



## FAST RETAILING

# ANNUAL REPORT 2015

Year ended  
August 31, 2015



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**FAST RETAILING WAY** FR Group Corporate Philosophy

**CHANGING  
CLOTHES.**

**CHANGING  
CONVENTIONAL  
WISDOM.**

**CHANGE THE  
WORLD.**



# FAST RETAILING

manages multiple brands worldwide, including UNIQLO, GU, Theory and Comptoir des Cotonniers, using an SPA (Specialty store retailer of Private label Apparel) business model that controls the entire process from design through manufacture and retail. UNIQLO, the Group's mainstay brand, offers high-quality, basic casualwear at reasonable prices via a network of 1,700 stores in 17 countries and regions. UNIQLO's ability to develop revolutionary products made from unique functional materials, such as HEATTECH and AIRism, has helped differentiate the brand and ensure consistent strong growth. In addition to Japan, Greater China, South Korea and Southeast Asia will drive future UNIQLO growth. GU, the Group's second pillar, is also growing rapidly as a brand offering fashion freedom and fun. Fast Retailing aims to become the world's No.1 apparel company by creating clothes and services that enrich people's lives everywhere.



# CHANGING THE WAY WE CHANGE

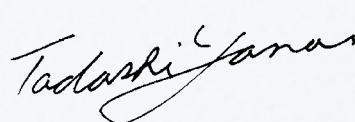
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Over the next three years, we will likely witness greater changes in industry than we have in the past three decades. In our areas of business, apparel and retail, digital innovation will transform the landscape. Comprehensive, universal internet usage is propelling us towards a new era where every element of the clothes-making process, whether design or manufacture, distribution or retail, will advance simultaneously. We creators of clothes will be able to rapidly produce optimum volumes of the latest fashions, and then deliver them along with up-to-the-minute information to customers worldwide. In short, people will be able to get exactly what they want as soon as they want it.

As a global apparel operator, Fast Retailing is perfectly positioned to pioneer a new industry right here and right now. From humble beginnings thirty years ago as a small regional company, we successfully created a new made-in-Japan success story now known as UNIQLO. We achieved rapid growth by establishing a new business model as an apparel manufacturer and retailer. Today, I feel the same inspiration I felt back then. I want to create a new industry that transcends the traditional barriers between apparel, textiles and retail. We can do this if we encourage employees to channel their individual creativity into promoting innovation, and pursue our Global One and *Zenin Keiei* management principles with passion and determination. Then we will be able to offer truly great, unique clothing to customers all over the world, and become the world's No.1 apparel manufacturer and retailer.

Pioneering revolutionary change in our business is vitally important, but I am equally passionate about using clothes to make the world a better place. In September 2015, we launched the 10 Million Ways to HELP Project. This is an extension of our All-Product Recycling Initiative, which delivers second-hand clothes to refugees and displaced people around the world with the help of the UNHCR, the United Nations refugee agency. We also committed US\$10 million to a three-year UNHCR project beginning in 2016 designed to foster independence through training programs and other initiatives. I strongly believe we can use focused clothes-related social activities to bring joy and happiness to people all over the world.

January 2016



**Tadashi Yanai**

Chairman, President and CEO





# LifeWear

## A New Kind of Clothing

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### Enjoy Life More with Ultimate Everyday Comfort

UNIQLO is passionate about creating comfortable everyday clothes that make your life better. Today, UNIQLO boasts over 1,700 stores in 17 countries and regions, and is attracting fans from all over the world with new concepts in clothing.

Usually, the most important thing in the fashion business is to chase the latest trends faster than anyone else. At UNIQLO, however, we are striving for something completely different: an entirely new, unique category of clothing. This is founded on our LifeWear concept, which denotes high-quality, fashionable, affordable and comfortable everyday clothing.

LifeWear features the highest-quality materials, modern elegant lines and superior comfort. Designing simple, basic clothing is actually harder than offering straight “fashion”—it requires high levels of expertise, experience and unique inspiration. We are always looking to improve product development by employing world-class designers and skillful pattern makers at our research and design (R&D) centers in the global fashion cities of Tokyo, New York, Shanghai, Los Angeles and Paris.



LifeWear





Customers love the superior  
fit and comfort of UNIQLO's  
Ultra Stretch Jeans

We have worked hard over the past 15 years to develop new revolutionary materials in strategic partnership with the major synthetic fiber manufacturer Toray Industries. Such a long-standing relationship between apparel maker and materials developer is rare. The partnership has produced our innovative HEATTECH range for winter warmth, our cool and fresh AIRISM innerwear, and our near-weightless Ultra Light Down outerwear. We also work with large-scale natural fiber producers to develop products such as cashmere sweaters and Supima® cotton T-shirts. These collaborative efforts enable us to offer superior products at reasonable prices to customers worldwide.

Our Fall 2015 Ultra Stretch Jeans are a great example. Constant innovation helped create the ideal jeans for women. We were able to make an amazing stretch material by exploring different ways of developing and combining fibers, and offer women an unprecedented fit that made their lives less stressful and more comfortable. Jeans originated as clothes for men doing physical work on places like farms. They weren't designed as snug-fitting, comfortable clothes for women, but UNIQLO's Ultra Stretch Jeans have changed all that. We will continue to pursue cutting-edge innovations to perfect LifeWear everyday clothing, made for all.

# UNIQLO International Driving Future Expansion



## SHANGHAI

The UNIQLO Shanghai global flagship store was opened on the city's major Huaihai Road in September 2013. Boasting a sales floor of approximately 6,600m<sup>2</sup>, the store is UNIQLO's largest in the world, attracting large numbers of customers each day.

## Greater China Revenue Tops ¥300 Billion for the First Time

Revenue at UNIQLO Greater China (Mainland China, Hong Kong and Taiwan) topped ¥300 billion in fiscal 2015. The operation is growing more rapidly than I ever imagined when we opened our first store in Hong Kong in 2005. With a middle-income population of 400 million, Mainland China has the potential to become a far bigger market for us than Japan. During Japan's economic development, consumers bought nice clothes and accessories before buying a house or a car, and I think the same will hold true in China. UNIQLO is well known in China for high-quality basic clothing, and I believe it will become the first choice for increasingly affluent Chinese customers. UNIQLO Greater China operated 467 stores at the end of August 2015. We plan to open 100 stores annually until we reach 1,000 stores, and then aim for 3,000 stores.

With 108 stores at the end of August 2015, UNIQLO is successfully building a robust business in Southeast Asia and Oceania. Australia is one of our newer markets, but it already looks very promising. Thanks to exceptional awareness of UNIQLO in Asia, new stores are generating strong sales, even in unfamiliar areas, making for a highly profitable business.



CBN Weekly magazine has ranked UNIQLO the top fashion apparel brand in China every year since 2012.





# CHICAGO

The UNIQLO Michigan Avenue flagship store, our first store in the Midwest, was opened on Chicago's Magnificent Mile in October 2015. The 4,100m<sup>2</sup> store spans three levels and houses a Starbucks®, so customers can enjoy a coffee as they shop.

## Tackling UNIQLO USA Losses Is a Top Priority

In fiscal 2015, we overhauled our U.S. strategy. We began focusing on opening new stores in major cities and expanding e-commerce sales to invigorate the U.S. operation and reduce its operating losses.

Our Soho global flagship store (2006) and 5th Avenue global flagship store (2011) are both generating strong sales in New York, where the UNIQLO brand has established a great reputation and a loyal customer base. However, in suburban shopping malls, poor awareness of the UNIQLO brand was proving a major hurdle to future development, so we decided to employ our “scrap and build” policy, closing unprofitable suburban stores and focusing instead on boosting brand awareness by opening iconic flagship and large-format stores in prime locations in major cities.

We are also expanding e-commerce sales through digital innovation. I believe this decision is the right one in a vast market like the United States. E-commerce

currently accounts for 15% of total sales in the U.S., and that operation is profitable and expanding favorably.

Our aim is to be the world's No.1 apparel brand, and that means developing solid operations in the world's largest retail market. I intend to channel the expertise of the entire Fast Retailing Group into making UNIQLO USA profitable and successful.

## Opening More Stores in Major European Centers

We opened our first Belgian store in October 2015 in Antwerp, as part of our drive to expand our store presence in prominent European cities. I want to build a strong fan base across Europe by enthusiastically marketing the UNIQLO LifeWear concept in urban areas. I am also looking forward to unveiling our newly renovated 311 Oxford Street global flagship store in London in early 2016.



# Transform Industry through Digital Innovation

## Big Changes at UNIQLO Creating a New Industry

The widespread use of mobile devices is revolutionizing the distribution industry all over the world. With its global presence, UNIQLO is perfectly positioned to capitalize by transforming core business structures and pioneering the creation of a new industry that dissolves the existing barriers between distribution, apparel and retail.

I want to create a new system that enables us to conduct all of our processes simultaneously via the internet, from design and production to distribution and retail. This system would enable us, as creators of clothing, to rapidly produce optimum volumes of the latest fashions and ensure customers get what they want straight away. One thing is for certain: The way we shop is going to change dramatically.

Soon, UNIQLO's registered mobile users will have instant access to information about products and discounts, and will be able to readily locate and buy the items they want online. Our systems will help mobile users purchase size-appropriate clothing with ease, simply by registering their personal measurements. Already, customers ordering men's shirts online can select from a range of 169 semi-made-to-order size patterns offering a variety of neck, sleeve and body fits. They no longer need to suffer the frustration of buying an L-size shirt and finding the neck is too loose. Customer satisfaction regarding UNIQLO and its LifeWear concept will grow further as we introduce more services like this. I want to boost the contribution of e-commerce to UNIQLO's global sales from the current 5% to at least 30% in the near future.

UNIQLO will also transform vital logistics systems, starting in late 2016 with the launch of a digital flagship store based in our new state-of-the-art distribution center in Ariake, Tokyo. This will link our physical and virtual businesses. We are planning to create 10 similar centers around Japan, and more abroad.

Making a global impact with a new industry created through digital innovation will be our springboard to future success.



# UNIQLO Japan Maintains Stable Growth

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## Local Stores, Managed by Local Employees

Part of my job is to ensure that our 841 UNIQLO Japan stores (end August 2015) continue to generate stable growth. Our scrap and build strategy, which gradually increases the average size of our stores, leads to an improved shopping experience that boosts UNIQLO's brand image.

At UNIQLO, we offer employee franchise stores, which enable experienced store managers to take over a directly run store and operate it as a franchise. Sales at these franchise stores typically increase by around 20% as the store owner adopts a sharp business mindset, and implements precise, customer-centric, and community-focused management. Until recently, I believed chain-store operations were the best shortcut to high-efficiency management at UNIQLO. However, having successfully shaped UNIQLO as a brand intrinsically linked to people's everyday lives, I no longer think our existing chain operation can fully satisfy customer demands. Instead, I want new stores that delight customers with their community feel and focus: local stores, managed by local people.

Store managers must have a good grasp of local customer needs to manage inventory effectively, provide high-quality services to local customers, and effectively train their in-store staff. To support this evolution, we have created a new permanent employee system and are encouraging approximately half of our in-store staff to transition from temporary workers to local store employees. At the end of August 2015, approximately 10,000 of the 30,000 people working at UNIQLO Japan stores had become local store employees. We also introduced a four-day working week to accommodate the at-home commitments of many local store employees, and in general to offer a more flexible workplace. If the local store employee system grows, I believe local customers will appreciate UNIQLO more, and staff will be happier.



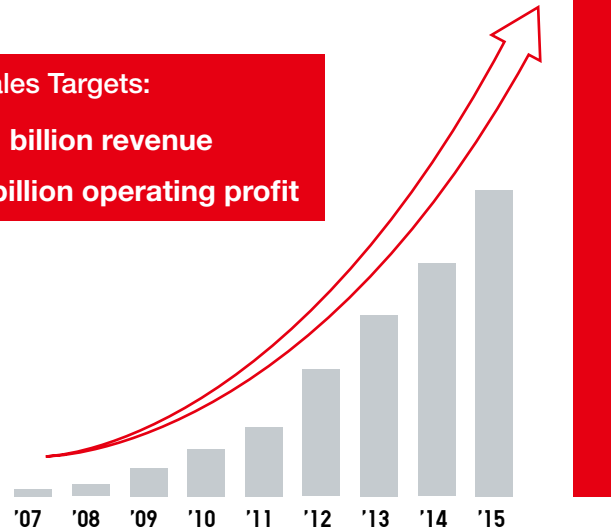
# GU Fast Fashion Headed to the Top



GU Sales Targets:

**¥300 billion revenue**

**¥40 billion operating profit**



## Fast Fashion Brand from Japan Aims to Be World No.1

Our low-priced GU casualwear brand performed extremely well in fiscal 2015, with revenue rising 31.6% year on year to ¥141.5 billion and operating profit almost tripling to ¥16.4 billion. GU's ability to satisfy customers' desire to have fun with fashion without spending a lot of money has rapidly propelled the brand to the top of Japan's fast fashion industry.

