FAST RETAILING

Fast Retailing Co., Ltd.

Consolidated Financial Statements

for the year ended August 31, 2015

Consolidated Statement of Financial Position

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
ASSETS			
Current assets:			
Cash and cash equivalents	¥314,049	¥ 355,212	$2,931,280
Trade and other receivables	47,428	44,777	369,514
Other current financial assets	9,119	22,593	186,447
Inventories	223,223	260,006	2,145,624
Derivative financial assets	99,125	157,490	1,299,644
Income taxes receivable	11,951	18,564	153,197
Others	12,139	15,748	129,956
Total current assets	717,037	874,394	7,215,665
Non-current assets:			
Property, plant and equipment	114,398	129,340	1,067,342
Goodwill	26,715	27,165	224,174
Other intangible assets	46,968	40,991	338,266
Non-current financial assets	71,293	75,940	626,676
Deferred tax assets	11,257	11,107	91,661
Others	4,636	4,766	39,333
Total non-current assets	275,270	289,311	2,387,454
Total assets	¥992,307	¥1,163,706	$9,603,119
LIABILITIES			
Current liabilities:			
Trade and other payables	¥185,119	¥ 181,577	$1,498,410
Derivative financial liabilities	1,012	100	825
Other current financial liabilities	12,696	15,471	127,675
Income taxes payable	32,750	36,763	303,379
Provisions	16,154	22,615	186,627
Others	25,462	35,714	294,721
Total current liabilities	273,196	292,242	2,411,639
Non-current liabilities:			
Non-current financial liabilities	27,604	25,513	210,542
Provisions	7,694	10,203	84,202
Deferred tax liabilities	37,387	47,272	390,103
Others	10,383	13,668	112,796
Total non-current liabilities	83,069	96,658	797,644
Total liabilities	356,265	388,901	3,209,284
EQUITY			
Capital stock	10,273	10,273	84,782
Capital surplus	9,803	11,524	95,101
Retained earnings	525,722	602,623	4,972,965
Treasury stock, at cost	(15,790)	(15,699)	(129,553)
Other components of equity	88,371	142,214	1,173,579
Equity attributable to owners of the parent	618,381	750,937	6,196,875
Non-controlling interests	17,660	23,867	196,959
Total equity	636,041	774,804	6,393,835
Total liabilities and equity	¥992,307	¥1,163,706	$9,603,119

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Revenue	¥1,382,935	¥1,681,781	$13,878,379
Cost of sales	(683,161)	(833,243)	(6,876,082)
Gross profit	699,773	848,538	7,002,297
Selling, general and administrative expenses	(549,195)	(671,863)	(5,544,344)
Other income	7,025	8,782	72,471
Other expenses	(27,200)	(20,992)	(173,237)
Operating profit	130,402	164,463	1,357,187
Finance income	6,001	17,354	143,209
Finance costs	(933)	(1,141)	(9,418)
Profit before income taxes	135,470	180,676	1,490,978
Income taxes	(56,133)	(63,287)	(522,264)
Profit for the year	79,337	117,388	968,714
Attributable to:			
Owners of the parent	74,546	110,027	907,970
Non-controlling interests	4,790	7,360	60,743
Profit for the year	¥ 79,337	¥ 117,388	$ 968,714
Earnings per share			
Basic (yen, dollar)	731.51	1,079.42	8.91
Diluted (yen, dollar)	¥ 730.81	¥ 1,078.08	$ 8.90

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Profit for the year	¥79,337	¥117,388	$ 968,714
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gain/(loss) on revaluation of available-for-sale investments	66	(655)	(5,409)
Exchange differences on translation of foreign operations	8,402	14,040	115,868
Cash flow hedges	(5,773)	40,350	332,977
Other comprehensive income, net of taxes	¥ 2,695	¥ 53,735	$ 443,436
Total comprehensive income for the year	¥82,033	¥171,124	$1,412,150
Attributable to:			
Owners of the parent	75,517	163,871	1,352,295
Non-controlling interests	6,515	7,253	59,854
Total comprehensive income for the year	¥82,033	¥171,124	$1,412,150

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2014 and 2015

Millions of yen

					Other components of equity						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2013	¥10,273	¥ 6,859	¥481,746	¥(15,851)	¥ 731	¥16,452	¥70,215	¥ 87,399	¥570,428	¥19,298	¥589,726
Net change during the year											
Comprehensive income											
Profit for the year	—	—	74,546	—	—	—	—	—	74,546	4,790	79,337
Other comprehensive income	—	—	—	—	66	6,583	(5,679)	971	971	1,724	2,695
Total comprehensive income	—	—	74,546	—	66	6,583	(5,679)	971	75,517	6,515	82,033
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(25)	—	—	—	—	(25)	—	(25)
Disposal of treasury stock	—	471	—	86	—	—	—	—	558	—	558
Dividends	—	—	(30,571)	—	—	—	—	—	(30,571)	(633)	(31,204)
Share-based payments	—	746	—	—	—	—	—	—	746	—	746
Acquisition of non-controlling interests	—	1,726	—	—	—	—	—	—	1,726	(7,813)	(6,086)
Others	—	—	—	—	—	—	—	—	—	293	293
Total transactions with the owners	—	2,944	(30,571)	60	—	—	—	—	(27,565)	(8,152)	(35,718)
Total net changes during the year	—	2,944	43,975	60	66	6,583	(5,679)	971	47,952	(1,637)	46,314
As at 31 August 2014	¥10,273	¥ 9,803	¥525,722	¥(15,790)	¥ 798	¥23,035	¥64,536	¥ 88,371	¥618,381	¥17,660	¥636,041
Net change during the year											
Comprehensive income											
Profit for the year	**—**	**—**	**110,027**	**—**	**—**	**—**	**—**	**—**	**110,027**	**7,360**	**117,388**
Other comprehensive income	**—**	**—**	**—**	**—**	**(655)**	**14,815**	**39,683**	**53,843**	**53,843**	**(107)**	**53,735**
Total comprehensive income	**—**	**—**	**110,027**	**—**	**(655)**	**14,815**	**39,683**	**53,843**	**163,871**	**7,253**	**171,124**
Transactions with the owners											
Acquisition of treasury stock	**—**	**—**	**—**	**(11)**	**—**	**—**	**—**	**—**	**(11)**	**—**	**(11)**
Disposal of treasury stock	**—**	**700**	**—**	**102**	**—**	**—**	**—**	**—**	**803**	**—**	**803**
Dividends	**—**	**—**	**(33,126)**	**—**	**—**	**—**	**—**	**—**	**(33,126)**	**(1,226)**	**(34,352)**
Share-based payments	**—**	**1,019**	**—**	**—**	**—**	**—**	**—**	**—**	**1,019**	**—**	**1,019**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**180**	**180**
Total transactions with the owners	**—**	**1,720**	**(33,126)**	**90**	**—**	**—**	**—**	**—**	**(31,315)**	**(1,046)**	**(32,361)**
Total net changes during the year	**—**	**1,720**	**76,901**	**90**	**(655)**	**14,815**	**39,683**	**53,843**	**132,556**	**6,207**	**138,763**
As at 31 August 2015	**¥10,273**	**¥11,524**	**¥602,623**	**¥(15,699)**	**¥ 143**	**¥37,851**	**¥104,219**	**¥142,214**	**¥750,937**	**¥23,867**	**¥774,804**

