FAST RETAILING

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:

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

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

As at 31 August 2014	Millions of yen 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.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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

FAST RETAILING

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

Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6231 Japan
Telephone: +81-3-6862-9983 Facsimile: +81-3-6865-0076