Recently, UNIQLO has learned a lot from GU, including techniques for developing garments that incorporate the latest fashion trends, approaches to fashion marketing, and methods to flexibly adjust production when required. In addition, on e-commerce, GU's strategy of appealing to younger customers with the latest marketing systems and technology is fast becoming an accepted new business model.

Our ultimate aim in Japan is for GU to be as big as UNIQLO. Moreover, we have already launched the brand in Shanghai and Taiwan, and it will be exciting to see just how far we can go. GU designs offer the perfect balance of fashion trends, basic functionality, and attention to detail. GU clothes also incorporate an element of Japanese *kawaii* (cuteness) that will differentiate the label from U.S. and European competitors, and help the brand establish itself as the global fast fashion leader.



# Managerial Thinking at Every Level

## FAST RETAILING WAY FR Group Corporate Philosophy

**Changing clothes. Changing conventional wisdom. Change the world.**

### GROUP MISSION

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

## Creating the Leading Global Apparel Company

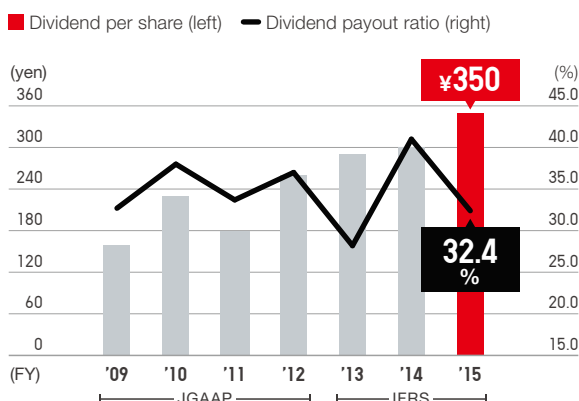
"Changing clothes. Changing conventional wisdom. Change the world." We created this corporate statement to ensure Fast Retailing developed into a truly good corporate group. I want to encourage employees to channel their individual creativity into promoting innovation and delivering genuinely great, unique clothes to customers all over the world. Our quintessentially Japanese commitment to diligence, teamwork, high-quality products, and attentive customer service form the backbone of our management philosophy.

For me, the most important thing is to encourage employees worldwide to work with passion, and to adhere to our Global One and *Zenin Keiei* management principles, whereby all staff, from in-store part-timers to top managers, adopt a managerial mindset and strive to provide customers with the best products and the best service. Staff around the world are encouraged to adopt the best available global method in everything they do. If we achieve all this, UNIQLO will become the No.1 brand, and Fast Retailing the No.1 company, in apparel.

## Strong Performance, Strong Dividends

Our policy is to offer high dividends that closely reflect business performance. We use profits to fund future growth, while retaining earnings to ensure healthy finances and provide good shareholder returns. In fiscal 2015, we increased our annual dividend by ¥50 to ¥350. Rewarding shareholders remains one of Fast Retailing's most important objectives.

### Dividend per Share



## HIGHLIGHTS

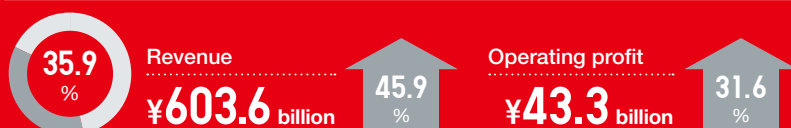
- A record consolidated performance
- UNIQLO International drives Group growth
- UNIQLO Japan continues steady growth
- GU poised for rapid growth

### Fiscal 2015 Performance by Business Segment

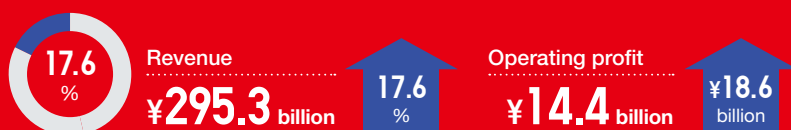
#### UNIQLO JAPAN



#### UNIQLO INTERNATIONAL



#### GLOBAL BRANDS

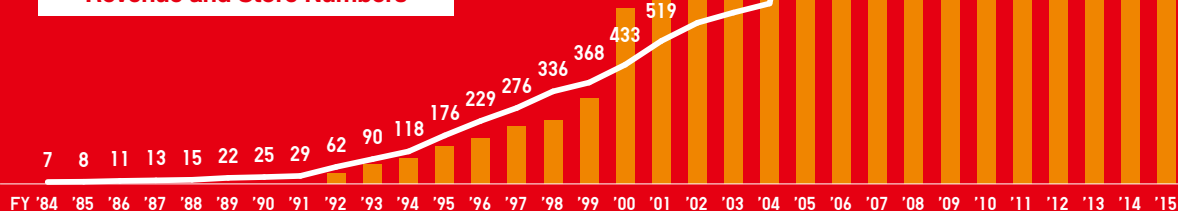


GLOBAL BRANDS  
¥295.3 billion  
17.6%

UNIQLO INTERNATIONAL  
¥603.6 billion  
35.9%

UNIQLO JAPAN  
¥780.1 billion  
46.4%

### Revenue and Store Numbers



## UNIQLO JAPAN

### Fiscal 2015 Performance

Achieved a record performance, with revenue hitting ¥780.1 billion (+9.0% YoY) and operating profit ¥117.2 billion (+10.3%). Strong sales of core ranges such as HEATTECH, Ultra Light Down, wool sweaters and jeans. Same-store sales rose 6.2%. Customers have been impressed by the community-focused management style of our UNIQLO OSAKA global flagship store and UNIQLO Kichijoji global hotspot store, helping both build a strong following since their opening in October 2014.

### Fiscal 2016 Forecast

Expect further steady increases in revenue and profit. Promote growth through our scrap and build strategy, which expands average sales space per store. Expect similar same-store sales to 2015. Price increases on some products from fall 2015 reflected the weaker yen and higher cost of sales. Aim for flat gross profit margin. Plan to launch the new Ariake distribution center in early 2016 and carry out fresh marketing designed to boost e-commerce sales.

### Sales by Clothing Segment



## UNIQLO INTERNATIONAL

### Fiscal 2015 Performance

Achieved a record performance, with revenue reaching ¥603.6 billion (+45.9%) and operating profit ¥43.3 billion (+31.6%) on the back of continued strong growth in the Greater China region and South Korea. Greater China revenue expanded by an impressive 46.3% to ¥304.4 billion and operating profit rose 66.1% to ¥38.6 billion. UNIQLO USA losses expanded on rapid store development and continued poor brand recognition, which dampened sales. Total network at end August 2015: 798 stores (+165).

### Fiscal 2016 Forecast

Expect continued growth. Plan to open 177 new stores (approximately 100 in Greater China). In November 2015, the number of UNIQLO International stores overtook the number of UNIQLO Japan stores. Pursue new strategy to shrink losses at UNIQLO USA, closing smaller unprofitable stores and focusing instead on opening iconic stores in prime urban locations, and on boosting e-commerce sales. Newly refurbished London global flagship store set to open in early 2016.

### Sales by Region



## GLOBAL BRANDS

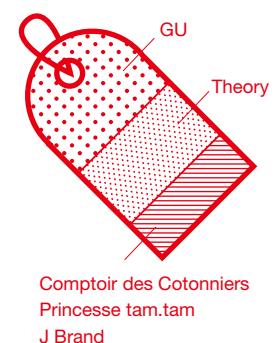
### Fiscal 2015 Performance

Revenue expanded 17.6% to ¥295.3 billion and operating profit rebounded convincingly from a ¥4.1 billion loss in fiscal 2014 to a ¥14.4 billion profit. We recorded impairment losses of ¥5.1 billion due to losses at J Brand. Also, the downturn in the U.S. luxury market hit Theory profits. However, GU performed extremely well, with revenue rising 31.6% to ¥141.5 billion and operating profit almost tripling to ¥16.4 billion. GU boasted 314 stores in Japan and 5 stores elsewhere (August 2015).

### Fiscal 2016 Forecast

Expect gains in revenue and profit, supported by further strong growth at GU. Effective TV commercials have dramatically boosted GU recognition as a brand offering more fashion freedom and fun. Scheduled to open 50 new GU stores in Japan, plus stores in Shanghai and Taiwan. Theory should enjoy steady growth in Japan, and we are aiming for Theory USA and J Brand to deliver similar performance to 2015.

### Sales by Brand





# **WORKING TOGETHER TO DO THINGS RIGHT**





## MESSAGES FROM OUR EXTERNAL DIRECTORS



**Toru Hambayashi**  
External Director

### Fast Retailing: A Responsible, Accountable Public Company

It is our task as external directors to vigilantly evaluate, on behalf of various stakeholders, whether Fast Retailing is generating sound results. While CEO Tadashi Yanai is an amazing businessman, and an ethical one, Fast Retailing must continue its transition from a “my company” under Mr. Yanai to a “your company,” a more public corporation. I am also committed to helping Fast Retailing realize its aim of becoming the world’s top apparel retailer.

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



**Nobumichi Hattori**  
External Director

### Maximizing Corporate Value

Fast Retailing’s high level of growth is leading to a greater number of potential M&A opportunities. In such an environment, the Board of Directors has the increasingly important role of resolutely highlighting any downside risks. Given my background managing M&A activities at a leading U.S. financial institution, I assess and attempt to improve the corporate value of Fast Retailing from a capital markets perspective.

Appointed November 2005. Formerly worked at Goldman Sachs. Currently an M&A research specialist. Visiting professor at the Graduate School of International Corporate Strategy at Hitotsubashi University and the Waseda Graduate School of Finance, Accounting and Law. External director at Miraca Holdings Inc. and Hakuhodo DY Holdings Inc.



**Toru Murayama**  
External Director

### Conflict and Challenge Reveal Sources of Growth

The most important function of external directors is to put forward proposals that come from different viewpoints and ways of thinking. Fast Retailing’s management team must strive to swiftly identify and resolve conflicts in the manner of a true global retailer, across all geographical locations, businesses and operations. I am committed to helping instill Fast Retailing’s management principles in employees worldwide and to nurturing new management personnel.

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





**Masaaki Shintaku**  
External Director

## A Clear Path to Faster Globalization

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

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



**Takashi Nawa**  
External Director

## Incorporating Global Approaches to Business

Throughout my career, I have advised many Japanese companies about global expansion. Diversity of opinion and experience is important in any management discussion, and so I always try to consider international perspectives and incorporate them into our debate. As an external director, it is my job to point out any misguided decisions, and to offer appropriate, objective advice regarding new business areas.

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

## MESSAGES FROM OUR AUDITORS



**Keiko Kaneko**  
Statutory Auditor

## Offering Multifaceted Advice

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

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



**Takaharu Yasumoto**  
Statutory Auditor

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

Appointed November 1993. Currently president of the Yasumoto CPA Office. Serves as internal auditor for UNIQLO Co., Ltd. and Link Theory Japan Co., Ltd., and statutory auditor at ASKUL Corp. and UBIC, Inc.



**Akira Watanabe**  
Statutory Auditor

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

Appointed November 2006. Currently a partner in the Seiwa Meitetsu Law Office. Also serves as external director for Maeda Corp, MS & AD Insurance Group Holdings and Dunlop Sports Co., Ltd., and statutory auditor at Kadokawa Dwango Corporation.



**Akira Tanaka**  
Full-time Internal  
Corporate Auditor

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

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



**Masaaki Shinjo**  
Full-time Internal  
Corporate Auditor

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

Appointed November 2012. Served as director of FR Group Auditing, FR Group Corporate Transformation, Store Operations Support at UNIQLO Co., Ltd. and FR Corporate Management and Control, and also as internal auditor of G.U. Co., Ltd.

## OUR APPROACH TO CORPORATE GOVERNANCE

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

Under our entrusted operating officer system, the Board devolves power over a given area of business to a specific entrusted officer. This separates the decision-making and executive functions of management. The majority of directors

on the Board are external, to heighten the Board's independence and its surveillance ability.