Thousands of U.S. dollars (Note 1)

					Other components of equity						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 31 August 2014	$84,782	$80,904	$4,338,359	$(130,303)	$ 6,589	$190,096	$532,568	$ 729,253	$5,102,997	$145,737	$5,248,734
Net change during the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Comprehensive income											
Profit for the year	**—**	**—**	**907,970**	**—**	**—**	**—**	**—**	**—**	**907,970**	**60,743**	**968,714**
Other comprehensive income	**—**	**—**	**—**	**—**	**(5,409)**	**122,263**	**327,471**	**444,325**	**444,325**	**(889)**	**443,436**
Total comprehensive income	**—**	**—**	**907,970**	**—**	**(5,409)**	**122,263**	**327,471**	**444,325**	**1,352,295**	**59,854**	**1,412,150**
Transactions with the owners											
Acquisition of treasury stock	**—**	**—**	**—**	**(97)**	**—**	**—**	**—**	**—**	**(97)**	**—**	**(97)**
Disposal of treasury stock	**—**	**5,782**	**—**	**847**	**—**	**—**	**—**	**—**	**6,630**	**—**	**6,630**
Dividends	**—**	**—**	**(273,364)**	**—**	**—**	**—**	**—**	**—**	**(273,364)**	**(10,118)**	**(283,482)**
Share-based payments	**—**	**8,413**	**—**	**—**	**—**	**—**	**—**	**—**	**8,413**	**—**	**8,413**
Others	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,485**	**1,485**
Total transactions with the owners	**—**	**14,196**	**(273,364)**	**749**	**—**	**—**	**—**	**—**	**(258,417)**	**(8,632)**	**(267,050)**
Total net changes during the year	**—**	**14,196**	**634,605**	**749**	**(5,409)**	**122,263**	**327,471**	**444,325**	**1,093,878**	**51,222**	**1,145,100**
As at 31 August 2015	**$84,782**	**$95,101**	**$4,972,965**	**$(129,553)**	**$ 1,180**	**$312,359**	**$860,039**	**$1,173,578**	**$6,196,875**	**$196,959**	**$6,393,835**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fast Retailing Co., Ltd. and consolidated subsidiaries
For the years ended August 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net cash from operating activities:			
Profit before income taxes	¥135,470	**¥180,676**	**$1,490,978**
Depreciation and amortization	30,808	**37,758**	**311,588**
Impairment losses	23,960	**16,146**	**133,247**
Increase/(decrease) in allowance for doubtful accounts	(24)	**372**	**3,073**
Increase/(decrease) in other provisions	2,703	**5,096**	**42,057**
Interest and dividend income	(897)	**(1,477)**	**(12,190)**
Interest expenses	933	**1,137**	**9,386**
Foreign exchange losses/(gains)	(5,104)	**(15,084)**	**(124,482)**
Losses on retirement of property, plant and equipment	391	**2,479**	**20,464**
Decrease/(increase) in trade and other receivables	(7,489)	**3,977**	**32,824**
Decrease/(increase) in inventories	(45,627)	**(29,295)**	**(241,748)**
Increase/(decrease) in trade and other payables	10,420	**(18,611)**	**(153,582)**
Decrease/(increase) in other assets	(6,552)	**(1,900)**	**(15,682)**
Increase/(decrease) in other liabilities	25,958	**22,839**	**188,478**
Others, net	1,265	**1,339**	**11,050**
Subtotal	166,216	**205,456**	**1,695,462**
Interest and dividend income received	896	**1,477**	**12,190**
Interest paid	(938)	**(1,155)**	**(9,534)**
Income taxes paid	(65,534)	**(84,728)**	**(699,192)**
Income taxes refund	9,954	**13,881**	**114,555**
Net cash from operating activities	110,595	**134,931**	**1,113,481**
Net cash used in investing activities:			
Decrease/(increase) in bank deposits with maturity over 3 months	(2,156)	**(16,173)**	**(133,469)**
Purchases of property, plant and equipment	(41,414)	**(44,663)**	**(368,575)**
Proceeds from sales of property, plant and equipment	1,399	**261**	**2,157**
Purchases of intangible assets	(7,525)	**(6,503)**	**(53,664)**
Payments for lease and guarantee deposits	(6,982)	**(8,849)**	**(73,024)**
Proceeds from collection of lease and guarantee deposits	841	**3,442**	**28,410**
Increase in construction assistance fund receivables	(2,892)	**(2,445)**	**(20,180)**
Decrease in construction assistance fund receivables	1,895	**1,895**	**15,640**
Others, net	511	**(109)**	**(906)**
Net cash used in investing activities	(56,323)	**(73,145)**	**(603,613)**
Net cash used in financing activities:			
Net increase/(decrease) in short-term loans payable	862	**1,814**	**14,976**
Repayment of long-term loans payable	(3,826)	**(5,090)**	**(42,003)**
Cash dividends paid	(30,574)	**(33,127)**	**(273,376)**
Cash dividends paid to non-controlling interests	(633)	**(1,226)**	**(10,118)**
Repayments of lease obligations	(3,656)	**(4,587)**	**(37,854)**
Acquisition of non-controlling interests	(6,026)	**—**	**—**
Others, net	(205)	**431**	**3,559**
Net cash used in financing activities	(44,060)	**(41,784)**	**(344,817)**
Effect of exchange rate changes on cash and cash equivalents	7,129	**21,162**	**174,634**
Net increase/(decrease) in cash and cash equivalents	17,340	**41,162**	**339,684**
Cash and cash equivalents at beginning of year	296,708	**314,049**	**2,591,595**
Cash and cash equivalents at end of year	¥314,049	**¥355,212**	**$2,931,280**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 Reporting Entity

