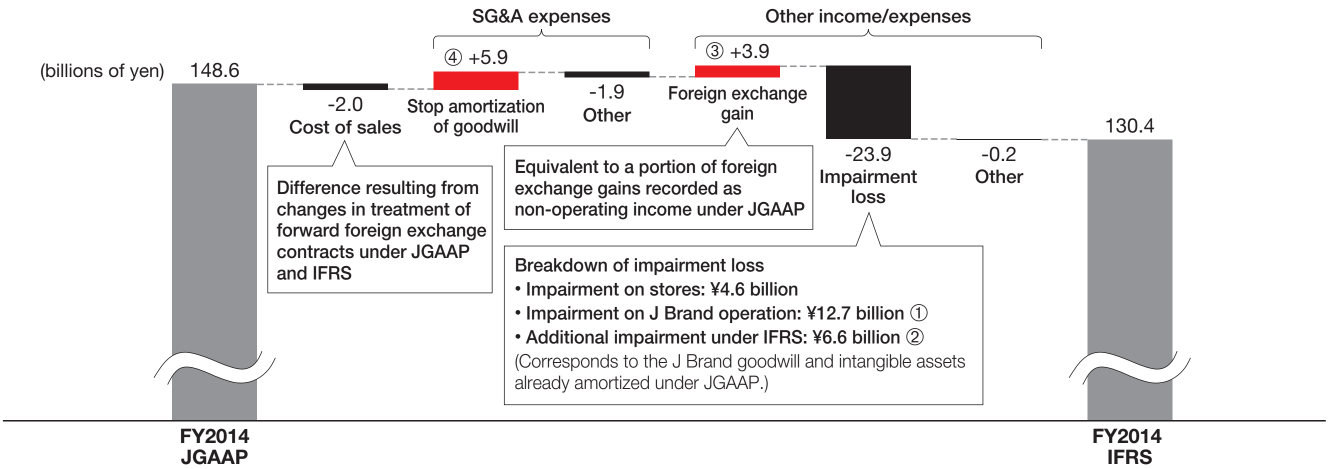
③ ¥3.9 billion in foreign exchange gains, reported as non-operating income under JGAAP, is recorded as other income under IFRS and added directly to operating income.

④ ¥5.9 billion in goodwill amortization recorded under JGAAP is not recorded under IFRS, increasing operating income accordingly.

■ Fiscal 2014 Group Performance (JGAAP vs IFRS)

	IFRS		JGAAP	
(billions of yen)	2014	% change	2014	% change
Revenue	**¥1,382.9**	+21.0	**¥1,382.9**	+21.0
Gross profit	**699.7**	+23.8	**701.8**	+24.4
Selling, general and administrative expenses	**549.1**	+28.9	**553.1**	+28.3
Operating income	**130.4**	-2.8	**148.6**	+11.8
Income attributable to owners of the parent	**74.5**	-28.7	**78.1**	-13.6

■ Major Differences in Group Operating Income (JGAAP vs IFRS)



14 Outlook for Fiscal Year 2015 (as of January 8, 2015) IFRS

We forecast rises in revenue and profit, with revenue reaching ¥1.60 trillion (+15.7% YoY), operating profit ¥180.0 billion (+38.0% YoY) and net income attributable to owners of the parent reaching ¥100.0 billion (+34.1% YoY). We forecast net earnings per share (EPS) of ¥981.18, and an annual dividend per share of ¥320 (¥160 interim and year-end dividends).

All three business segments are expected to generate increases in revenue and profit. At UNIQLO Japan, we expect same-store sales growth of 3.5%. We plan to open 37 stores and close 54 stores, reducing the total number of directly operated stores by 17 stores to 814. Having said that, 9 of the 54 stores earmarked for closure will become employee franchise stores, boosting the number of franchise outlets to 30. Including these franchise stores would make a total of 844 UNIQLO Japan stores.

UNIQLO International is expected to expand to 818 stores, with 100 new stores scheduled to open in Greater China, 30 in South Korea, 45 in Southeast Asia and Oceania, 20 in the United States and 5 in Europe. We expect Global Brands to expand to 1,353 stores, including 50 additional stores for GU, 45 for Theory and 5 for Comptoir des Cotonniers. Overall, the Fast Retailing Group store network should expand by 262 stores, for a total of 3,015 in fiscal 2015.