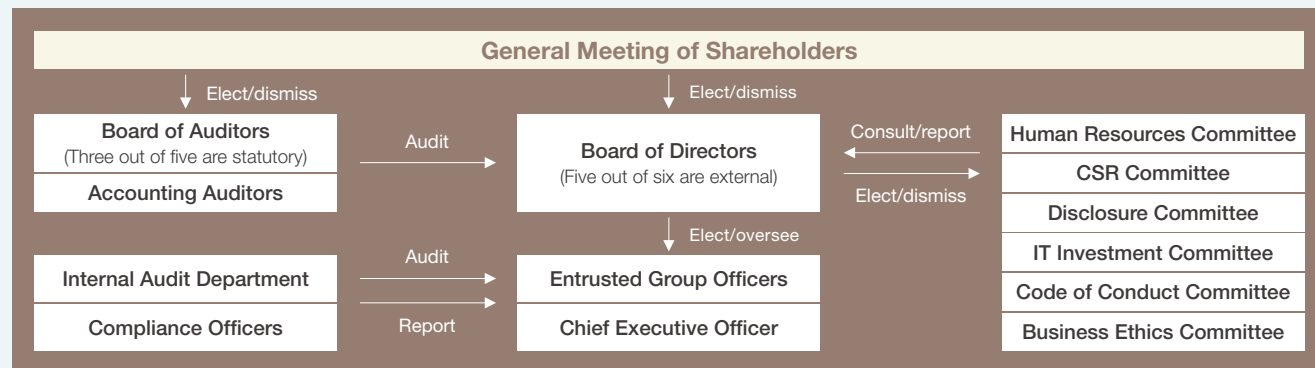
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human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

### Outline of Corporate Governance (Year ended August 31, 2015)

Form of Organization		Corporate auditor governance model
Chairman of the Board		Tadashi Yanai
Number of Directors		6, including 5 external directors
Number of Auditors		5, including 3 statutory auditors
Board of Directors Meetings in Fiscal 2015	● Number of Meetings	13
	● Director Attendance*1	100%
	● Auditor Attendance*2	98.5%
	● Sample Agenda	Fiscal year budget, Approval of corporate results, Approval of group officer appointments, UNIQLO USA business, Ariake project
Board of Auditors Meetings in Fiscal 2015	● Number of Meetings	13
	● Auditor Attendance*2	98.5%
	● Sample Agenda	Auditing policy, Auditing planning, Discussion with Executive Board, Efforts to nurture FR employees, Key labor issues, Current Production Department Issues, Auditing of UNIQLO Japan and UNIQLO International stores
Main Meetings Requiring Auditor Attendance		Board of Directors meetings, Human Resources Committee, CSR Committee, Disclosure Committee, IT Investment Committee, Code of Conduct Committee, Business Ethics Committee
Election of Independent Directors		3 external directors and 3 statutory auditors elected
Determination of Individual Director Remuneration		Overall limit approved at the general shareholders meeting. Individual remuneration determined by the Executive Board to reflect occupational duties, responsibilities, actual performance and contributions. Fiscal 2015 compensation to the six directors totaled 290 million yen, including 50 million yen to external directors.
Determination of Individual Auditor Remuneration		Overall limit determined at the general shareholders meeting. Individual compensation decided through mutual consultation between auditors. Fiscal 2015 compensation to the five auditors totaled 65 million yen, including 30 million yen to statutory auditors.
Accounting Auditor		Ernst & Young ShinNihon LLC

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

### Corporate Governance at Fast Retailing (As of January 7, 2016)



## ROLES AND ACTIVITIES OF THE COMMITTEES

### ■ Human Resources Committee

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

### ■ CSR Committee

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

### ■ Disclosure Committee

The Disclosure committee, chaired by the company official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is tasked with boosting management transparency by "disclosing information that is timely, accurate, fair and easy to understand." The Committee is responsible for both timely and voluntary disclosures to the TSE and the Stock Exchange of Hong Kong regarding matters that may materially impact investor and shareholder investment decisions. The Committee met 16 times in fiscal 2015.

### ■ IT Investment Committee

This Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The committee met eight times in fiscal 2015.

### ■ Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the Legal Department, and includes auditors and legal advisors.

### ■ Business Ethics Committee

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee met 14 times in fiscal 2015.

### Composition of Committees (As of January 7, 2016)

●=Committee Members

		Human Resources Committee	CSR Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee
Internal Director	Yanai	●		●	Chairperson		
External Directors	Hambayashi	Chairperson					
	Hattori						
	Murayama				Observer		
	Shintaku				Observer		
	Nawa	●					
Internal Full-time Auditors	Tanaka	●	●			●	●
	Shinjo			●	●		●
External Statutory Auditors	Yasumoto		●				●
	Watanabe						●
	Kaneko	●				●	
Number of Group Officers, External Professionals, etc.		4	12	6	3	7	4

#### Notes:

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

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

The Legal Department chairs the Code of Conduct Committee.

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





Fast Retailing Head Office, Yamaguchi

## INTERNAL CONTROL

Fast Retailing seeks to consistently improve its corporate ethics and compliance through a number of internal controls. These are meant to ensure strict adherence to the Group's policies and rules, including the Group's management principles, the Fast Retailing Way and the Fast Retailing

Group Code of Conduct (CoC).

In conjunction with this, we have established an internal control system overseen by our Internal Audit Department and our Legal Department, which is responsible for compliance issues.

### Code of Conduct for Officers and Employees

We heighten awareness of the Fast Retailing Group CoC by requiring all officers and employees to confirm and sign a written commitment each year. Our internal reporting system, or hotline, is accessible by any employee wishing to report a potential violation of the CoC or to discuss work concerns. Employees receive confidential advice pertaining to

communication problems with managers, sexual harassment, working hours and paid vacations, renewal of employment contracts, etc. In some cases, advice can be sought from external legal counsel. If necessary, reports received via the hotline will be referred to the Code of Conduct Committee.

### Guidelines to Prevent the Abuse of Superior Bargaining Power

Building equal and amicable relationships with our business partners is extremely important. The Fast Retailing Group is in a particularly strong position in terms of bargaining power given that it operates approximately 3,000 stores worldwide and has annual sales of 1.68 trillion yen. As a preemptive measure, the Business Ethics Committee established the Guidelines to Prevent the Abuse of Superior Bargaining

Power, which ensure that our partner factories and suppliers do not consider themselves under inappropriate pressure from us.

The Business Ethics Committee sends surveys to the Group's principal business partners on an annual basis, and then holds discussions and advises the relevant departments if any issues arise.

### The CoC and Monitoring Workplace Conditions at Partner Factories


Fast Retailing works with partner companies to manage product safety, quality and working conditions, and has instituted a Code of Conduct for Production Partners. We regularly check working conditions at partner factories for any inappropriate practices, such as child or forced labor,

and instigate improvements. We have also compiled the Environmental Standards for Materials Factories. These are adopted by garment factories and fabric suppliers, which are now monitored\* by specialized external institutions.

\*For more information on monitoring activities, see p.56-57.

**GREAT  
CLOTHES CAN  
CHANGE  
OUR WORLD**





Who *you* are, what *you* believe in: that's what *you* wear every day. And that's why UNIQLO clothes are designed to help wearers express themselves, and why we are always innovating to offer even greater everyday comfort to all people, everywhere. Our Ultra Light Down range was already renowned for its unprecedented feel—light, thin and warm. For our 2015 Fall Winter items, we added a new water-repellent feature to delight people the world over.



# THE UNIQLO EDGE

UNIQLO clothes offer unique value to everyone, everywhere. UNIQLO negotiates directly with materials suppliers around the world, placing large orders to ensure steady access to world-class natural materials. We also work with top synthetic fiber manufacturers to develop new functional materials. UNIQLO is known and loved by consumers worldwide for its ability to challenge the conventional wisdom of clothing.

# UNIQLO'S SIX STRENGTHS

06  
Global  
Success

UNIQLO currently operates stores in 17 countries and regions, and the UNIQLO brand is becoming increasingly well known worldwide thanks to the opening of global flagship stores in New York, Paris, London, Tokyo, Shanghai, Hong Kong, Seoul and more. Very strong performance by UNIQLO in Greater China and other parts of Asia is expected to underpin the brand's overall growth going forward.



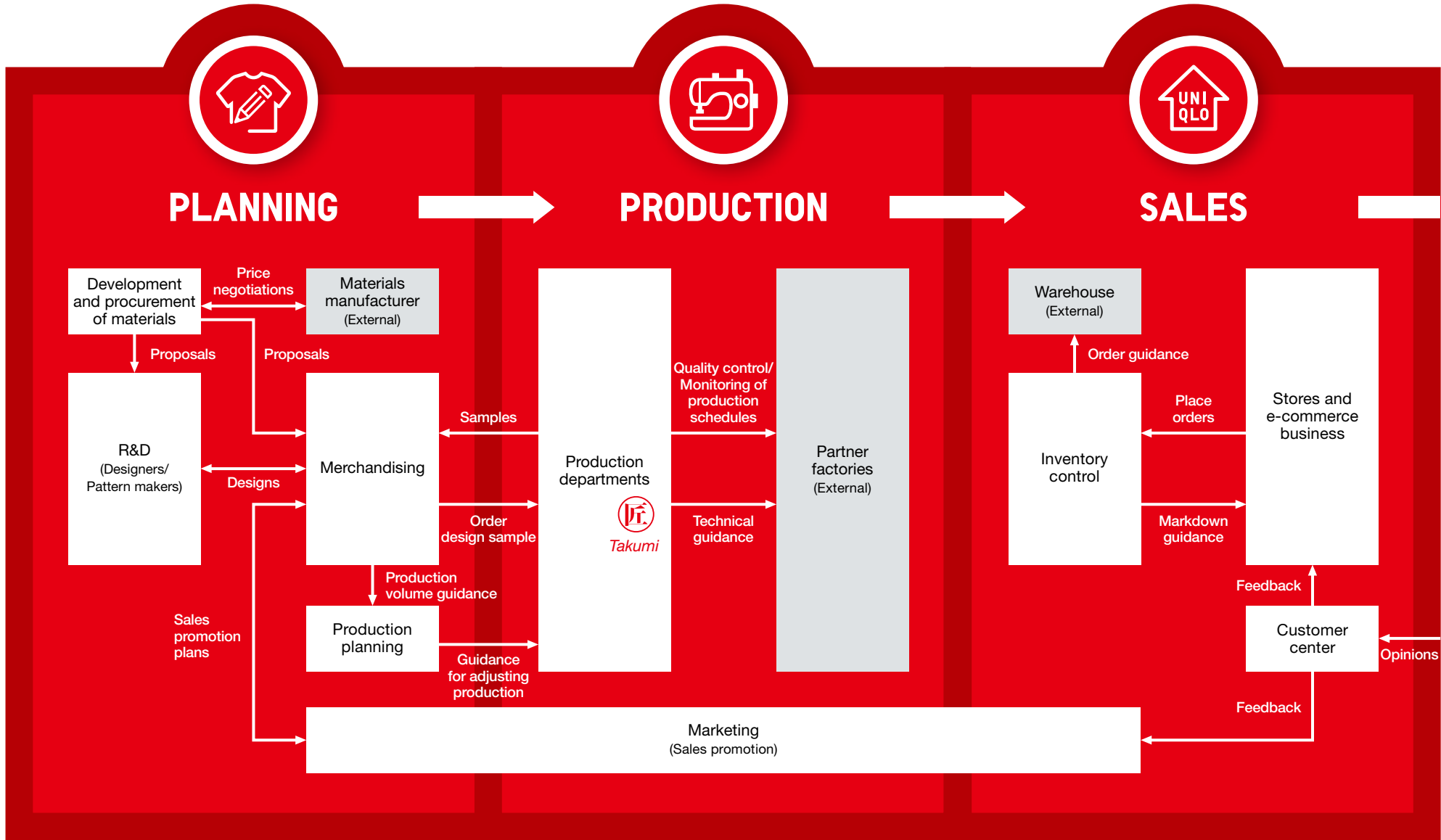
## UNIQLO'S BUSINESS MODEL

01  
SPA  
Business Model

Through its SPA\* business model, UNIQLO controls the entire clothes-making process. This enables it to develop unique in-house products, control procurement costs, and flexibly adjust production to suit demand.

02  
Quality Basic  
Everyday Wear

UNIQLO creates basic clothes that people can wear every day. That's a big reason why the brand is loved by people worldwide, irrespective of age, sex, race, culture or nationality. And the broader our customer base, the greater the demand for our clothing.



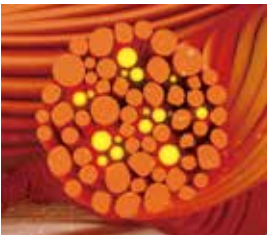
05  
Low-cost,  
Efficient  
Management

By renting our stores rather than owning, we can keep costs down, and open and close stores easily whenever necessary.



03  
Superior  
Materials

UNIQLO's HEATTECH and AIRism ranges are made from highly functional materials developed jointly with top materials manufacturers such as Toray Industries. UNIQLO also procures quality natural materials such as cashmere and merino wool more cheaply by negotiating directly with local suppliers and placing bulk orders.



04  
Takumi-driven  
Quality

Teams of skilled Japanese textile artisans, or *takumi*, visit partner factories directly to offer technical advice. Thanks to these strong relationships with factories, we are able to thoroughly check and maintain high levels of product quality.



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





# PLANNING



PRODUCT CONCEPT

MATERIAL SELECTION,  
MATERIAL PROCUREMENT

DESIGN SAMPLES

## Research & Design (Designers/Pattern makers)

UNIQLO's R&D centers continually research the latest fashions and lifestyles from around the world as well as look for new materials.