FAST RETAILING CO., LTD. (the "Company") is a company incorporated in Japan. The locations of the registered head-quarters and principal offices of the Company are disclosed at the Group's website (http://www.fastretailing.com/eng/).

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

2 Basis of Preparation

(1) Compliance with IFRS

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

The Group meets all criteria of a "specified company" defined under Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, and accordingly applies Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Approval of the consolidated financial statements

The consolidated financial statements were approved on 27 November 2015 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

(3) Basis of measurement

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

(4) Functional currency and presentation currency

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

(5) Use of estimates and judgments

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

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

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

- Useful lives of property, plant and equipment, and intangible assets (Notes 13, 14)
- Recoverable amounts from cash-generating units for impairment test (Note 15)
- Recoverability of deferred tax assets (Note 18)
- Valuation of inventories (Note 10)
- Recoverability of trade and other receivables (Notes 9, 29)
- Accounting treatment and valuation of provisions (Note 20)
- Fair value measurement of financial instruments (Note 29)
- Fair value unit price for share-based payments (Note 28)
- Probability of outflow of future economic benefits from contingent liabilities (Note 33)

(6) Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥121.18=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market at the end of August 2015. This translation should not be construed as a representation that any amounts shown could be converted into U.S. dollars at that or any other rate.

3 Significant Accounting Policies

(1) Basis of consolidation

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

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

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

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

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

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

The number of consolidated subsidiaries as at 31 August 2015 is 119.

(2) Business combinations

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

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

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

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

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

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

(3) Foreign currencies

(i) Transactions and balances

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

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

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

(ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Japanese yen at the rate of exchange prevailing at each reporting date and their income statements are translated at average exchange rates during the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

(4) Financial instruments

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

Non-derivative financial instruments

(i) Initial recognition and measurement

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss. Recognized profits or losses, including the above, are recognized in the consolidated statement of profit or loss as dividend income, interest income or gain or loss on changes in fair value. Fair value is determined using the method described in "29. Financial Instruments".

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

Available-for-sale listed equity securities that are traded on a market are measured using quoted market prices. Unlisted equity securities are measured at fair value using reasonable methods. Fair value is determined using the method described in "29. Financial Instruments". Profits or losses arising from changes in fair value are recognized as other comprehensive income. Impairment losses or foreign currency gains or losses associated with monetary assets are treated as exceptions and recognized in profit or loss.

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

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

(v) Impairment of financial assets

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

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

(a) Significant deterioration in the financial condition of the issuer or counterparty;
(b) Default or delinquency in interest or principal payments; or
(c) Probability that the issuer will enter bankruptcy or financial reorganization.

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

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

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

(vi) Derecognition of financial assets

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

Non-derivative equity instruments and financial liabilities

(i) Equity instruments (stocks)

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

(ii) Financial liabilities

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

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

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

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

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

(a) If such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) is likely to arise;
(b) If the financial liabilities are part of a “group of financial assets or financial liabilities (or both)” which are managed and have their performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on a fair value basis; or
(c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets and liabilities) to be designated as “financial liabilities at fair value through profit or loss”).

Financial liabilities designated as “financial liabilities at fair value through profit or loss” are measured at fair value, with any changes recognized in profit or loss. Recognized profits and losses, including the above, are recognized in the consolidated statement of profit or loss as interest expenses or gain or loss on change in fair value. Fair value is determined using the method described in “29. Financial Instruments”.

(iv) Other financial liabilities

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

(v) Derecognition of financial liabilities

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

(vi) Fair value of financial instruments

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

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

(vii) Offsetting financial Instruments

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

(i) Recognition and measurement

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

(ii) Depreciation

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

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

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

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

(i) Goodwill

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

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

(ii) Intangible assets

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

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

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

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

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

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

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

(9) Leases

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

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

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

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

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

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

(10) Impairment

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

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

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

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

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

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

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

(11) Provisions

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

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

Each provision is described below:

(i) Allowance for bonuses

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

(ii) Asset retirement obligations

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

(12) Share-based payments

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

Stock options are measured at fair value based on the price of the Company's shares on the grant date. Fair value of stock options is further disclosed in "28. Share-based Payments".

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

(13) Revenue recognition

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

(i) Revenue recognition standards

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

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

(ii) Method of presentation for revenue

If the Group is acting as a principal in a transaction, revenue is measured at the fair value of consideration received or receivable from the customer.

(14) Income taxes

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

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

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

- Temporary differences arising from goodwill;
- Temporary differences arising from the initial recognition of an asset/liability which, at the time of the transaction, does not affect either the accounting profit or the taxable income (other than in a business combination); or
- Temporary differences associated with investments in subsidiaries, but only to the extent that it is possible to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

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

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

(15) Earnings per share

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

4 Application of New and Amended Standards and Interpretations

The Group adopted the following standards and amendments from beginning of this fiscal year.