■ Store Openings by Segment

FY	2015				2014
Unit: Stores	Open	Close	Net	End Aug.	End Aug.
UNIQLO Japan	47	55	-8	**844**	852
Directly operated	37	54	-17	**814**	831
Large-scale	16	5	11	**210**	199
Standard	21	49	-28	**604**	632
Franchise	10	1	9	**30**	21
UNIQLO International	200	15	185	**818**	633
Global Brands*	100	15	85	**1,353**	1,268
Total	347	85	262	**3,015**	2,753

* Including franchise stores
Note: Excluding mina and Grameen UNIQLO

15 Risk Factors

Fast Retailing management regards the following to be the principal risk factors associated with the operations of Fast Retailing and other members of the Group, taking into account the potential of these factors to materially impact the decisions of investors. Management engages in rigorous risk avoidance and risk management, and strives to respond appropriately to adverse circumstances.

Fast Retailing judges and anticipates future risks based on its latest financial report (November 25, 2014) and other available information.

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

(a) Corporate acquisition risk

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

(b) Management personnel risk

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

(c) Competitive risk

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

(d) Risk of reliance on certain regions for production

Most items sold through the Group's core UNIQLO business operations are imports manufactured in China and other countries in Asia. For this reason, a major change in the political, economic and/or legal environment, or a natural disaster in any of these countries could have an impact on the Group's ability to supply products. Furthermore, any major rise in the cost of raw materials could have an adverse impact on business results.

(e) Risk of operations outside Japan

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

(f) Foreign currency risk

For most products imported for the UNIQLO business, which is the Group's core business, transactions are conducted in U.S. dollars. The Group has concluded forward foreign exchange contracts to cover imports for approximately the next three years. By locking in the foreign exchange rate for its imports, the Group endeavors to stabilize its procurement costs. However, any major movements in exchange rates that persist for prolonged periods could have an adverse impact on the Group's business results.

(2) General business risks

The Group recognizes the following risks associated with the management and conduct of its operations: (1) product liabilities, (2) leakage of comprehensive corporate and/or personal information, (3) weather conditions, (4) natural disasters, (5) disputes and/or lawsuits, and (6) changes in economic conditions and/or consumption trends.

History

1949.3
Men's Shop Ogori Shoji is founded in Ube City, Yamaguchi Prefecture, Japan.

1963.5
Ogori Shoji Co., Ltd. is established with capital of 6 million yen.

1984.6
The first UNIQLO store opens in Hiroshima (closes in August 1991).

1985.6
First UNIQLO roadside store opens.

1991.9
Company name is changed to FAST RETAILING CO., LTD.

1994.7
Company stock is listed on the Hiroshima Stock Exchange.

1998.2
Head office is constructed in Yamaguchi Prefecture, Japan.

1998.10
1,900-yen fleece campaign succeeds in attracting large public attention.

1998.11
First urban UNIQLO store opens in the fashionable Harajuku district of Tokyo.

1999.2
Company stock is listed on the First Section of the Tokyo Stock Exchange.

1999.4
Shanghai office is established to further enhance production management.

2000.4
Headquarter functions move to Tokyo.

2000.10
E-commerce business launches.

2001.9
First UNIQLO overseas store opens in London.

2002.4
UNIQLO Design Studio (current R&D Center) is established.

2002.9
First UNIQLO China store opens in Shanghai.

2002.11
SKIP brand food business starts (exits the business in April 2004).

2003.10
UNIQLO cashmere campaign generates high level of consumer interest.

2004.1
Fast Retailing invests in Link International Co., Ltd. (now LINK THEORY JAPAN CO., LTD.), developer of Theory brand apparel.