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

## Development and Procurement of Materials

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

## Merchandising

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

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

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



# UNIQLO'S KEY STRATEGIC MATERIALS AND PRODUCTS

2004.9

## GLOBAL QUALITY DECLARATION

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

DESIGN REFINEMENT

DESIGN FINALIZED



# PRODUCTION



SET VOLUME AND BEGIN PRODUCTION

SPINNING AND DYEING

KNITTING AND SEWING

## Quality and Production Control

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



## UNIQLO *Takumi* Teams

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



Dyer *Takumi*  
**Kazuaki Iida**



## Expanding Our Production Network

As UNIQLO expands its global reach, we have formed business relationships with partner factories in China, Vietnam, Bangladesh and Indonesia. We will also look at expanding our global manufacturing base by developing relationships with factories closer to UNIQLO stores in Europe and the United States.

### ■ UNIQLO Production Offices







PROCESSING AND FINISHING

PRODUCT INSPECTION

SHIPPING TO INDIVIDUAL COUNTRIES

### ■ The Cut and Sew Manufacturing Process

Spinning



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

Dyeing



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

Knitting and Sewing



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

Processing and Finishing



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



# SALES



## PRODUCTS REACH THE WAREHOUSE

## SHIPPING TO STORES

### Inventory Control

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

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



Promotional flyer

### Marketing

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



TV commercial

### UNIQLO Stores

UNIQLO Japan had 841 stores (including 30 franchise stores) at the end of August 2015. Since the opening of the first store outside Japan in 2001, UNIQLO International has expanded to 798 stores, including 467 stores in Greater China (Mainland China, Hong Kong and Taiwan), 155 in South Korea, and 108 in Southeast Asia and Oceania. We have enjoyed rapid store development in Asia.



Roadside UNIQLO store



## IN-STORE AND E-COMMERCE SALES

## CUSTOMERS

### E-commerce Business

Online sales in Japan totaled ¥32.4 billion in fiscal 2015, or 4.2% of total UNIQLO sales. Online sales are also doing well in places including Mainland China, Taiwan, South Korea, Britain, the U.S., Australia and Singapore.

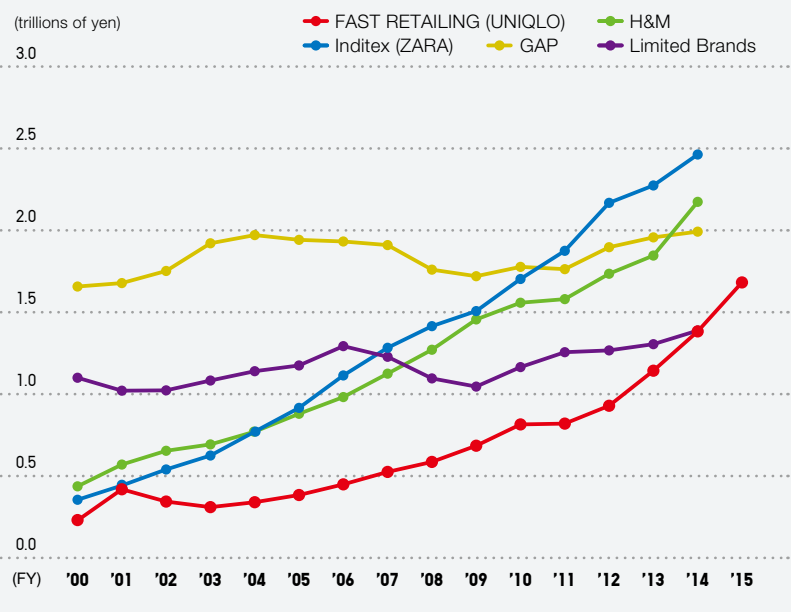
### Customer Center

The Customer Center deals with more than 270,000 comments and requests annually. Appropriate departments act on them to improve products, stores and services.



Customer center

### Sales of Major Global SPA Firms



Note: Compiled using data from the annual reports converted at August 31, 2015 exchange rates





# A NEW GLOBAL COMPANY FROM JAPAN





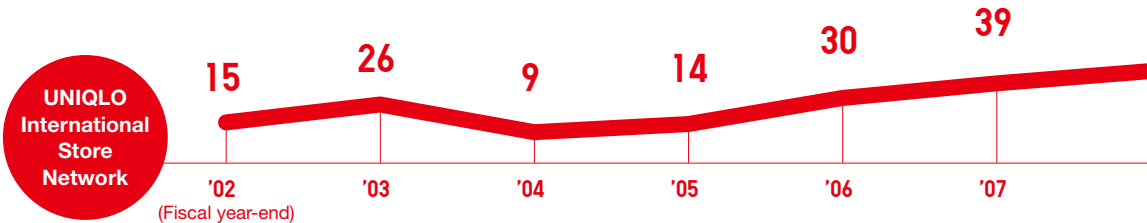
Fast Retailing originated, and first found success, in Japan. Japanese culture and quintessentially Japanese commitments to high quality and impeccable customer service form the core of our corporate spirit. In spring 2015, the New York 5th Avenue global flagship store showcased UNIQLO's joint collection with Shochiku Kabuki Co., Ltd., a major kabuki film and theater company. The store's kabuki-themed exterior became the talk of the town.



# MORE GLOBAL THAN EVER



**UNI  
QLO** UNIQLO Global  
Flagship and  
Hotspot Stores





GINZA



SHINJUKU



OSAKA



SHINSAIBASHI

Estimate for end  
of August 2016

960

798

633

446

292

181

136

92

54

■ CHICAGO

■ BOSTON

■ PHILADELPHIA

■ SAN FRANCISCO

■ LOS ANGELES

UNIQLO NY 5th AVE

UNIQLO NY SOHO



NY 5th AVE

Overseas (Forecast)

Japan (Forecast)

846  
STORES

960  
STORES

In November 2015, just before the 15th anniversary of opening our first international location in London, the number of UNIQLO stores outside Japan surpassed the number within Japan, a historic turning point for our company.

'08

'09

'10

'11

'12

'13

'14

'15

'16

(Forecast)



+93 YoY

## Pan Ning



We are extremely proud of Fast Retailing's integrity, its thoughtful treatment of customers and its quintessentially Japanese corporate spirit, with a strong focus on quality. I want to ensure all employees embrace these fine qualities so we can fulfill the needs and expectations of our customers.





UNIQLO SHANGHAI Store (Global flagship store)

# FLEECE COLLECTION





# Boost Brand Awareness with Iconic Urban Stores

**BOSTON**



In October 2015, we opened a UNIQLO store in the Faneuil Hall Marketplace, one of the most popular tourist spots in the East Coast city of Boston. The Faneuil Hall Store spans the first two floors of a historic building dating back to 1743. Customers can enjoy a vast array of UNIQLO items displayed in a long, thin, brick-lined 1,100m<sup>2</sup> space. Boston and Kyoto are sister cities, so we set up a special Japanese culture corner within the store. A lot of Bostonians have an affinity for Japan, and the new store has enjoyed a great reception.

True to its “Global is Local. Local is Global” slogan, UNIQLO USA is keen to foster strong links with the Boston metro community, and has teamed up with the Red Sox, Boston’s pro baseball team, to sponsor the Red Sox Scholars program.



UNIQLO USA also opened its first store in the Midwest in mid-October, in Chicago. This flagship store's 4,100m<sup>2</sup> sales space spans three floors and is located on the city's premier fashion boulevard, North Michigan Avenue, famous for its broad sidewalks teeming with eager shoppers and beautiful holiday lights displays. The section of the avenue known as the Magnificent Mile, where our store is located, is one of the world's grandest streets. The UNIQLO Chicago North Michigan Avenue Store is one of UNIQLO's five largest stores worldwide and houses a Starbucks® outlet so customers can enjoy a coffee as they shop.

The new iconic Faneuil Hall and Chicago North Michigan Avenue stores, located in prime metropolitan areas, are designed to place the UNIQLO brand firmly on consumers' radars. Going forward, we will be looking to expand UNIQLO's reach in the vast US market by boosting brand awareness, and by maximizing both our physical store presence and the digital communication which drives our growing e-commerce business.



# CHICAGO





### Collaborations Showcase a New UNIQLO

UNIQLO likes to challenge boundaries and enliven its brand by partnering with cutting-edge designers and artistic directors to create innovative joint collections. These collaborations express the UNIQLO LifeWear concept of ultimate everyday wear: supremely comfortable basic clothes that help enhance people's daily lives. By teaming up with other designers, UNIQLO can create attractive clothes which offer fresh, surprising new touches that customers will love.



#### INES DE LA FRESSANGE PARIS



Ines de la Fressange is a French fashion icon and internationally celebrated model, muse, designer, businesswoman and journalist. Ines creates chic clothes for the Parisian woman who wants to express her own personality and natural beauty.

#### CARINE ROITFELD PARIS



Carine Roitfeld, a charismatic figure in the fashion world, has guided UNIQLO into a new arena, helping us to design sexy, beautiful dresses, blouses and coats for the active working woman.





## UNIQLO AND LEMAIRE

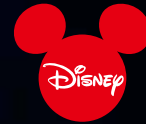
Our collaboration with the Paris-based Lemaire brand, led by Christophe Lemaire and Sarah-Linh Tran, features elegant, detailed designs made from choice fabrics. This new UNIQLO line, with its Parisian feel, has caught the attention of the fashion industry.





# MAGIC FOR ALL





UNI  
QLO

MAGIC FOR ALL



©Disney

## UNIQLO DISNEY PROJECT

UNIQLO launched MAGIC FOR ALL, a global collaboration with Disney Consumer Products in summer 2015. The unique initiative will add a touch of Disney enchantment, Marvel action, Star Wars adventure and Pixar creativity to everyday UNIQLO LifeWear fashions as well as introducing innovative new products, pop-up displays, and in-store and online customer experiences.

UNIQLO SHANGHAI Store (Global flagship store)









GU



## Latest Trends, Now for Everyone

GU (pronounced “jee-you,” and a play on the Japanese word for “freedom”) has grown strongly by developing trendy clothes under the concept “more freedom with fashion.” In 2015 Spring Summer, GU’s gaucho pants were such a big hit that people in Japan instinctively associated the word gaucho with GU. The label is great at capturing nascent fashion trends, and has the planning and design power to instantly transform those trends into attractive garments. GU has also become better at ordering additional production when necessary. Many customers say they come to GU because our items are trendy and up to the minute.

The hardest thing about chasing trends is knowing which age group to plan and design for. To suit its broad target-customer base, GU uses its unique talent for understated designs and timely fashion to make fun but practical items that anyone can wear. GU’s *kawaii* (cute) Japanese image helps set it apart from European and U.S. fast fashion brands.

The number of GU stores in Japan rose to 314 at the end of August 2015, but there is still plenty of scope to open more stores, and expand our ranges for women, men and kids. Our stores in Shanghai and Taiwan are now sufficiently established for us to look at accelerating the opening of stores across the Greater China region. We also intend to look at opening stores in Southeast Asia. For GU, this is only the beginning.



President and  
CEO, GU

**Osamu Yunoki**



## Theory

Theory **P L S T** **HELMUT LANG**

## A Contemporary Brand Leading Advances in Fashion



Launched in New York in 1997, the Theory fashion brand is popular with contemporary women. Lisa Kulson, formerly a designer at Theory, has successfully boosted the brand's appeal since returning as creative director in 2014. She has developed collections that showcase Theory's superior incorporation of the latest trends into silhouette-enhancing designs. Other Theory brands include HELMUT LANG and the Japan-born PLST brand. At the end of August 2015, Theory boasted a total of 504 stores and sales of approximately ¥80 billion.



## J Brand

## J B R A N D

## The Premium Denim Label Celebrities Love

J Brand is a Los Angeles-based contemporary fashion brand that specializes in denim. Founded in 2005, J Brand clothing is recognized for its high-quality denim fabrics, sophisticated product design, beautiful silhouettes and perfect fit. The premium denim ranges for women in particular are considered among the best in the world, beloved by many actresses, models and other celebrities. J Brand is sold in more than 2,000 leading department stores and specialty boutiques in over 20 countries, with a large presence in the United States.



## Comptoir des Cotonniers

COMPTOIR DES  
COTONNIERS

### Style Full of French Esprit

Originating in Paris in 1995, the Comptoir des Cotonniers (CDC) women's fashion brand is known for its quality fabrics, sharp silhouettes, and timeless, elegant collections full of French esprit that appeal to the modern city woman. This high-quality yet affordable luxury brand is only growing in popularity. At the end of August 2015, CDC had a total of 368 stores worldwide, with a large presence in France.



## Princesse tam.tam

PRINCESSE tam • tam  
PARIS

### Creative French Elegance Wins Repeat Customers

Princesse tam.tam (PTT) is a French brand offering corsetry, homewear, swimwear and sportswear. After winning acclaim for lingerie that featured original prints and bright colors, the sisters Loumia and Shama Hiridjee opened their first store in Paris in 1987. The brand concept of "lingerie made by women for women" resonates strongly with its loyal repeat customers. Benefitting from the craft skills of France's corsetry industry, PTT garments are made from the finest lace, silks and cottons and crafted to the smallest detail. PTT items are sold in leading European department stores and boutiques, as well as other stores worldwide.