IFRS	Title	Summary
IAS 32 (Amendments)	Amendments to IAS 32 Financial Instruments: Presentation	Offsetting financial assets and financial liabilities.
IAS 36 (Amendments)	Amendments to IAS 36 Impairment of Assets	Recoverable amount disclosures for non-financial assets.
IAS 39 (Amendments)	Amendments to IAS 39 Financial Instruments: Recognition and Measurement	Novation of derivatives and continuation of hedge accounting.
IFRIC 21	Levies	Clarifies the timing of recognition of liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.
IFRS 10 (Amendments)	Amendments to IFRS 10 — Consolidated Financial Statements	Defines investment entity and provide an exception to the consolidation requirement for entities that meet the definition of investment entity.
IFRS 12 (Amendments)	Amendments to IFRS 12 — Disclosures of interests in other entities	Sets out the disclosure requirements for investment entities.

There is no significant impact on the accompanying consolidated financial statements resulting from the adoption of the above new and amended standards and interpretations.

5 Issued but Not Yet Effective IFRS

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

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

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements	1 January 2016	Year ending 31 August 2017	Clarification of methods of presentation of financial statements and disclosures.
IAS16 (Amendments)	Amendments to IAS 16 Property, Plant and Equipment	1 January 2016	Year ending 31 August 2017	Clarification of acceptable methods of depreciation and amortisation.
IAS 28 (Amendments)	Amendments to IAS 28 Investments in Associates and Joint Ventures	1 January 2016	Year ending 31 August 2017	Accounting treatment for sales or other transfers of funds relating to assets involving investors and related companies and/or joint-control enterprises. Clarification of items requested regarding accounting treatment of investment entities.
IAS 34 (Amendments)	Amendments to IAS 34 Interim Financial Reporting	1 January 2016	Year ending 31 August 2017	Clarifying the handling of information required by IAS 34, when given in the "Other" section of the financial reports for the term.
IAS 38 (Amendments)	Amendments to IAS 38 Intangible Assets	1 January 2016	Year ending 31 August 2017	Clarification of acceptable methods of depreciation and amortisation.
IFRS 5 (Amendments)	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016	Year ending 31 August 2017	Clarification of accounting treatment of non-current assets, when the categorization requirements regarding "holding for purpose of allocation to owner" are no longer met, or when the category is changed from "holding for purpose of sale" to "holding for purpose of allocation to owner."
IFRS 7 (Amendments)	Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2016	Year ending 31 August 2017	Clarification of standards for determination of continuing involvement in financial assets to be transferred. Clarification of scope of applicable range for offsetting financial assets and financial liabilities in financial reports for the term.
IFRS 10 (Amendments)	Amendments to IFRS 10 Consolidated Financial Statements	1 January 2016	Year ending 31 August 2017	Accounting treatment for sales or other transfers of funds relating to assets involving investors and related companies and/or joint-control enterprises. Clarification of items requested regarding accounting treatment of investment entities.
IFRS 12 (Amendments)	Amendments to IFRS 12 — Disclosures of interests in other entities	1 January 2016	Year ending 31 August 2017	Sets out the disclosure requirements for investment entities.
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Year ending 31 August 2019	Provides a single revenue recognition model based on the transfer of control of a good or service to a customer.
IFRS 9 (2014)	Financial Instruments	1 January 2018	Year ending 31 August 2019	Replaces IAS39 Financial Instruments: Recognition and Measurement, and addresses the classification and measurement of financial assets and financial liabilities, and hedge accounting requirements.

6 Segment Information

(1) Description of reportable segments

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

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

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

UNIQLO Japan: UNIQLO clothing business within Japan

UNIQLO International: UNIQLO clothing business outside of Japan

Global Brands: GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand clothing operations

(2) Method of calculating segment revenue and results

The methods of accounting for the reportable segments are the same as those stated in "3. Significant Accounting Policies".

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

(3) Segment information

Year ended 31 August 2014

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Consolidated statement of profit or loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	¥715,643	¥413,655	¥251,225	¥1,380,524	¥2,410	¥ —	¥1,382,935
Operating profit/(losses)	106,304	32,956	(4,195)	135,064	83	(4,745)	130,402
Segment income/(losses) (profit before income taxes)	106,650	32,552	(3,661)	135,541	82	(152)	135,470
Other disclosure:							
Depreciation and amortization	8,712	11,712	5,519	25,945	174	4,688	30,808
Impairment losses	3,258	849	19,852	23,960	—	—	23,960

Notes: 1. "Others" include real estate leasing business, etc.
2. "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

Year ended 31 August 2015

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Consolidated statement of profit or loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	¥780,139	¥603,684	¥295,316	¥1,679,140	¥2,641	¥ —	¥1,681,781
Operating profit/(losses)	117,249	43,376	14,418	175,045	114	(10,695)	164,463
Segment income/ (profit before income taxes)	119,651	42,914	14,362	176,928	114	3,633	180,676
Other disclosure:							
Depreciation and amortization	7,475	16,865	6,682	31,024	181	6,552	37,758
Impairment losses	106	3,426	6,083	9,616	—	6,530	16,146

Notes: 1. "Others" include real estate leasing business, etc.
2. "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments. Please refer to "15. Impairment losses" for details related to IT system investment.

(4) Geographic Information

Year ended 31 August 2014

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥868,657	¥136,585	¥377,693	¥1,382,935

2. Non-current assets
   (excluding financial assets and deferred tax assets)

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥62,219	¥20,603	¥109,895	¥192,719

Year ended 31 August 2015

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥967,178	**¥204,916**	**¥509,687**	**¥1,681,781**

2. Non-current assets
   (excluding financial assets and deferred tax assets)

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥56,670	**¥25,143**	**¥120,548**	**¥202,362**

7 Business Combination and Acquisition of Non-controlling Interests

Year ended 31 August 2014

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

Year ended 31 August 2015

Not applicable.

8 Cash and Cash Equivalents

The breakdown of cash and cash equivalents as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Cash and bank balances	¥172,364	**¥305,204**
Money market funds (MMF), cash funds, negotiable certificates of deposits	141,684	**50,007**
Total	¥314,049	**¥355,212**

9 Trade and Other Receivables

The breakdown of trade and other receivables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Accounts receivable — trade	¥42,960	**¥40,931**
Notes receivable	69	**66**
Other accounts receivable	4,909	**4,459**
Allowance for doubtful accounts	(511)	**(679)**
Total	¥47,428	**¥44,777**

See note "29. Financial Instruments" for credit risk management and the fair value of trade and other receivables.