2004.10
First large-scale UNIQLO store opens in Shinsaibashi, Osaka (closes in 2010).

2004.12
UNIQLO Design Studio, New York, Inc. is established.

2004.12
UNIQLO launches joint venture with Lotte Shopping Co., Ltd. of South Korea.

2005.3
Footwear retail chain Onezone Corp. becomes a subsidiary (comes under UNIQLO Co., Ltd. in April 2010).

2005.5
Comptoir des Cotonniers is acquired.

2005.9
First UNIQLO South Korea store opens in Seoul.

2005.9
First UNIQLO U.S. store opens in New Jersey (closes in 2006).

2005.9
First UNIQLO Hong Kong store opens in the Tsim Sha Tsui shopping district.

2005.10
Large-scale UNIQLO store opens in Ginza, Tokyo.

2005.11
Holding company structure is adopted at Fast Retailing.

2006.2
Princesse tam.tam is acquired.

2006.4
Fast Retailing invests in women's apparel company Cabin Co., Ltd.

2006.6
Strategic business partnership is established between UNIQLO and Toray Industries, Inc.

2006.9
UNIQLO All-Product Recycling Initiative commences.

2006.10
First GU store opens in Chiba Prefecture, Japan.

2006.11
First UNIQLO global flagship store opens in Soho, New York City.

2007.11
Global flagship store, UNIQLO 311 Oxford Street Store, opens in London.

2007.12
First UNIQLO France store opens in Paris.

2009.3
LINK THEORY JAPAN CO., Ltd. becomes a subsidiary.

2009.4
First UNIQLO Singapore store opens.

2009.10
Global flagship store, Paris Opera Store, opens.

2010.4
First UNIQLO Russia store opens in Moscow.

2010.5
Global flagship store, UNIQLO West Nanjing Road Store, opens in Shanghai.

2010.7
Joint venture between UNIQLO and Grameen Bank is agreed, with the aim to pursue a social business in Bangladesh.

2010.10
Global flagship store, UNIQLO Shinsaibashi Store, opens in Osaka.

2010.10
First GU flagship store opens in Shinsaibashi, Osaka.

2010.10
First UNIQLO Taiwan store opens in Taipei.

2010.11
First UNIQLO Malaysia store opens in Kuala Lumpur.

2011.2
Global Partnership Agreement with UNHCR is established, reinforcing All-Product Recycling Initiative.

2011.9
First UNIQLO Thailand store opens in Bangkok.

2011.9
Global flagship store, UNIQLO Mingyao Department Store, opens in Taipei.

2011.10
Global flagship store, UNIQLO New York Fifth Avenue Store, opens in New York City.

2011.11
Global flagship store, UNIQLO Myeongdong Central Store, opens in Seoul.

2012.3
Global flagship store, UNIQLO Ginza opens, in Tokyo.

2012.3
GU flagship store opens in Ginza, Tokyo.

2012.5
UNIQLO appoints tennis player Novak Djokovich as Global Brand Ambassador.

2012.6
First UNIQLO Philippines store opens in Manila.

2012.9
Global hotspot store, BICQLO Shinjuku East Exit Store, opens in Tokyo.

2012.12
U.S.-based premium denim company J Brand Holdings, LLC is acquired.

2013.3
UNIQLO appoints pro golfer Adam Scott as Global Brand Ambassador.

2013.4
Global flagship store, UNIQLO Lee Theatre Store, opens in Hong Kong.

2013.6
First UNIQLO Indonesia store opens in Jakarta.

2013.9
First GU overseas store opens in Shanghai.

2013.9
Global flagship store, UNIQLO SHANGHAI Store, opens in China.

2014.3
Fast Retailing Hong Kong Depository Receipts (HDR) are listed on the Hong Kong Stock Exchange.

2014.3
Global hotspot store, UNIQLO Ikebukuro Sunshine 60 Street Store, opens in Tokyo.

2014.4
First UNIQLO Australia store opens in Melbourne.

2014.4
First UNIQLO Germany store, Tauentzien global flagship store, opens in Berlin.

2014.4
Global hotspot store, UNIQLO Okachimachi Store, opens in Tokyo.

2014.10
Global hotspot store, UNIQLO Kichijoji Store, opens in Tokyo.

2014.10
Global flagship store, UNIQLO OSAKA, opens in Osaka.

Investor Information (As of August 31, 2014)

Stock Exchange Listing

Tokyo Stock Exchange (First Section),
Securities Code: 9983

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

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares (including treasury stock)	106,073,656
Number of shareholders (including holders of treasury stock)	9,339