# IMPROVE THE WORLD THROUGH CLOTHES

- ALL-PRODUCT RECYCLING INITIATIVE
- SOCIAL BUSINESS
- EMPLOYING PEOPLE WITH DISABILITIES
- WORKPLACE MONITORING
- ENVIRONMENTAL PROTECTION







# ALL-PRODUCT RECYCLING INITIATIVE

Our All-Product Recycling Initiative collects quality second-hand clothing from UNIQLO and GU customers and delivers it to those in need around the world, including refugees and displaced persons. By August 2015, we had donated 16.32 million items in total. We carry out this initiative with the help of our global partner, the United Nations High Commissioner for Refugees (UNHCR), and also with the help of NGOs worldwide.

In fiscal 2015, we delivered 280,000 items directly to refugees in Jordan, and provided 80,000 items of urgently needed children's clothing in Myanmar.

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

## MYANMAR REPORT 2015.02

Myanmar is a multiethnic nation. Domestic conflict, motivated by political, religious and other reasons, has forced many people into displacement camps. In October 2014, we began donating clothing to displacement camps in Kachin State in the north with the help of the UNHCR and local NGOs, and our CSR representatives visited the camps to deliver clothing directly in February 2015.



80,000 items (60,000 children's)  
donated in February 2015



Begin distributing  
clothing delivered  
from Japan



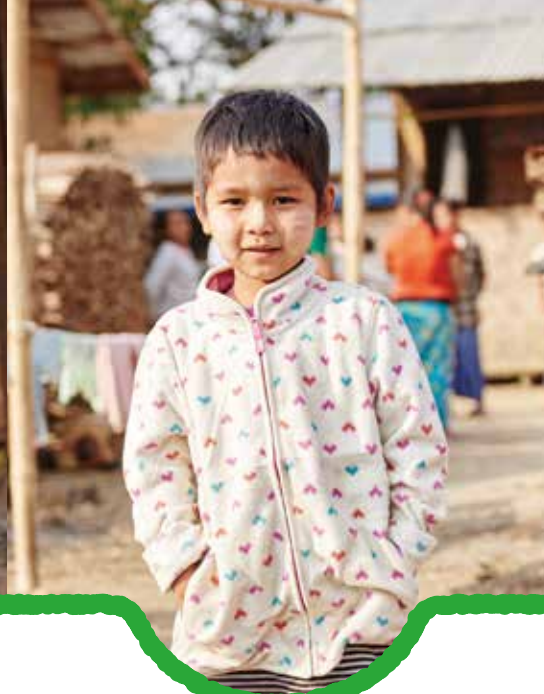
A mother collects  
clothes for her family



Children's clothing is  
often in particularly  
short supply







# THE POWER OF CLOTHES

16.32 million  
items

donated to 59 countries and regions  
(August 2015)







## WORKPLACE MONITORING

# Ensuring Responsible Environments at Partner Factories

Fast Retailing has a Code of Conduct for Production Partners to ensure its clothing is always manufactured under safe and appropriate working conditions. We employ external institutions to regularly inspect working environments at all of our primary partner garment factories. Members of our CSR department visit any factory that needs to make improvements in order to offer practical advice and guidance. From September 2015, we also began monitoring working conditions and environmental impacts at fabric suppliers, as these secondary partner factories constitute 70% of

UNIQLO's production volume.

To monitor working conditions more effectively, we are encouraging production partners to employ their own CSR representatives and develop internal inspection systems and procedures. In July 2015, we joined the Fair Labor Association, an international non-profit organization promoting adherence to national and international labor laws. We are also committed to safeguarding the human rights of workers at our production partner sites.

### Monitoring Results

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

We stepped up our monitoring and guidance in fiscal 2015 following an increase in the number of E grades. For E-grade partner factories, we revise our production orders, and ultimately terminate business altogether if the situation does not improve.





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



We do frequent checks to ensure appropriate effluent disposal.



We also enforce proper legal management of effluents.

## ENVIRONMENTAL PROTECTION

# Expand Monitoring of Fabric Suppliers to Minimize Environmental Impact

In 2014, Fast Retailing instituted a new basic environmental strategy that aims to reduce the environmental impact of processes across the entire supply chain. In 2010, we began monitoring some of our secondary partner fabric suppliers, whose processes can have a particularly harmful impact on the environment.

Fast Retailing's Environmental Guidelines for Fabric Production covers five main areas: Environmental Management, Chemicals Management, Waste Materials Management and Disposal, Treatment of Asbestos and PCB, and Measurement and Management of Effluents (discharged water, etc.). External specialists monitor the environmental impact of fabric suppliers, and we then work with the manufacturers to improve performance.

In fiscal 2015, we monitored 118 fabric suppliers. This was the first environmental monitoring for many of these manufacturers, and so we highlighted basic errors and areas of insufficient awareness. Fast Retailing intends to visit manufacturers to offer guidance and conduct follow-up inspections.

In September 2014, Fast Retailing joined the Sustainable Apparel Coalition (SAC). We will work with this group of major apparel and footwear brands to further reduce the impact of apparel manufacture on the environment.

### Examples of Improvements for Fiscal 2015

#### Poor storage management of dangerous chemicals (China)

On discovering this problem at a fabric supplier in China, members of our CSR department immediately offered guidance and training. The fabric supplier concerned also appointed an external manager and introduced on-site safety management training.

#### Poor storage management of waste materials (Indonesia)

After discovering inadequate procedures at the waste storage facility of a fabric supplier in Indonesia, our CSR members visited the site with UNIQLO *takumi* experts in dyeing and fabric production to offer guidance. Satisfactory improvements were subsequently confirmed.

#### Poor storage and management of chemicals (Thailand)

On discovering a lack of proper containment of chemical substances at a fabric supplier in Thailand, Fast Retailing demanded improvements, and subsequently confirmed they were made.

For complete details, please see the volume  
*Fast Retailing Co., Ltd. Consolidated  
Financial Statements for the year ended  
August 31, 2015.*



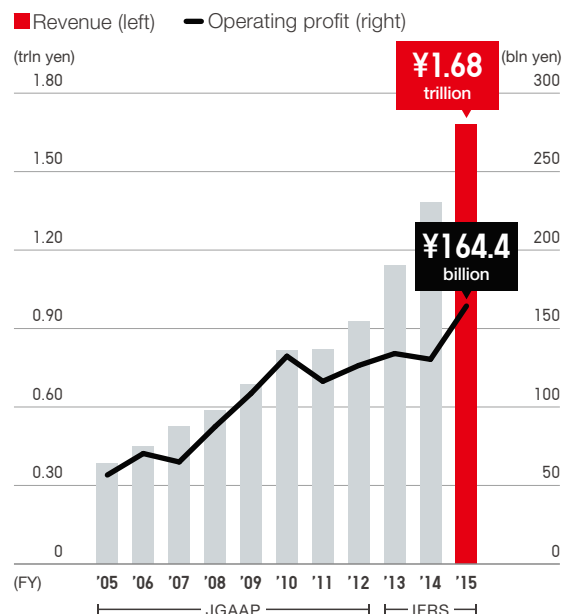
World No.1 men's singles tennis player Novak Djokovic is a  
UNIQLO Global Brand Ambassador.



## FISCAL 2015 FINANCIAL HIGHLIGHTS

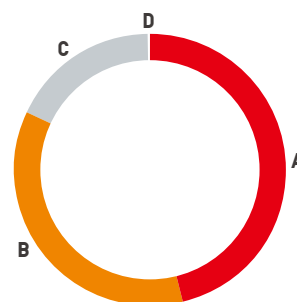
## ➤ Revenue

**¥1.68 trillion**    **21.6%** 



## ➤ UNIQLO International's Contribution to Revenue

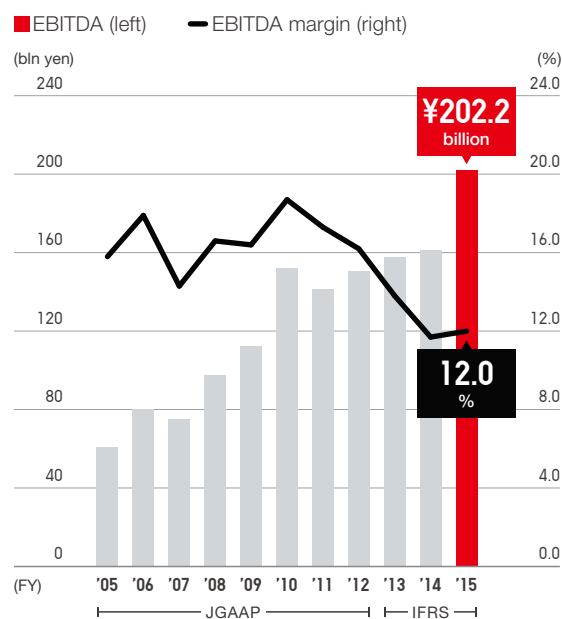
**35.9%**    **6.0pt** 



		Billions of yen	%
A	UNIQLO Japan	780.1	46.4
B	UNIQLO International	603.6	35.9
C	Global Brands	295.3	17.6
D	Other	2.6	0.1

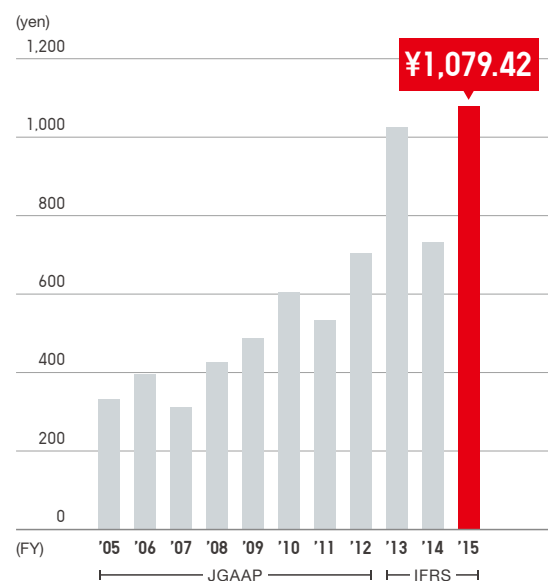
## ➤ EBITDA Margin

**12.0%**    **0.4pt** 



## ➤ Earnings per Share

**¥1,079.42**    **47.6%** 



EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill

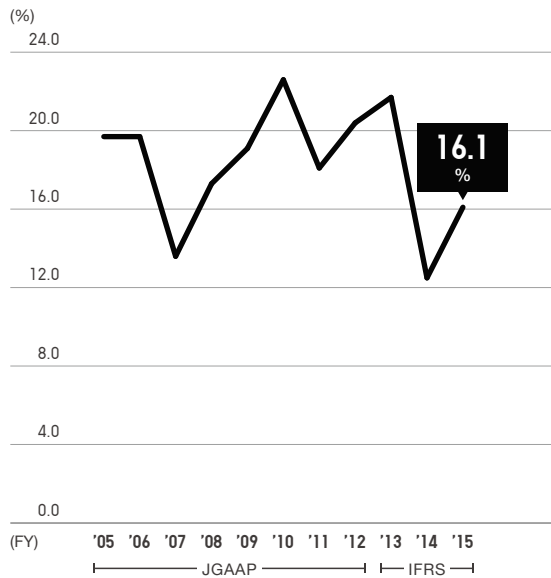
EBITDA (IFRS) = Operating profit + Depreciation and amortization