10 Inventories

The breakdown of inventories as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Products	¥219,492	**¥255,736**
Supplies	3,730	**4,270**
Total	¥223,223	**¥260,006**

No inventories were pledged as collateral to secure debt.

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

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Write-down of inventories to net realizable value	¥1,976	**¥3,427**

11 Other Financial Assets and Other Financial Liabilities

The breakdown of other financial assets and other financial liabilities as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Other financial assets:		
Available-for-sale financial assets	¥ 450	**¥ 574**
Loans and receivables		
Loans and receivables	80,039	**98,225**
Allowance for doubtful accounts	(76)	**(265)**
Total loans and receivables	79,962	**97,960**
Total	80,413	**98,534**
Other current financial assets total	9,119	**22,593**
Other non-current financial assets total	71,293	**75,940**

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing bank and other borrowings	¥37,561	**¥38,035**
Deposits	1,135	**1,394**
Deposits/guarantees received	1,603	**1,555**
Total	40,300	**40,985**
Other current financial liabilities total	12,696	**15,471**
Other non-current financial liabilities total	27,604	**25,513**

12 Other Assets and Other Liabilities

The breakdown of other assets and other liabilities as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Other assets:		
Prepayments	¥ 9,192	**¥11,818**
Long-term prepayments	4,743	**4,755**
Others	2,839	**3,941**
Total	16,775	**20,514**
Current	12,139	**15,748**
Non-current	4,636	**4,766**

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Other liabilities:		
Accruals	¥19,606	**¥24,248**
Employee benefits accruals	3,534	**3,793**
Others	12,704	**21,341**
Total	35,845	**49,382**
Current	25,462	**35,714**
Non-current	10,383	**13,668**

13 Property, Plant and Equipment

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

(Millions of yen)

Acquisition costs	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2013	¥129,341	¥21,963	¥4,194	¥ 4,260	¥17,120	¥176,881
Additions	20,445	9,087	—	13,273	5,394	48,201
Disposals	(4,819)	(1,301)	(504)	—	(2,238)	(8,864)
Transfers	13,036	—	—	(13,036)	—	—
Exchange differences	5,203	1,193	—	1,523	—	7,920
At 31 August 2014	163,207	30,943	3,689	6,021	20,276	224,139
Additions	19,917	9,326	—	11,339	4,818	45,401
Disposals	(8,906)	(1,368)	(343)	—	(3,726)	(14,344)
Transfers	10,004	833	—	(10,837)	—	—
Exchange differences	11,540	(1,372)	—	760	—	10,929
At 31 August 2015	**195,764**	**38,362**	**3,345**	**7,284**	**21,369**	**266,126**

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2013	¥ (66,192)	¥(10,908)	¥(315)	¥—	¥ (8,080)	¥ (85,495)
Depreciation provided during the year	(16,383)	(4,618)	—	—	(3,607)	(24,609)
Impairment	(3,550)	(546)	—	—	(539)	(4,636)
Disposals	2,959	1,112	—	—	2,219	6,291
Exchange differences	(740)	(549)	—	—	—	(1,290)
At 31 August 2014	(83,907)	(15,510)	(315)	—	(10,007)	(109,741)
Depreciation provided during the year	(18,289)	(7,170)	—	—	(4,060)	(29,520)
Impairment	(3,334)	(772)	(387)	—	(365)	4,858
Disposals	5,918	1,361	—	—	4,016	11,296
Exchange differences	(4,516)	554	—	—	—	(3,961)
At 31 August 2015	**(104,129)**	**(21,537)**	**(702)**	**—**	**(10,416)**	**(136,785)**

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 31 August 2014	¥79,299	¥15,432	¥3,374	¥6,021	¥10,269	¥114,398
At 31 August 2015	**91,635**	**16,825**	**2,643**	**7,284**	**10,952**	**129,340**

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

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Others	Total
At 31 August 2014	¥831	¥9,437	¥—	¥10,269
At 31 August 2015	**988**	**9,964**	**—**	**10,952**

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

14 Goodwill and Intangible Assets

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

(Millions of yen)

Acquisition costs	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2013	¥37,016	¥27,466	¥19,239	¥21,805	¥68,511	¥105,527
External purchases	—	6,690	—	164	6,854	6,854
Disposals	—	(498)	—	(231)	(730)	(730)
Exchange differences	1,393	30	918	1,023	1,972	3,366
At 31 August 2014	38,410	33,688	20,158	22,762	76,608	115,018
External purchases	—	6,759	—	368	7,128	7,128
Disposals	—	(2,223)	—	(673)	(2,896)	(2,896)
Exchange differences	3,688	3	3,292	2,661	5,956	9,645
At 31 August 2015	**42,098**	**38,227**	**23,450**	**25,119**	**86,797**	**128,896**

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2013	¥ —	¥(11,865)	¥ (908)	¥ (2,898)	¥(15,673)	¥(15,673)
Amortization provided during the year	—	(4,498)	—	(1,872)	(6,371)	(6,371)
Impairment	(11,154)	—	(4,376)	(3,793)	(8,170)	(19,324)
Disposals	—	455	—	173	628	628
Exchange differences	(540)	(33)	(30)	9	(54)	(594)
At 31 August 2014	(11,694)	(15,941)	(5,315)	(8,382)	(29,640)	(41,334)
Amortization provided during the year	—	(6,146)	—	(1,761)	(7,907)	(7,907)
Impairment	(1,420)	(6,135)	(1,469)	(2,232)	(9,837)	(11,258)
Disposals	—	2,196	—	190	2,385	2,385
Exchange differences	(1,818)	23	(785)	(43)	(805)	(2,623)
At 31 August 2015	**(14,933)**	**(26,005)**	**(7,571)**	**(12,229)**	**(45,806)**	**(60,739)**

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

(Millions of yen)

Net carrying amount	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 31 August 2014	¥26,715	¥17,746	¥14,842	¥14,379	¥46,968	¥73,684
At 31 August 2015	**27,165**	**12,222**	**15,879**	**12,889**	**40,991**	**68,156**

Significant goodwill and intangible assets

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

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

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

(Millions of yen)

Net carrying amount	Goodwill			Intangible assets with indefinite useful lives		
	UNIQLO Japan	UNIQLO International	Global Brands	UNIQLO Japan	UNIQLO International	Global Brands
At 31 August 2014	¥—	¥—	¥26,715	¥—	¥—	¥21,695
At 31 August 2015	**—**	**—**	**27,165**	**—**	**—**	**23,244**

15 Impairment Losses

During the year ended 31 August 2015, the Group recognized impairment losses of some store assets, goodwill and intangible assets owned by J Brand business and software assets, etc related to IT system investment, mainly due to a decline in their expected recoverability.