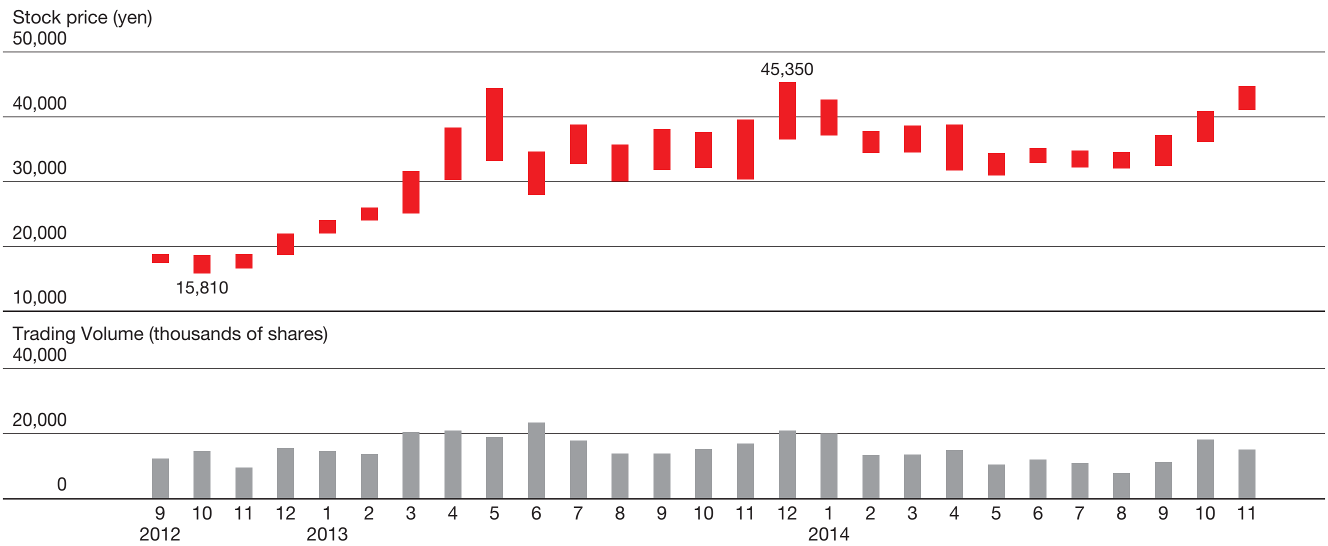
Distribution of Share Ownership

Individuals	38.56%
Financial institutions	23.26%
Foreign Shareholders	21.57%
Securities companies	8.58%
Corporations	8.03%

Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	22,987,284	21.67
The Master Trust Bank of Japan, Ltd.	11,500,400	10.84
Japan Trustee Services Bank, Ltd.	8,693,900	8.20
TTY Management B.V.	5,310,000	5.01
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
Fast Retailing Co., Ltd.	4,155,045	3.92
BNP Paribas Securities (Japan) Limited	3,642,813	3.43
Mastermind Co., Ltd.	3,610,000	3.40

Stock Price and Trading Volume



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

You can access materials and videos of our latest business results, meetings and press conferences.

Monthly Retail Data: You can view monthly sales for UNIQLO Japan.

IR Library: You can access the latest IR publications, including the Annual Report, Fact Book, Business Review and CSR Report.

IR Calendar: You can access the schedule for monthly announcements, business results meetings and other events.

IR News: You can access the latest IR news and releases.

CEO Message: You can access the latest messages from the chairman of Fast Retailing.

http://www.fastretailing.com/eng/ir/

Corporate Information

Corporate Data
(As of December 31, 2014)

FAST RETAILING CO., LTD.
Head Office
717-1 Sayama
Yamaguchi City, Yamaguchi
754-0894 Japan

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

Established
May 1, 1963

Paid-in Capital
¥10,274 million

Line of Business
Control and management of overall Group activities as owner and holding company

Number of Full-time Employees (Consolidated)
30,448 (As of August 31, 2014)

Fiscal Year Ends
August 31

Annual Shareholders' Meeting
Late November

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi
Chiyoda-ku, Tokyo
100-8212, Japan
Telephone: 0120-232-711
(From Japan)

Number of Shares per Trading Unit
100 shares (Tokyo Stock Exchange)
300 HDR (Hong Kong Stock Exchange)

Board of Directors
(As of December 31, 2014)

Tadashi Yanai
Chairman, President & CEO

Toru Hambayashi*
Nobumichi Hattori*
Toru Murayama*
Masaaki Shintaku*
Takashi Nawa*

Board of Auditors
(As of December 31, 2014)

Akira Tanaka
Masaaki Shinjo
Takaharu Yasumoto**
Akira Watanabe**
Keiko Kaneko**

Notes:
* External Director
** Statutory Auditor

Main Group Companies
(As of December 31, 2014)

① **UNIQLO CO., LTD.**
LINK THEORY JAPAN CO., LTD.
COMPTOIR DES COTONNIERS JAPAN CO., LTD.
G.U. CO., LTD.