## > ROE

16.1%

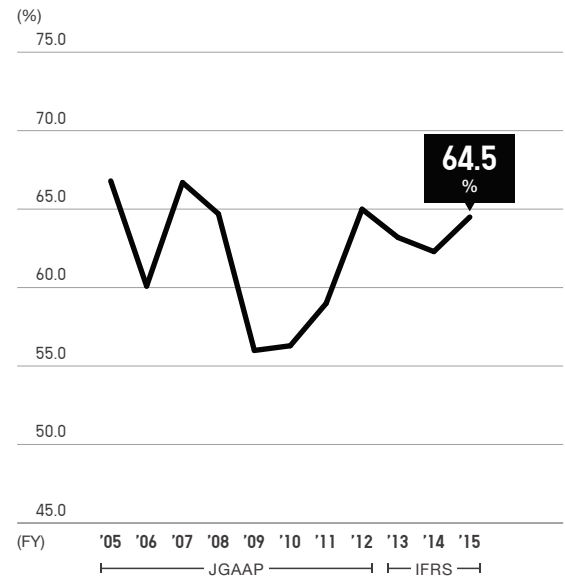
3.6pt 



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

64.5%

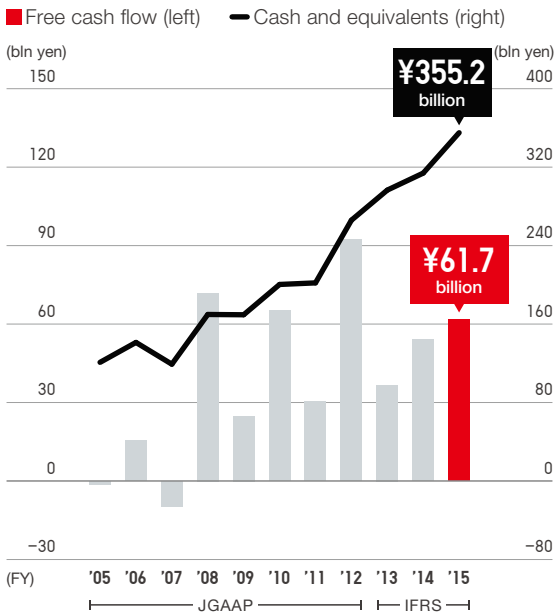
2.2pt 



## > Cash and Equivalents

¥355.2 billion

13.1% 

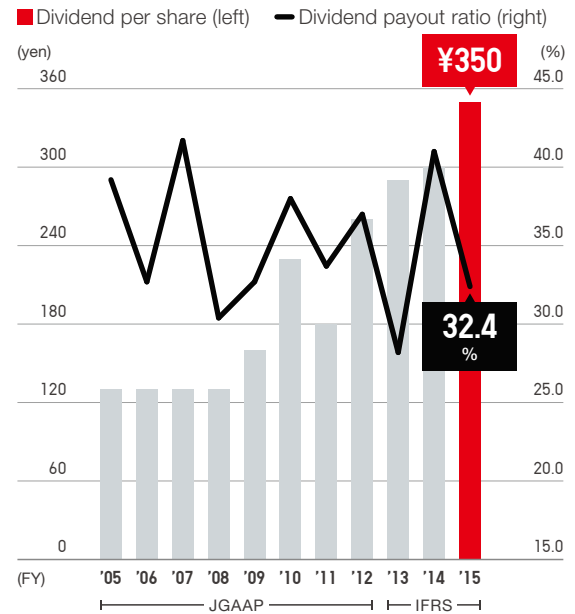


Free cash flow = Net cash from operating activities +  
Net cash used in investing activities

## > Dividend per Share

¥350

¥50 



# FINANCIAL SUMMARY

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

	JGAAP			
	2006	2007	2008	2009
<b>For the year</b>				
Net sales/Revenue	¥ 448,819	¥ 525,203	¥ 586,451	¥ 685,043
Operating income/Operating profit	70,355	64,963	87,493	108,639
EBITDA *1	80,166	75,310	97,467	112,621
Income before income taxes and minority interests/ Profit before income taxes	72,752	62,713	81,994	95,487
Net income/Profit attributable to owners of the parent	40,437	31,775	43,529	49,797
Net cash provided by operating activities/ Net cash from operating activities	57,477	18,847	87,336	59,214
Net cash used in investing activities	(41,907)	(28,783)	(15,421)	(34,273)
Free cash flow *2	15,570	(9,936)	71,915	24,941
Net cash used in financing activities	1,932	(12,759)	(19,054)	(16,847)
Cash and cash equivalents *3	141,404	119,216	169,888	169,574
Depreciation and amortization	5,364	6,567	8,523	9,765
Capital expenditures	16,261	26,441	21,017	22,601
<b>At year-end</b>				
Total assets	¥ 379,655	¥ 359,770	¥ 404,720	¥ 463,285
Total net assets/Total equity	240,479	243,283	264,014	261,413
Interest-bearing debt	22,774	24,429	20,016	35,400
<b>Reference indices</b>				
Operating income margin/Operating profit margin (%)	15.7%	12.4%	14.9%	15.9%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	19.7	13.6	17.3	19.1
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	60.1	66.7	64.7	56.0
Debt-equity ratio (%)	9.5	10.1	7.6	13.6
Dividend payout ratio (%)	32.7	41.7	30.4	32.7
<b>Per share data (yen, dollar)</b>				
Net income/Profit attributable to owners of the parent (EPS)	¥ 397.38	¥ 311.98	¥ 427.38	¥ 488.96
Net assets/Equity attributable to owners of the parent	2,240.77	2,357.79	2,572.09	2,550.86
Cash dividends	130.00	130.00	130.00	160.00
<b>Other data (at fiscal year-end)</b>				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, \$ million) *4				¥ 1,182.7
Number of subsidiaries	19	21	21	96
Total number of stores	1,632	1,828	1,958	2,258
Directly-operated stores in Japan	[1,093]	[1,233]	[1,310]	[1,454]
Directly-operated stores overseas	[196]	[247]	[294]	[397]
Franchise stores	[343]	[348]	[354]	[407]
Commercial complexes	—	1	4	4
Total sales floor space (m <sup>2</sup> ) *5	536,473m <sup>2</sup>	626,998m <sup>2</sup>	685,942m <sup>2</sup>	740,489m <sup>2</sup>
Number of full-time employees	3,990	6,514	8,054	11,037

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

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

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



Millions of yen			Millions of yen (except per share data and other data)		Millions of yen (except per share data and other data)		Thousands of U.S. dollars *4	
JGAAP			IFRS *6					
	2010	2011	2012	2013	2014	2015	YoY	2015
	¥ 814,811	¥ 820,349	¥ 928,669	¥1,142,971	¥1,382,935	¥1,681,781	+21.6%	\$13,878,379
	132,378	116,365	126,450	134,101	130,402	164,463	+26.1	1,357,187
	152,141	141,716	150,687	157,708	161,210	202,221	+25.4	1,668,775
	116,867	93,881	123,390	155,732	135,470	180,676	+33.4	1,490,978
	61,681	54,354	71,654	104,595	74,546	110,027	+47.6	907,970
	88,623	57,158	127,643	99,474	110,595	134,931	+22.0	1,113,481
	(23,389)	(26,643)	(35,313)	(62,584)	(56,323)	(73,145)	+29.9	(603,613)
	65,234	30,515	92,330	36,890	54,272	61,786	+13.8	509,868
	(28,897)	(26,156)	(29,056)	(24,226)	(44,060)	(41,784)	(5.2)	(344,817)
	200,462	202,104	266,020	296,708	314,049	355,212	+13.1	2,931,280
	12,229	18,755	18,573	23,607	30,808	37,758	+22.6	311,588
	28,018	33,993	40,184	39,681	58,814	62,461	+6.2	515,445
	¥ 507,287	¥ 533,777	¥ 595,102	¥ 901,208	¥ 992,307	¥1,163,706	+17.3%	\$ 9,603,119
	287,987	319,911	394,892	589,726	636,041	774,804	+21.8	6,393,835
	28,834	28,263	23,194	37,259	37,561	38,035	+1.3	313,880
	16.2%	14.2%	13.6%	11.7%	9.4%	9.8%	+0.4pts.	9.8%
	22.6	18.1	20.4	21.7	12.5	16.1	+3.6	16.1
	56.3	59.0	65.0	63.3	62.3	64.5	+2.2	64.5
	10.1	9.0	6.0	6.5	6.1	5.1	(1.0)	5.1
	38.0	33.7	37.0	28.2	41.0	32.4	(8.6)	32.4
	¥ 605.99	¥ 533.93	¥ 703.62	¥ 1,026.68	¥ 731.51	¥ 1,079.42	+47.6%	\$ 8.91
	2,804.34	3,091.17	3,797.04	5,598.12	6,067.40	7,366.07	+21.4	60.79
	230.00	180.00	260.00	290.00	300.00	350.00	+16.7	2.89
	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	—	106,073,656
	¥ 1,228.3	¥ 1,535.9	¥ 1,938.0	¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	+51.4%	\$ 43,123
	90	98	91	102	112	119	+7	119
	2,203	2,088	2,222	2,449	2,753	2,978	+225	2,978
	[1,370]	[1,213]	[1,250]	[1,331]	[1,406]	[1,444]	+ [38]	[1,444]
	[474]	[491]	[589]	[743]	[1,072]	[1,240]	+ [168]	[1,240]
	[359]	[384]	[383]	[375]	[275]	[294]	+ [19]	[294]
	4	4	4	4	4	4	—	4
	847,523m²	938,896m²	1,170,353m²	1,387,367m²	1,835,095m²	2,030,031m²	+194,936m²	2,030,031m²
	11,596	14,612	18,854	23,982	30,448	41,646	+11,198	41,646

\*4 Calculations are based on the closing share price of ¥49,265 at the end of August 2015 and an exchange rate of ¥121.18 to U.S.\$1.

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

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Group Highlights in Fiscal 2015

(Year to August 31, 2015)

- Achieved a record performance. Revenue: ¥1.6817 trillion (+21.6% YoY) and operating profit: ¥164.4 billion (+26.1% YoY).
- Basic earnings per share: ¥1,079.42 (+47.6% YoY).
- Annual dividend per share: ¥350 (up ¥50 YoY), dividend payout ratio 32.4%.

## 1 Operating Environment and Management Strategy

Signs of a tentative recovery in the broader Japanese economy and gradual improvement in personal consumption supported the retail industry, but customers became increasingly selective. Fear of a potentially sharp economic downturn in China clouded the outlook for the global economy. We faced some difficult operational challenges, as rising raw materials prices and a weaker yen raised the cost of apparel manufacture. Japanese personnel costs also increased.

Despite this, Fast Retailing achieved record results in fiscal 2015, with consolidated revenue reaching ¥1.6817 trillion (+21.6% YoY) and operating profit ¥164.4 billion (+26.1%). Significant gains in revenue and profit at UNIQLO International proved the main driver of Group growth, with continued robust same-store sales growth generating especially strong performances from Greater China (Mainland China, Hong Kong and Taiwan) and South Korea. Strong sales of core Fall Winter items increased revenue and profit at UNIQLO Japan. Global Brands reported considerable gains in both revenue and profit, with operating profit at our low-priced GU casualwear brand almost tripling. However, we reported impairment losses of ¥16.1 billion, relating to the J Brand operation, systems, and UNIQLO USA stores, and a ¥1.8 billion loss on the retirement of property, plant and equipment linked to the refurbishment of global flagship stores in London and Shanghai.

Yen weakness over the period boosted the carrying amount on foreign-currency assets, generating a ¥16.2

## ■ Number of Stores by Group Operation (Unit: Stores)

(FY)	2014	2015	
	End Aug.	End Aug.	Open Close
<b>UNIQLO Japan</b>	852	<b>841</b>	45 56
Directly operated	831	<b>811</b>	36 56
Large-scale	199	<b>208</b>	15 6
Standard	632	<b>603</b>	21 50
Franchise	21	<b>30</b>	9 0
<b>UNIQLO International</b>	633	<b>798</b>	182 17
China	306	<b>387</b>	91 10
Hong Kong	22	<b>25</b>	4 1
Taiwan	46	<b>55</b>	9 0
South Korea	133	<b>155</b>	26 4
Singapore	18	<b>23</b>	5 0
Malaysia	21	<b>25</b>	4 0
Thailand	20	<b>23</b>	4 1
The Philippines	16	<b>23</b>	7 0
Indonesia	4	<b>8</b>	4 0
Australia	1	<b>6</b>	5 0
U.S.	25	<b>42</b>	17 0
U.K.	10	<b>9</b>	0 1
France	6	<b>8</b>	2 0
Russia	4	<b>8</b>	4 0
Germany	1	<b>1</b>	0 0
<b>Global Brands</b>	1,268	<b>1,339</b>	132 61
GU	276	<b>319</b>	60 17
Theory*	460	<b>504</b>	63 19
Comptoir des Cotonniers*	374	<b>368</b>	9 15
Princesse tam.tam*	152	<b>145</b>	0 7
J Brand	6	<b>3</b>	0 3
<b>Total</b>	<b>2,753</b>	<b>2,978</b>	359 134

\* Including franchise stores

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

## ■ Performance by Group Operation

(FY)	2014			2015		
	Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
<b>UNIQLO Japan</b>						
Revenue	¥715.6	¥ 32.3	+4.7	<b>¥780.1</b>	<b>¥ 64.4</b>	<b>+9.0</b>
Operating profit	106.3	11.0	+11.6	<b>117.2</b>	<b>10.9</b>	<b>+10.3</b>
<b>UNIQLO International</b>						
Revenue	413.6	162.4	+64.7	<b>603.6</b>	<b>190.0</b>	<b>+45.9</b>
Operating profit	32.9	20.5	+165.1	<b>43.3</b>	<b>10.4</b>	<b>+31.6</b>
<b>Global Brands*</b>						
Revenue	251.2	45.0	+21.8	<b>295.3</b>	<b>44.0</b>	<b>+17.6</b>
Operating profit	(4.1)	(20.8)	—	<b>14.4</b>	<b>18.6</b>	<b>—</b>

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

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



billion rise in net finance income, compared to a ¥5.0 billion rise in fiscal 2014. As a result, profit attributable to owners of the parent rose 47.6% to ¥110.0 billion.