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

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Buildings and structures	¥ 3,550	**¥ 3,334**
Furniture and equipment	546	**772**
Land	—	**387**
Leased assets	539	**365**
Subtotal impairment losses on property, plant and equipment	4,636	**4,858**
Software	—	**6,135**
Goodwill	11,154	**1,420**
Trademark	4,376	**1,469**
Other intangible assets	3,793	**2,232**
Subtotal impairment losses on intangible assets	19,324	**11,258**
Other non-current assets (Long-term prepayments)	—	**29**
Total impairment losses	23,960	**16,146**

Note: Leased assets include furniture and equipment.

The Group's impairment losses during the year ended 31 August 2015 amounted to 16,146 million yen, compared with 23,960 million yen during the year ended 31 August 2014, and are included in "other expenses" on the consolidated statement of profit or loss.

Year ended 31 August 2014

(1) Property, plant and equipment

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

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

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

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

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

(2) Goodwill and intangible assets, etc.

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

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

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

① The terminal value of the business added to the 10-year discounted cash flow based on plans projected and approved by management. The discount rate (pre-tax) is calculated at 26.8% (post-tax discount rate is 18.8%) based on the weighted average cost of capital of the cash-generating units (Income approach).

② Calculation based on the market value of similar assets (Market approach).

This measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs in used valuation techniques. Adverse change in key assumptions — lower estimated future cash flow or higher discount rate, would cause further impairment loss to be recognized.

Year ended 31 August 2015

(1) Property, plant and equipment

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

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

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

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

Operating segment	Cash-generating unit	Type
UNIQLO International	UNIQLO USA LLC stores	Buildings and structures

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to J Brand business

Of the total impairment losses amounting to 16,146 million yen, 5,123 million yen represented impairment losses for goodwill, trademarks and customer relationships owned by the J Brand business. The carrying amounts of cash-generating units related to J Brand business after recognition of impairment losses are 11,401 million yen of goodwill, 7,005 million yen of trademarks and 4,249 million yen of customer relationships.

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

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

① The terminal value of the business added to the 10-year discounted cash flow based on plans projected and approved by management. The discount rate (pre-tax) is calculated at 27.5% (post-tax discount rate is 19.5%) based on the weighted average cost of capital of the cash-generating units (Income approach).

② Calculation based on the market value of similar assets (Market approach).

This measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs in used valuation techniques. Adverse change in key assumptions — lower estimated future cash flow or higher discount rate, would cause further impairment loss to be recognized.

(ii) Impairment losses related to IT system investment

Of the total impairment losses amounting to 16,146 million yen, 6,530 million yen relates to an IT system. 6,530 million yen comprised of impairment losses for software assets which amount to 6,135 million yen and impairment losses amounted to 395 million yen for IT system assets, which are included in property, plant and equipment and other non-current assets.

Impairment losses represented write down of the carrying amount of assets to the recoverable amount, mainly due to a reduction in profitability. IT system and related assets are recognized as one cash-generating unit and the recoverable amount was deemed as zero because the assets are going to be disposed.

16 Finance Lease Obligations

The breakdown of finance lease obligations is as follows:

(Millions of yen)

	Future minimum lease payments		Present value of future minimum lease payments	
	As at 31 August 2014	**As at 31 August 2015**	As at 31 August 2014	**As at 31 August 2015**
Finance lease obligations				
Due within one year	¥ 3,997	**¥ 4,302**	¥ 3,894	**¥ 4,188**
Due after one year through five years	7,811	**8,185**	7,705	**8,073**
Due after five years	—	**—**	—	**—**
Total	11,809	**12,488**	11,599	**12,262**
Deductions – future finance costs	(209)	**(226)**	—	**—**
Total net finance lease payables	11,599	**12,262**	11,599	**12,262**
Current portion	—	**—**	3,894	**4,188**
Non-current portion	—	**—**	7,705	**8,073**

The Group has no sublease contracts, accrued variable lease fees or escalation clauses (clauses enabling upward revision of rental charges), and no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

17 Operating Lease Commitments

(1) As lessee

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

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
Due within one year	¥ 28,662	**¥ 34,018**
Due after one year through five years	79,871	**96,064**
Due after five years	69,296	**85,187**
Total	177,830	**215,270**

The total minimum lease payments and contingent rents for operating lease contracts recognized as expenses during the year are as follows:

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Total minimum lease payments	¥ 91,383	**¥103,298**
Contingent rents	47,269	**63,139**
Total	138,652	**166,437**

Contingent rents, renewal options, and escalation clauses (clauses enabling upward revision of rental charges) are included in the operating lease agreements.