② **FAST RETAILING (CHINA) TRADING CO., LTD.**

③ **UNIQLO HONG KONG, LIMITED**

④ **UNIQLO TAIWAN LTD.**

⑤ **FRL Korea Co., Ltd.**

⑥ **UNIQLO (SINGAPORE) PTE. LTD.**

⑦ **UNIQLO (MALAYSIA) SDN. BHD.**

⑧ **UNIQLO (THAILAND) COMPANY LIMITED**

⑨ **FAST RETAILING PHILIPPINES, INC.**

⑩ **PT. FAST RETAILING INDONESIA**

⑪ **UNIQLO EUROPE LIMITED**

⑫ **Fast Retailing USA, Inc.**
J Brand, Inc.

⑬ **FAST RETAILING FRANCE S.A.S.**

⑭ **LLC UNIQLO (RUS)**

⑮ **UNIQLO AUSTRALIA PTY LTD**

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

http://www.fastretailing.com/eng/

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Forward-looking Statements

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

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FAST RETAILING

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

UNIQLO Le Marais Store, Paris

Fast Retailing Co., Ltd.

Consolidated Financial Statements

for the year ended August 31, 2014

Consolidated Statement of Financial Position

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
ASSETS	2013	2014	2014
Current assets			
Cash and cash equivalents	¥296,708	**¥314,049**	**$3,027,275**
Trade and other receivables	37,933	**47,428**	**457,184**
Other current financial assets	2,461	**9,119**	**87,911**
Inventories	167,521	**223,223**	**2,151,755**
Derivative financial assets	113,641	**99,125**	**955,515**
Income taxes receivable	8,980	**11,951**	**115,207**
Others	10,291	**12,139**	**117,015**
Total current assets	637,537	**717,037**	**6,911,866**
Non-current assets			
Property, plant and equipment	91,385	**114,398**	**1,102,739**
Goodwill	37,016	**26,715**	**257,526**
Other intangible assets	52,838	**46,968**	**452,755**
Non-current financial assets	63,608	**71,293**	**687,234**
Deferred tax assets	15,467	**11,257**	**108,514**
Others	3,353	**4,636**	**44,692**
Total non-current assets	263,670	**275,270**	**2,653,462**
Total assets	¥901,208	**¥992,307**	**$9,565,329**

Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables	¥153,364	**¥185,119**	**$1,784,452**
Derivative financial liabilities	—	**1,012**	**9,763**
Other current financial liabilities	9,450	**12,696**	**122,390**
Income taxes payable	26,760	**32,750**	**315,697**
Provisions	11,420	**16,154**	**155,722**
Others	16,583	**25,462**	**245,443**
Total current liabilities	217,578	**273,196**	**2,633,471**
Non-current liabilities			
Non-current financial liabilities	30,077	**27,604**	**266,088**
Provisions	5,818	**7,694**	**74,171**
Deferred tax liabilities	49,752	**37,387**	**360,395**
Others	8,253	**10,383**	**100,089**
Total non-current liabilities	93,902	**83,069**	**800,744**
Total liabilities	311,481	**356,265**	**3,434,215**
EQUITY			
Capital stock	10,273	**10,273**	**99,035**
Capital surplus	6,859	**9,803**	**94,505**
Retained earnings	481,746	**525,722**	**5,067,692**
Treasury stock, at cost	(15,851)	**(15,790)**	**(152,209)**
Other components of equity	87,399	**88,371**	**851,851**
Equity attributable to owners of the parent	570,428	**618,381**	**5,960,875**
Non-controlling interests	19,298	**17,660**	**170,238**
Total equity	589,726	**636,041**	**6,131,113**
Total liabilities and equity	¥901,208	**¥992,307**	**$9,565,329**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Revenue	¥1,142,971	**¥1,382,935**	**$13,330,782**
Cost of sales	(577,826)	**(683,161)**	**(6,585,327)**
Gross profit	565,145	**699,773**	**6,745,454**
Selling, general and administrative expenses	(426,177)	**(549,195)**	**(5,293,961)**
Other income	4,050	**7,025**	**67,720**
Other expenses	(8,916)	**(27,200)**	**(262,196)**
Operating profit	134,101	**130,402**	**1,257,017**
Finance income	22,269	**6,001**	**57,854**
Finance costs	(638)	**(933)**	**(9,003)**
Profit before income taxes	155,732	**135,470**	**1,305,869**
Income taxes	(48,257)	**(56,133)**	**(541,093)**
Profit for the year	¥ 107,474	**¥ 79,337**	**$ 764,775**
Attributable to:			
Owners of the parent	104,595	**74,546**	**718,593**
Non-controlling interests	2,879	**4,790**	**46,181**
Profit for the year	¥ 107,474	**¥ 79,337**	**$ 764,775**
Earnings per share			
Basic (yen, dollar)	1,026.68	**731.51**	**7.05**
Diluted (yen, dollar)	¥1,025.75	**¥ 730.81**	**$ 7.04**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Profit for the year	¥107,474	**¥79,337**	**$764,775**
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss	—	**—**	**—**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gain/(loss) on revaluation of available-for-sale investments	207	**66**	**641**
Exchange differences on translation of foreign operations	19,462	**8,402**	**80,994**
Cash flow hedges	84,405	**(5,773)**	**(55,655)**
Other comprehensive income, net of taxes	¥104,075	**¥ 2,695**	**$ 25,980**
Total comprehensive income for the year	¥211,550	**¥82,033**	**$790,755**
Attributable to:			
Owners of the parent	205,660	**75,517**	**727,954**
Non-controlling interests	5,890	**6,515**	**62,801**
Total comprehensive income for the year	¥211,550	**¥82,033**	**$790,755**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2013 and 2014