The Group's medium-term vision is to become the world's No.1 apparel manufacturer and retailer. We have focused on expanding UNIQLO International by increasing overall store numbers and opening more global flagship stores in major cities, both to increase awareness of the UNIQLO brand and strengthen our global operational base. We are actively promoting the development of GU as a second pillar brand for the Group by accelerating new store openings in Japan and launching the label in Greater China.

## 2 Revenue

Consolidated revenue rose 21.6% year on year to ¥1.6817 trillion. That ¥298.8 billion increase breaks down into ¥190.0 billion from UNIQLO International, ¥64.4 billion from UNIQLO Japan, and ¥44.0 billion from Global Brands. UNIQLO International's sales network expanded by 165 stores, from 633 in fiscal 2014 to 798 in fiscal 2015. Performance was especially strong at UNIQLO Greater China and UNIQLO South Korea. Same-store sales expanded at UNIQLO Japan by 6.2%, thanks to consistently strong sales of core winter items such as HEATTECH, Ultra Light Down, wool sweaters, and the newer HEATTECH Extra Warm range. Revenue also increased significantly at Global Brands thanks to an extremely strong performance from GU.

## 3 Gross Profit Margin

Gross profit rose 21.3% year on year to ¥848.5 billion. The gross profit to net revenue ratio (gross profit margin) shrank 0.1 point to 50.5% on the back of a 0.2 point contraction in the gross margin at UNIQLO Japan. In the second half, the UNIQLO Japan gross margin shrank by a hefty 2.7 points after our decision to procure a percentage of Spring Summer items at spot exchange rates inflated the sales cost

ratio. We also discounted heavily in the fourth quarter to sell off stock.

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

SG&A expenses totaled ¥671.8 billion. The SG&A to net revenue ratio increased 0.2 point year on year to 39.9%, fueled by a 0.1 point increase in the SG&A ratio at UNIQLO Japan, which incurred higher personnel costs as the number of local store employees grew, as well as higher distribution and outsourcing expenses.

## 5 Other Income/Expenses

The balance of other income and expenses totaled -¥12.2 billion in fiscal 2015, compared to -¥20.1 billion in fiscal 2014. This includes: a ¥5.8 billion foreign exchange gain mainly related to temporary advances paid by overseas subsidiaries on purchases; impairment losses of ¥6.5 billion on systems, ¥5.1 billion on J Brand, ¥3.3 billion on UNIQLO USA stores, and ¥1.1 billion on other stores; and a ¥1.8 billion loss on property, plant and equipment relating to the refurbishment of our London and Shanghai global flagship stores.

## 6 Operating Profit

Operating profit increased 26.1% year on year to ¥164.4 billion. The operating income margin improved 0.4 point to 9.8%.

## 7 Finance Income/Cost

The balance of finance income and cost totaled ¥16.2 billion at the end of August 2015 (¥5.0 billion at the end of August 2014), after the weakening of the Japanese yen increased the carrying amount on foreign-currency denominated assets.

## Breakdown of SG&A Expenses

(FY)	2013			2014			2015		
	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change
Advertising and promotion	¥ 52,693	—	—	¥ 60,941	¥ 8,247	+15.7	¥ 68,474	¥ 7,533	+12.4
Rental expenses	111,276	—	—	138,652	27,376	+24.6	166,437	27,784	+20.0
Depreciation and amortization	23,607	—	—	30,808	7,200	+30.5	37,758	6,949	+22.6
Outsourcing	17,185	—	—	22,953	5,768	+33.6	29,324	6,371	+27.8
Salaries	140,111	—	—	184,864	44,752	+31.9	230,815	45,950	+24.9
Others	81,303	—	—	110,975	29,671	+36.5	139,053	28,077	+25.3
Total	¥426,177	—	—	¥549,195	¥123,017	+28.9	¥671,863	¥122,668	+22.3

## 8 Income Taxes and Other Taxes

Income taxes totaled ¥63.2 billion in fiscal 2015. Our effective corporate tax rate after applying tax effect accounting was 35.0%, 0.6 point lower than Japan's statutory tax rate of 35.6%. This is due primarily to the growing contribution to Group profits made by operations outside Japan, mainly in Asia, where effective tax rates are low.

## 9 Profit Attributable to Owners of the Parent and Dividend

Profit attributable to owners of the parent totaled ¥110.0 billion (+47.6% YoY). Basic earnings per share rose ¥347.91 to ¥1,079.42. The annual dividend rose ¥50 to ¥350 per share, resulting in a dividend payout ratio of 32.4%. Return on equity (ROE) improved 3.6 points to 16.1%.

## 10 Results by Business Segment

### UNIQLO Japan

UNIQLO Japan achieved record results in fiscal 2015, with revenue increasing 9.0% year on year to ¥780.1 billion and operating profit increasing 10.3% to ¥117.2 billion. Same-store sales increased by 6.2%.

In 2015 Fall Winter, core ranges such as HEATTECH and Ultra Light Down generated sales much stronger than expected. Customers especially loved our HEATTECH Extra Warm range, which is 50% warmer than original HEATTECH items. Our spring ranges got off to a good start, but unseasonal weather during the rainy season from June dampened sales of summer items. The gross profit margin contracted 0.2 point to 49.1% in fiscal 2015, due mainly to heavy discounting and proactive inventory offloading in the fourth quarter. The SG&A to net sales ratio increased 0.1 point to 34.3%, with higher numbers of local store employees raising personnel costs, and distribution and outsourcing costs also rising.

In fiscal 2015, we opened 36 stores, while 56 stores were closed or converted to employee franchise stores, resulting in a total of 811 stores (excluding 30 employee franchise stores). We actively increased the average size of UNIQLO Japan stores through our "scrap and build" policy of replacing small stores with large-scale stores of 1,600m<sup>2</sup> or more. The number of large-scale outlets increased by nine to 208 stores.

Customers were impressed by the community-focused management style of our UNIQLO OSAKA global flagship store and UNIQLO Kichijoji global hotspot store, helping both build a strong customer following since their opening in October 2014.

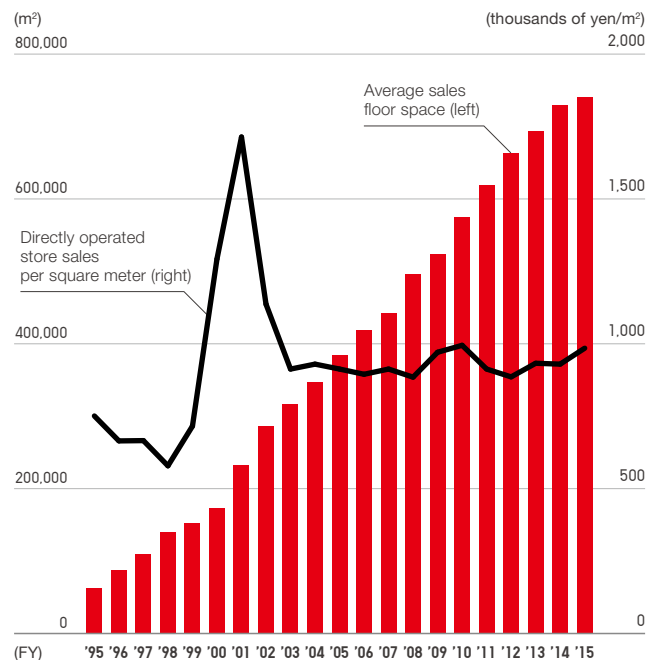
### UNIQLO International

UNIQLO International also achieved a record performance, with revenue increasing 45.9% year on year to ¥603.6 billion and operating profit increasing 31.6% to ¥43.3 billion. UNIQLO operations in Greater China and South Korea performed especially well, proving to be the main driver of Group growth.

UNIQLO Greater China reported considerable growth, with revenue increasing 46.3% to ¥304.4 billion and operating profit increasing by 66.1% to ¥38.6 billion. Continued growth in same-store sales fueled significant gains at UNIQLO South Korea. UNIQLO Southeast Asia (Singapore, Malaysia, Thailand, the Philippines and Indonesia) discounted spring stock following lackluster sales, resulting in a flat operating profit. In Australia, sales of Fall Winter ranges were favorable and slightly above target, facilitating a reduction in operating losses. Operating profit contracted at UNIQLO Europe (U.K., France, Russia and Germany) following a loss on the retirement of property, plant and equipment linked to the renovation of our global flagship store in London. Sales fell short of target and operating losses expanded at UNIQLO USA, due partly to the rapid opening of new stores, and the fact that the UNIQLO brand is still comparatively new and not yet widely recognized.

In fiscal 2015, UNIQLO International added a net 165 stores (opened 182 and closed 17) for a final total of 798 stores. That represents a net increase of 93 stores in Greater China, 22 in South Korea, 23 in Southeast Asia, 5 in Australia, 5 in Europe and 17 in the United States.

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





## Global Brands

Global Brands reported significant gains in revenue and profit. Revenue expanded 17.6% to ¥295.3 billion. Operating profit totaled ¥14.4 billion, compared to a ¥4.1 billion loss in fiscal 2014. Significant increases in revenue and profit at our low-priced GU fashion casualwear brand drove segment growth. Meanwhile, the segment reported a ¥5.1 billion impairment loss following continued losses at J Brand.

GU revenue reached ¥141.5 billion (+31.6% YoY) and operating profit totaled ¥16.4 billion (+174.9%). This strong performance was underpinned by GU's ability to attract customers of all ages with products that capture the latest fashion trends, such as gaucho pants, and also the brand's capacity to flexibly increase production when required. At the end of August 2015, we had 314 GU stores in Japan and five stores outside of Japan. Meanwhile, lackluster demand for luxury fashion in the United States knocked Theory's operating profit lower. Our French fashion brand Comptoir des Cotonniers also reported a fall in operating profit. J Brand reported continued operating losses following a downturn in the U.S. premium denim market.

## 11 Balance Sheet

Total assets rose ¥171.3 billion year on year to ¥1.1637 trillion. Current assets increased ¥157.3 billion to ¥874.3 billion, mainly on increases in derivative financial assets, cash and cash equivalents, and inventory assets. Derivative financial assets increased by ¥58.3 billion to ¥157.4 billion after yen weakness widened the margin between the actual exchange rate at the end of August 2015 and the average rate of the Company's forward currency contracts. Higher operating cash flows increased cash and cash equivalents by ¥41.1 billion to ¥355.2 billion. Inventory assets rose ¥36.7 billion to ¥260.0 billion (UNIQLO Japan: -¥5.6 billion, UNIQLO International: +¥34.1 billion, Global Brands: +¥8.2 billion). The net addition of 165 new stores led to increased inventory at UNIQLO International, while the targeted expansion of the GU and Theory brands increased inventory at Global Brands.

Non-current assets increased by ¥14.0 billion to ¥289.3 billion. This increase was largely due to a ¥14.9 billion increase in property, plant and equipment related to the addition of 165 UNIQLO International stores and 71 Global Brands stores.

Current liabilities increased by ¥19.0 billion to ¥292.2 billion on the back of a ¥6.4 billion increase in provisions and a ¥4.0 billion increase in income taxes payable.

Non-current liabilities increased by ¥13.5 billion to ¥96.6 billion following a ¥9.8 billion rise in deferred tax liabilities to ¥47.2 billion.

Total equity increased by ¥138.7 billion to ¥774.8 billion, including a ¥117.3 billion increase in net profit for the year, a ¥34.3 billion decrease in dividend payments on retained earnings and a ¥53.7 billion increase in other comprehensive income (including cash flow hedges). The ratio of equity attributable to owners of the parents to total assets increased 2.2 points to 64.5%.

## ■ Consolidated Subsidiaries (at end of August 31, 2015)

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

\* The Fast Retailing Group comprises 119 consolidated subsidiaries.

## 12 Cash Flow Information

In fiscal 2015, net cash from operating activities totaled ¥134.9 billion, net cash used in investing activities totaled ¥73.1 billion and net cash used in financing activities totaled ¥41.7 billion. As a result, total free cash flow from both operating and investing activities totaled ¥61.7 billion, and the balance of cash and cash equivalents increased by ¥41.1 billion to ¥355.2 billion at the end of fiscal 2015.

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

**Net Cash from Operating Activities: ¥134.9 Billion**

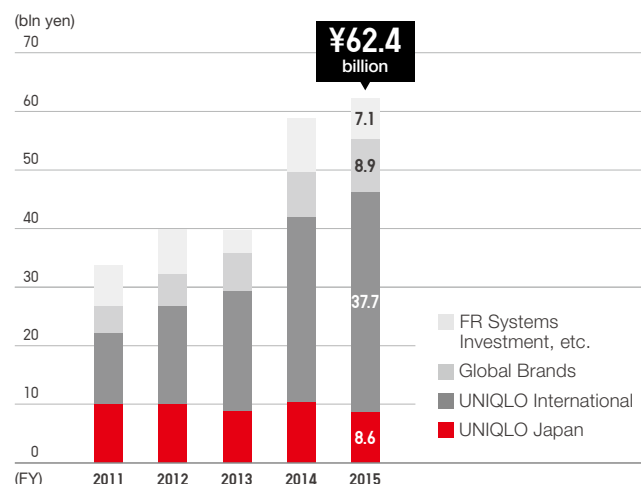
Net Inflows included ¥180.6 billion in profit before income taxes, ¥37.7 billion in depreciation and amortization and ¥16.1 billion in impairment losses. Working capital outflows, calculated from trade receivables, inventories and trade payables, totaled ¥43.9 billion. Net income taxes paid amounted to ¥70.8 billion.