There are no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

(2) As lessor

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

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

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
Due within one year	¥58	**¥ 8**
Due after one year through five years	8	**—**
Due after five years	—	**—**
Total	67	**8**

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Contingent rents	¥1,139	**¥1,162**

18 Deferred Taxes and Income Taxes

(1) Deferred taxes

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

(Millions of yen)

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

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

(Millions of yen)

	As at 1 September 2014	Recognized in profit or loss (Note)	Recognized in other comprehensive income	**As at 31 August 2015**
Temporary differences				
Accrued business tax	¥ 2,073	¥ 305	¥ —	**¥ 2,378**
Allowance for bonuses	2,697	595	—	**3,293**
Provision of allowance for doubtful accounts	122	76	—	**199**
Impairment losses on non-current assets	998	2,244	—	**3,243**
Unrealized gains/(losses) on available-for-sale securities	(1)	—	(69)	**(70)**
Depreciation	5,524	361	—	**5,886**
Net gain/(loss) on revaluation of cash flow hedges	(35,861)	—	(16,180)	**(52,042)**
Temporary differences on shares of subsidiaries	(2,203)	208	—	**(1,994)**
Accelerated depreciation	(3,505)	(1,751)	—	**(5,256)**
Intangible assets	(4,747)	806	—	**(3,940)**
Others	4,593	921	—	**5,515**
Subtotal	(30,308)	3,770	(16,250)	**(42,788)**
Tax losses carried forward	4,177	2,445	—	**6,623**
Net deferred tax assets/(liabilities)	(26,130)	6,215	(16,250)	**(36,165)**

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

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

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Unrecognized tax losses carried forward	¥ 5,653	**¥ 9,590**
Deductible temporary differences	12,568	**12,577**
Total	18,222	**22,167**

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

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
First year	¥ —	**¥ —**
Second year	—	**—**
Third year	—	**—**
Fourth year	—	**—**
Fifth year and thereafter	5,653	**9,590**
Total	5,653	**9,590**

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

The aggregate amounts of temporary differences associated with undistributed retained earnings of subsidiaries for which deferred tax liabilities have not been recognized as at 31 August 2014 and 31 August 2015 were 332,519 million yen and 414,218 million yen, respectively.

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

(2) Income taxes

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Current tax	¥58,207	**¥68,110**
Deferred tax	(2,074)	**(4,822)**
Total	56,133	**63,287**

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

In addition, following promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) on 31 March 2015, a reduction in the corporation tax rate was applied to the Company and its domestic subsidiaries from the fiscal year commencing 1 April 2015.

As a result, the effective statutory tax rate used in the calculation of deferred tax assets and liabilities has been revised from 35.6% to 33.0% with regard to temporary differences expected to be eliminated in the fiscal year commencing 1 September 2015, and to 32.2% with regard to temporary differences expected to be eliminated from the fiscal year commencing 1 September 2016.

The impact of this tax rate amendment on the financial statements is slight.

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Statutory income tax rate	38.0%	**35.6%**
Unrecognized deferred tax assets	2.8%	**2.0%**
Difference in statutory income tax rates of subsidiaries	(4.4%)	**(4.2%)**
Impairment loss of goodwill	3.2%	**0.3%**
Inhabitant tax on per capita basis	0.6%	**0.4%**
Others	1.2%	**0.8%**
Effective tax rate	41.4%	**35.0%**

19 Trade and Other Payables

The breakdown of trade and other payables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Trade payables	¥137,069	**¥122,620**
Other payables	48,049	**58,957**
Total	185,119	**181,577**

20 Provisions

The breakdown of provisions as at each year end is as follows:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Allowance for bonuses	¥12,192	**¥17,735**
Asset retirement obligations	11,656	**15,083**
Total	23,849	**32,819**
Current liabilities	16,154	**22,615**
Non-current liabilities	7,694	**10,203**

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

(Millions of yen)

	Allowance for bonuses	Asset retirement obligations	Total
Balances as at 1 September 2013	¥ 9,056	¥ 8,182	¥ 17,238
Additional provisions	15,966	3,606	19,573
Amounts utilized	(13,051)	(398)	(13,449)
Increase in discounted amounts arising from passage of time	—	91	91
Others	221	173	394
Balances as at 31 August 2014	12,192	11,656	23,849
Additional provisions	20,902	3,641	24,543
Amounts utilized	(15,806)	(468)	(16,274)
Increase in discounted amounts arising from passage of time	—	153	153
Others	446	100	546
Balances as at 31 August 2015	**17,735**	**15,083**	**32,819**

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

21 Equity and Other Equity Items

(1) Share capital

(shares) (Millions of yen)

	Number of authorized shares (Common stock with no par-value)	Number of issued shares (Common stock with no par-value)	Number of outstanding shares (Common stock with no par-value)	Capital stock	Capital surplus
Balances as at 1 September 2013	300,000,000	106,073,656	101,896,492	¥10,273	¥ 6,859
Increase/(decrease) (Note)	—	—	22,119	—	2,944
Balances as at 31 August 2014	300,000,000	106,073,656	101,918,611	10,273	9,803
Increase/(decrease) (Note)	—	—	26,790	—	1,720
Balances as at 31 August 2015	**300,000,000**	**106,073,656**	**101,945,401**	**10,273**	**11,524**

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

(2) Treasury stock and capital surplus

① Treasury stock

(shares) (Millions of yen)

	Number of shares	Amount
Balances as at 1 September 2013	4,177,164	¥15,851
Acquisition of treasury stock less than one unit	699	25
Exercise of stock options	(22,818)	(86)
Balances as at 31 August 2014	4,155,045	15,790
Acquisition of treasury stock less than one unit	228	11
Exercise of stock options	(27,018)	(102)
Balances as at 31 August 2015	**4,128,255**	**15,699**

② Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 2013	¥4,578	¥1,384	¥ 896	¥ —	¥ 6,859
Disposal of treasury stock	—	471	—	—	471
Share-based payments	—	—	746	—	746
Acquisition of non-controlling interests	—	—	—	1,726	1,726
Balances as at 31 August 2014	4,578	1,856	1,642	1,726	9,803
Disposal of treasury stock	—	700	—	—	700
Share-based payments	—	—	1,019	—	1,019
Balances as at 31 August 2015	**4,578**	**2,556**	**2,662**	**1,726**	**11,524**

Please refer to “28. Share-based payments” for details of share-based payments (stock options).