	Millions of yen										
					Other components of equity						
	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	–	–	–	–	207	16,452	84,405	101,065	101,065	3,010	104,075
Total comprehensive income	–	–	104,595	–	207	16,452	84,405	101,065	205,660	5,890	211,550
Transactions with the owners											
Acquisition of treasury stock	–	–	–	(9)	–	–	–	–	(9)	–	(9)
Disposal of treasury stock	–	421	–	161	–	–	–	–	583	–	583
Dividends	–	–	(27,504)	–	–	–	–	–	(27,504)	(891)	(28,396)
Share-based payments	–	140	–	–	–	–	–	–	140	–	140
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	6,666	6,666
Others	–	–	101	–	–	–	–	–	101	239	341
Total transactions with the owners	–	562	(27,403)	152	–	–	–	–	(26,688)	6,015	(20,672)
Total net changes during the year	–	562	77,191	152	207	16,452	84,405	101,065	178,972	11,905	190,877
As at 31 August 2013	¥10,273	¥6,859	¥481,746	¥(15,851)	¥731	¥16,452	¥70,215	¥87,399	¥570,428	¥19,298	¥589,726
Net changes during the year											
Comprehensive income											
Profit for the year	**–**	**–**	**74,546**	**–**	**–**	**–**	**–**	**–**	**74,546**	**4,790**	**79,337**
Other comprehensive income	**–**	**–**	**–**	**–**	**66**	**6,583**	**(5,679)**	**971**	**971**	**1,724**	**2,695**
Total comprehensive income	**–**	**–**	**74,546**	**–**	**66**	**6,583**	**(5,679)**	**971**	**75,517**	**6,515**	**82,033**
Transactions with the owners											
Acquisition of treasury stock	**–**	**–**	**–**	**(25)**	**–**	**–**	**–**	**–**	**(25)**	**–**	**(25)**
Disposal of treasury stock	**–**	**471**	**–**	**86**	**–**	**–**	**–**	**–**	**558**	**–**	**558**
Dividends	**–**	**–**	**(30,571)**	**–**	**–**	**–**	**–**	**–**	**(30,571)**	**(633)**	**(31,204)**
Share-based payments	**–**	**746**	**–**	**–**	**–**	**–**	**–**	**–**	**746**	**–**	**746**
Acquisition of non-controlling interests	**–**	**1,726**	**–**	**–**	**–**	**–**	**–**	**–**	**1,726**	**(7,813)**	**(6,086)**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**293**	**293**
Total transactions with the owners	**–**	**2,944**	**(30,571)**	**60**	**–**	**–**	**–**	**–**	**(27,565)**	**(8,152)**	**(35,718)**
Total net changes during the year	**–**	**2,944**	**43,975**	**60**	**66**	**6,583**	**(5,679)**	**971**	**47,952**	**(1,637)**	**46,314**
As at 31 August 2014	**¥10,273**	**¥9,803**	**¥525,722**	**¥(15,790)**	**¥798**	**¥23,035**	**¥64,536**	**¥88,371**	**¥618,381**	**¥17,660**	**¥636,041**