**Net Cash Used in Investing Activities: ¥73.1 Billion**

This includes ¥44.6 billion in acquisitions of property, plant and equipment, which helped to expand UNIQLO International and Global Brands store networks, and ¥6.5 billion for the acquisition of non-tangible assets such as systems investment. Consolidated capital expenditure totaled ¥62.4 billion (UNIQLO Japan: ¥8.6 billion, UNIQLO International: ¥37.7 billion, Global Brands: ¥8.9 billion, Fast Retailing systems investment, etc.: ¥7.1 billion).

**Net Cash Used in Financing Activities: ¥41.7 Billion**

This includes ¥33.1 billion in cash dividend payments, ¥5.0 billion for the repayment of long-term debt, and ¥4.5 billion for the repayment of lease obligations.

**Capital Expenditure****13 Dividend Policy**

Returning a portion of our profits to shareholders is a top priority. Our policy is to pay an appropriate dividend, closely linked to performance, after considering the funds required to expand Group operations, increase profits and maintain financial soundness. The Group paid an annual dividend of ¥350 per share in fiscal 2015. This translates into an annual dividend payout ratio of 32.4%.

**14 Outlook for Fiscal 2016 (as of January 7, 2016)**

We forecast rises in consolidated revenue and profit, with revenue reaching ¥1.800 trillion (+7.0% YoY), operating profit ¥180.0 billion (+9.4%) and net profit attributable to owners of the parent reaching ¥110.0 billion (-0.0%). We forecast net earnings per share (EPS) of ¥1,079.01, and an annual dividend per share of ¥370 (¥185 interim and year-end dividends).

At UNIQLO Japan, we expect flat same-store sales. We plan to open 40 stores and close 35 stores, bringing the total number of UNIQLO directly operated and franchise stores combined to 846 stores at the end of August 2016.

UNIQLO International is expected to expand to 960 stores, with 100 new stores scheduled to open in the Greater China region, 20 in South Korea, 40 in Southeast Asia and Oceania, 7 in the United States and 10 in Europe. We expect Global Brands will expand to 1,369 stores, including 50 additional stores for GU, 25 for Theory and 5 for Comptoir des Cottonniers. Overall, the Fast Retailing Group store network should expand by 197 stores, for a total of 3,175 stores in fiscal 2016.

**Store Openings by Segment**

(Unit: Stores)

(FY)	2015	2016			
	End Aug.	Open	Close	Net	End Aug.
<b>UNIQLO</b>	1,639	217	50	+167	1,806
UNIQLO Japan	841	40	35	+5	846
UNIQLO International	798	177	15	+162	960
<b>Global Brands*</b>	1,339	80	50	+30	1,369
<b>Total</b>	2,978	297	100	+197	3,175

\* Including franchise stores

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



## 15 Risk

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

The statements with regard to the future are based on management decisions and projections made by the Company based on information available at the time of the publication of this report (November 27, 2015).

### (1) Risks specific to management strategy

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

#### i) Management personnel risk

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

#### ii) Competitive risks

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

#### iii) Risk of dependency on production in specified geographic locations

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

#### iv) Risks of corporate acquisitions

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

#### v) Overseas business risks

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

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

#### vi) Currency risks

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

### (2) General business risks

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

#### i) Manufactured product liability risk

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

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

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

#### iii) Risk due to weather

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

#### iv) Risk due to natural disaster

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

#### v) Risk of disputes and litigation

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

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

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

# HISTORY

**1949.3**

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

**1963.5**

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

**1984.6**

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



**1985.6**

First UNIQLO roadside store opens.



**1991.9**

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

**1994.7**

Company stock is listed on the Hiroshima Stock Exchange.

**1998.2**

Head office is constructed in Yamaguchi Prefecture, Japan.



**1998.10**

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



**1998.11**

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



**1999.2**

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

**1999.4**

Shanghai office is established to further enhance production management.

**2000.10**

E-commerce business launches.

**2001.9**

First UNIQLO overseas store opens in London.



**2002.4**

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



**2002.9**

First UNIQLO China store opens in Shanghai.

**2002.11**

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

**2003.10**

UNIQLO cashmere campaign generates high level of consumer interest.



**2004.1**

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



**2004.12**

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

**2004.12**

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

**2005.3**

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

**2005.5**

Comptoir des Cottonniers is acquired.

**2005.9**

First UNIQLO South Korea store opens in Seoul.

**2005.9**

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

**2005.9**

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

**2005.11**

Holding company structure is adopted at Fast Retailing.

**2006.2**

Princesse tam.tam is acquired.

**2006.4**

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



**2006.6**

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

**2006.9**

UNIQLO All-Product Recycling Initiative commences.



**2006.10**

First GU store opens in Chiba Prefecture, Japan.

**2006.11**

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



**2007.11**

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

**2007.12**

First UNIQLO France store opens in Paris.

**2009.3**

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

**2009.4**

First UNIQLO Singapore store opens.

**2009.10**

Global flagship store, Paris Opera Store, opens.



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**2010.4**

First UNIQLO Russia store opens in Moscow.

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**2010.5**

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



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**2010.7**

UNIQLO and Toray Industries announce the second 5-year plan for their strategic partnership.

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**2010.10**

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



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**2010.10**

First GU flagship store opens in Shinsaibashi, Osaka.

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**2010.10**

First UNIQLO Taiwan store opens in Taipei.

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**2010.11**

First UNIQLO Malaysia store opens in Kuala Lumpur.

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**2011.2**

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

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**2011.9**

First UNIQLO Thailand store opens in Bangkok.

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**2011.9**

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

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**2011.10**

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



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**2011.11**

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

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**2012.3**

Global flagship store, UNIQLO Ginza, opens in Tokyo.



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**2012.3**

GU flagship store opens in Ginza, Tokyo.

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**2012.6**

First UNIQLO Philippines store opens in Manila.

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**2012.9**

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



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**2012.12**

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

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**2013.4**

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

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**2013.6**

First UNIQLO Indonesia store opens in Jakarta.

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**2013.7**

First Grameen UNIQLO store opens in Bangladesh, facilitating social business.

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**2013.9**

First GU overseas store opens in Shanghai.

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**2013.9**

Global flagship store, UNIQLO SHANGHAI, opens in China.



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**2014.3**

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



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**2014.3**

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

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**2014.4**

First UNIQLO Australia store opens in Melbourne.

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**2014.4**

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



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**2014.4**

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

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**2014.10**

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

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**2014.10**

Global flagship store, UNIQLO OSAKA, opens in Osaka.

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**2015.4**

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



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**2015.8**

UNIQLO launches MAGIC FOR ALL project with Disney.

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**2015.9**

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

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**2015.10**

First UNIQLO Belgium store opens in Antwerp.

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**2015.10**

UNIQLO launches the UNIQLO AND LEMAIRE Collection.



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**2015.10**

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



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**2015.11**

UNIQLO and Toray Industries announce the third 5-year plan for their strategic partnership.

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**2015.12**

Fast Retailing issues ¥250 billion in unsecured straight bonds.



# INVESTOR INFORMATION (As of August 31, 2015)

## Stock Exchange Listing

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

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

## Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares (including treasury stock)	106,073,656
Number of shareholders (including holders of treasury stock)	7,191

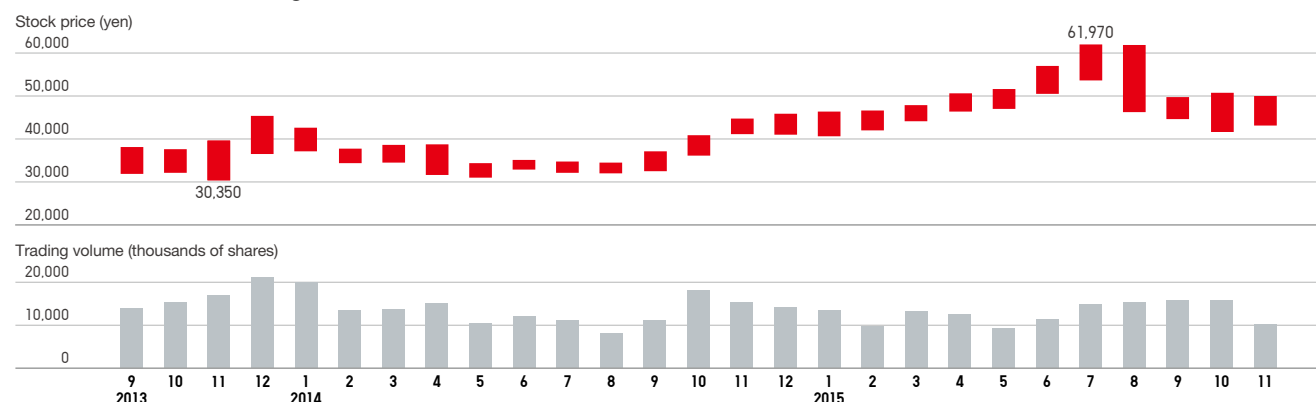
## Distribution of Share Ownership



## Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	22,987,284	21.67
The Master Trust Bank of Japan, Ltd.	12,963,700	12.22
Japan Trustee Services Bank, Ltd.	9,122,300	8.60
TTY Management B.V.	5,310,000	5.01
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
Fast Retailing Co., Ltd.	4,128,255	3.89
Trust & Custody Services Bank, Ltd.	3,640,068	3.43
Mastermind Co., Ltd.	3,610,000	3.40

## Stock Price and Trading Volume



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

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

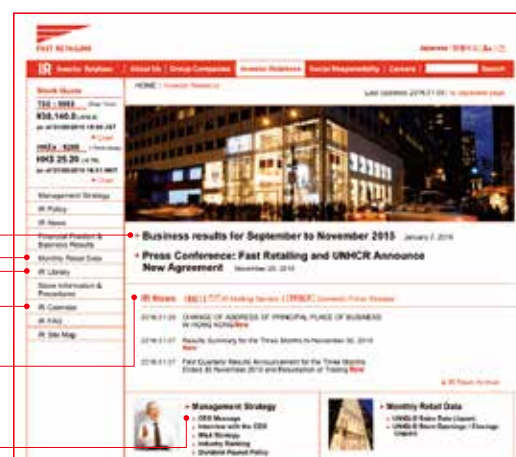
**Monthly Retail Data:** You can view monthly sales for UNIQLO Japan.

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

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

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

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



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

# CORPORATE INFORMATION (As of December 31, 2015)

## ■ Corporate Data

Trade Name	FAST RETAILING CO., LTD.
Head Office	717-1 Sayama, Yamaguchi City Yamaguchi 754-0894, Japan
Tokyo Office	Midtown Tower, 9-7-1 Akasaka, Minato-ku Tokyo 107-6231, Japan
Established	May 1, 1963
Paid-in Capital	¥10,274 million
Line of Business	Control and management of overall Group activities as owner and holding company
Number of Full-time Employees (Consolidated)	41,646 (As of August 31, 2015)
Fiscal Year Ends	August 31
Annual Shareholders' Meeting	Late November
Transfer Agent	The Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan Telephone: 0120-232-711 (From Japan)
Number of Shares per Trading Unit	100 shares (Tokyo Stock Exchange) 300 HDR (Hong Kong Stock Exchange)

## ■ Board of Directors

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

## ■ Main Group Companies



- 1 UNIQLO CO., LTD.  
LINK THEORY JAPAN CO., LTD.  
COMPTOIR DES COTONNIERS JAPAN CO., LTD.  
G.U. CO., LTD.
- 2 FAST RETAILING (CHINA) TRADING CO., LTD.
- 3 UNIQLO HONG KONG, LIMITED
- 4 UNIQLO TAIWAN LTD.
- 5 FRL Korea Co., Ltd.
- 6 UNIQLO (SINGAPORE) PTE. LTD.
- 7 UNIQLO (MALAYSIA) SDN. BHD.
- 8 UNIQLO (THAILAND) COMPANY LIMITED
- 9 FAST RETAILING PHILIPPINES, INC.
- 10 PT. FAST RETAILING INDONESIA
- 11 UNIQLO EUROPE LIMITED
- 12 Fast Retailing USA, Inc.  
J Brand, Inc.
- 13 FAST RETAILING FRANCE S.A.S.
- 14 LLC UNIQLO (RUS)
- 15 UNIQLO AUSTRALIA PTY LTD

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

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

### ■ Forward-looking Statements

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

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**FAST RETAILING**

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