	Thousands of U.S. dollars										
					Other components of equity						
	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 31 August 2013	$99,035	$66,119	$4,643,788	$(152,796)	$7,055	$158,591	$676,843	$842,490	$5,498,637	$186,025	$5,684,662
Net changes during the year											
Comprehensive income											
Profit for the year	**–**	**–**	**718,593**	**–**	**–**	**–**	**–**	**–**	**718,593**	**46,181**	**764,775**
Other comprehensive income	**–**	**–**	**–**	**–**	**641**	**63,462**	**(54,743)**	**9,360**	**9,360**	**16,619**	**25,980**
Total comprehensive income	**–**	**–**	**718,593**	**–**	**641**	**63,462**	**(54,743)**	**9,360**	**727,954**	**62,801**	**790,755**
Transactions with the owners											
Acquisition of treasury stock	**–**	**–**	**–**	**(247)**	**–**	**–**	**–**	**–**	**(247)**	**–**	**(247)**
Disposal of treasury stock	**–**	**4,547**	**–**	**835**	**–**	**–**	**–**	**–**	**5,383**	**–**	**5,383**
Dividends	**–**	**–**	**(294,689)**	**–**	**–**	**–**	**–**	**–**	**(294,689)**	**(6,102)**	**(300,791)**
Share-based payments	**–**	**7,199**	**–**	**–**	**–**	**–**	**–**	**–**	**7,199**	**–**	**7,199**
Acquisition of non-controlling interests	**–**	**16,638**	**–**	**–**	**–**	**–**	**–**	**–**	**16,638**	**(75,313)**	**(58,675)**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,827**	**2,827**
Total transactions with the owners	**–**	**28,385**	**(294,689)**	**587**	**–**	**–**	**–**	**–**	**(265,716)**	**(78,588)**	**(344,305)**
Total net changes during the year	**–**	**28,385**	**423,904**	**587**	**641**	**63,462**	**(54,743)**	**9,360**	**462,237**	**(15,787)**	**446,450**
As at 31 August 2014	**$99,035**	**$94,505**	**$5,067,692**	**$(152,209)**	**$7,697**	**$222,054**	**$622,099**	**$851,851**	**$5,960,875**	**$170,238**	**$6,131,113**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net cash from operating activities:			
Profit before income taxes	¥155,732	**¥135,470**	**$1,305,869**
Depreciation and amortization	23,607	**30,808**	**296,975**
Impairment losses	5,068	**23,960**	**230,969**
Increase/(decrease) in allowance for doubtful accounts	(258)	**(24)**	**(238)**
Increase/(decrease) in other provisions	2,298	**2,703**	**26,056**
Interest and dividend income	(601)	**(897)**	**(8,648)**
Interest expenses	638	**933**	**9,003**
Foreign exchange losses/(gains)	(21,667)	**(5,104)**	**(49,206)**
Losses on retirement of property, plant and equipment	519	**391**	**3,773**
Decrease/(increase) in trade and other receivables	(11,070)	**(7,489)**	**(72,196)**
Decrease/(increase) in inventories	(51,426)	**(45,627)**	**(439,827)**
Increase/(decrease) in trade and other payables	46,911	**10,420**	**100,444**
Decrease/(increase) in other assets	(4,326)	**(6,552)**	**(63,162)**
Increase/(decrease) in other liabilities	11,395	**25,958**	**250,226**
Others, net	(1,878)	**1,265**	**12,201**
Subtotal	154,940	**166,216**	**1,602,240**
Interest and dividend income received	598	**896**	**8,644**
Interest paid	(642)	**(938)**	**(9,041)**
Income taxes paid	(65,795)	**(65,534)**	**(631,717)**
Income taxes refund	10,375	**9,954**	**95,957**
Net cash from operating activities	99,474	**110,595**	**1,066,083**
Net cash used in investing activities:			
Decrease/(increase) in bank deposits with maturity over 3 months	—	**(2,156)**	**(20,787)**
Purchases of property, plant and equipment	(27,668)	**(41,414)**	**(399,214)**
Proceeds from sales of property, plant and equipment	280	**1,399**	**13,494**
Purchases of intangible assets	(4,070)	**(7,525)**	**(72,542)**
Proceeds from sales of intangible assets	0	**—**	**—**
Payments for lease and guarantee deposits	(5,205)	**(6,982)**	**(67,311)**
Proceeds from collection of lease and guarantee deposits	2,126	**841**	**8,107**
Increase in construction assistance fund receivables	(2,736)	**(2,892)**	**(27,877)**
Decrease in construction assistance fund receivables	1,706	**1,895**	**18,268**
Increase in guarantee deposits received	85	**180**	**1,741**
Decrease in guarantee deposits received	(330)	**(295)**	**(2,847)**
Acquisition of a subsidiary, net of cash acquired	(26,771)	**—**	**—**
Others, net	0	**626**	**6,036**
Net cash used in investing activities	(62,584)	**(56,323)**	**(542,931)**
Net cash used in financing activities:			
Net increase/(decrease) in short-term loans payable	(1,722)	**862**	**8,310**
Additions to long-term loans payable	16,640	**—**	**—**
Repayment of long-term loans payable	(7,474)	**(3,826)**	**(36,888)**
Cash dividends paid	(27,507)	**(30,574)**	**(294,723)**
Cash dividends paid to non-controlling interests	(891)	**(633)**	**(6,102)**
Repayments of lease obligations	(3,298)	**(3,656)**	**(35,248)**
Acquisition of non-controlling interests	—	**(6,026)**	**(58,088)**
Others, net	28	**(205)**	**(1,983)**
Net cash used in financing activities	(24,226)	**(44,060)**	**(424,724)**
Effect of exchange rate changes on cash and cash equivalents	18,020	**7,129**	**68,729**
Net increase/(decrease) in cash and cash equivalents	30,684	**17,340**	**167,157**
Cash and cash equivalents at beginning of year	266,023	**296,708**	**2,860,118**
Cash and cash equivalents at end of year	¥296,708	**¥314,049**	**$3,027,275**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

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 period 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)

(6) Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥103.74=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market at the end of August 2014. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars at that or any other rate.

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						
	UNIQLO Japan	UNIQLO International	Global Brands	Total	Others	Adjustments	Consolidated statement of profit or loss
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

	Reportable segments						
Millions of yen	UNIQLO Japan	UNIQLO International	Global Brands	Total	Others	Adjustments	Consolidated statement of profit or loss
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					
		Intangible assets other than goodwill				
Acquisition costs	Goodwill	Software	Trademarks	Other intangible assets	Total	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
Business 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					
		Intangible assets other than goodwill				
Accumulated amortization and impairment	Goodwill	Software	Trademarks	Other intangible assets	Total	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					
		Intangible assets other than goodwill				
Net carrying amount	Goodwill	Software	Trademarks	Other intangible assets	Total	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					
	Goodwill			Intangible assets with indefinite useful lives		
Net carrying amount	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*	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)

* 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*	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)**

* 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)*	—	—	42,270	—	562
Balances as at 31 August 2013	300,000,000	106,073,656	101,896,492	10,273	6,859
Increase/(decrease)*	—	—	22,119	—	2,944
Balances as at 31 August 2014	**300,000,000**	**106,073,656**	**101,918,611**	**10,273**	**9,803**

* 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

(i) 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**

(ii) 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 amortization	23,607	**30,808**
Outsourcing	17,185	**22,953**
Salaries	140,111	**184,864**
Others	81,303	**110,975**
Total	426,177	**549,195**

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	
Equity per share attributable to owners of the parent (Yen)	¥5,598.12
Basic earnings per share for the year (Yen)	1,026.68
Diluted earnings per share for the year (Yen)	1,025.75

Year ended 31 August 2014	
Equity per share attributable to owners of the parent (Yen)	¥6,067.40
Basic earnings per share for the year (Yen)	731.51
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*	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*	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*	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*	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

* 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.

(i) 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.

(ii) 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

(iii) 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:

(i) Valuation model: Black-Scholes model

(ii) 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*1	37%	37%
Expected life of options*2	6.5 years	5.04 years
Expected dividends*3	290 yen/share	290 yen/share
Risk-free interest rate*4	0.308%	0.189%

*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:

(i) Valuation model: Black-Scholes model

(ii) 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*1	36%	36%
Expected life of options*2	6.5 years	5.04 years
Expected dividends*3	260 yen/share	260 yen/share
Risk-free interest rate*4	0.352%	0.203%

*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.

(i) 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)

(ii) 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.

(iii) 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.

(i) 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.

(ii) 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				
			Overdue amounts		
	Total	Within due date	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 worldwide 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
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*	12,540	12,316	25,559	24,581	23,104	22,065
Lease obligations*	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

* 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)

	Millions of yen			
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

	Millions of yen			
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)	Notes	
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.

Building a better working world

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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.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

25 November 2014
Tokyo, Japan

A member firm of Ernst & Young Global Limited

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