(3) Other components of equity

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Exchange differences on translation of foreign operations	¥1,818	**¥(774)**
Cash flow hedges	(94)	**667**
Other comprehensive income	1,724	**(107)**

(4) Dividends

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

The total amount of dividends paid was as follows:

Year ended 31 August 2014

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

Year ended 31 August 2015

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 3 November 2014	**¥15,287**	**¥150**
Board of Directors' meeting held on 9 April 2015	**17,838**	**175**

Proposed dividends on common stock are as follows:

	Year ended 31 August 2014	Year ended 31 August 2015
Total amount of dividends (Millions of yen)	¥15,287	**¥17,840**
Dividends per share (Yen)	150	**175**

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

22 Revenue

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Revenue		
Sales of goods	¥1,379,077	**¥1,677,016**
Service revenue	3,857	**4,765**
Total	1,382,935	**1,681,781**

23 Selling, General and Administrative Expenses

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Selling, general and administrative expenses		
Advertising and promotion	¥ 60,941	**¥ 68,474**
Rental expenses	138,652	**166,437**
Depreciation and amortisation	30,808	**37,758**
Outsourcing	22,953	**29,324**
Salaries	184,864	**230,815**
Others	110,975	**139,053**
Total	549,195	**671,863**

24 Other Income and Other Expenses

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Other income		
Foreign exchange gains*	¥3,926	**¥5,809**
Gains on sales of property, plant and equipment	991	**43**
Others	2,107	**2,929**
Total	7,025	**8,782**

* Currency adjustments incurred in the course of operating transactions are included in "other income"

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Other expenses		
Loss on retirement of property, plant and equipment	¥ 391	**¥ 2,479**
Impairment losses	23,960	**16,146**
Others	2,847	**2,366**
Total	27,200	**20,992**

25 Finance Income and Finance Costs

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Finance income		
Foreign exchange gains*	¥5,104	**¥15,084**
Interest income	879	**1,434**
Dividend income	17	**42**
Others	—	**792**
Total	6,001	**17,354**

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

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Finance costs		
Interest expenses	¥933	**¥1,137**
Others	—	**3**
Total	933	**1,141**

26 Other Comprehensive Income

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

Year ended 31 August 2014

(Millions of yen)

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

Year ended 31 August 2015

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	**¥ (585)**	**¥ —**	**¥ (585)**	**¥ (69)**	**¥ (655)**
Exchange differences on translation of foreign operations	**14,040**	**—**	**14,040**	**—**	**14,040**
Cash flow hedges	**142,536**	**(86,004)**	**56,531**	**(16,180)**	**40,350**
Total	**155,991**	**(86,004)**	**69,986**	**(16,250)**	**53,735**

27 Earnings per Share

(Yen)

Year ended 31 August 2014		Year ended 31 August 2015	
Equity per share attributable to owners of the parent	¥6,067.40	Equity per share attributable to owners of the parent	**¥7,366.07**
Basic earnings per share for the year	731.51	Basic earnings per share for the year	**1,079.42**
Diluted earnings per share for the year	730.81	Diluted earnings per share for the year	**1,078.08**

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

	Year ended 31 August 2014	**Year ended 31 August 2015**
Basic earnings per share for the year		
Profit for the year attributable to owners of the parent (Millions of yen)	74,546	**110,027**
Profit not attributable to common shareholders (Millions of yen)	—	**—**
Profit attributable to common shareholders (Millions of yen)	74,546	**110,027**
Average number of common stock during the year (Shares)	101,908,470	**101,932,225**
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	**—**
Increase in number of common stock (Shares)	97,917	**126,749**
(share subscription rights)	(97,917)	**(126,749)**

28 Share-based Payments

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

1. Details, scale and changes in stock options

(1) Description of stock options

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

	2nd share subscription rights A type	2nd share subscription rights B type
Category and number of grantee	Employees of the Company: 14 Employees of the Group subsidiaries: 4	Employees of the Company: 139 Employees of the Group subsidiaries: 584
Number of stock options by type of shares (Note)	Common stock: maximum 13,894 shares	Common stock: maximum 51,442 shares
Grant date	15 November 2011	15 November 2011
Vesting conditions	To serve continuously until the vesting date (14 November 2014) after the grant date 15 November 2011)	To serve continuously until the vesting date (14 December 2011) after the grant date (15 November 2011)
Eligible service period	From 15 November 2011 to 14 November 2014	From 15 November 2011 to 14 December 2011
Exercise period	From 15 November 2014 to 14 November 2021	From 15 December 2011 to 14 November 2021
Settlement	Equity settlement	Equity settlement

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

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

	5th share subscription rights A type	5th share subscription rights B type
Category and number of grantee	Employees of the Company: 36 Employees of the Group subsidiaries: 16	Employees of the Company: 223 Employees of the Group subsidiaries: 785
Number of stock options by type of shares (Note)	Common stock: maximum 21,732 shares	Common stock: maximum 33,062 shares
Grant date	14 November 2014	14 November 2014
Vesting conditions	To serve continuously until the vesting date (13 November 2017) after the grant date (14 November 2014)	To serve continuously until the vesting date (13 December 2014) after the grant date (14 November 2014)
Eligible service period	From 14 November 2014 to 13 November 2017	From 14 November 2014 to 13 December 2014
Exercise period	From 14 November 2017 to 13 November 2024	From 14 December 2014 to 13 November 2024
Settlement	Equity settlement	Equity settlement

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

Expenses recognized for share-based payments are as follows:

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Expenses recognized Share-based payments	¥1,269	**¥1,849**

(2) Scale of stock options program and changes

For purposes of counting the number of stock options in existence in the consolidated fiscal year under review (ended August 2015), each stock option is recorded as converted to shares.

① The number and weighted average exercise prices of stock options

Stock options

(Shares)

	Number of shares	
	Year ended 31 August 2014	**Year ended 31 August 2015**
Non-vested		
Non-vested at beginning of the year	25,696	**30,375**
Granted	37,367	**54,794**
Forfeited	(525)	**(4,790)**
Vested	(32,163)	**(46,207)**
Non-vested at end of the year	30,375	**34,172**

(Shares)

	Number of shares	
	Year ended 31 August 2014	**Year ended 31 August 2015**
Vested		
Outstanding at beginning of the year	55,809	**64,774**
Vested	32,163	**46,207**
Exercised	(22,818)	**(27,018)**
Forfeited	(380)	**(816)**
Outstanding at end of the year	64,774	**83,147**

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

② Stock price on exercise date

Stock options exercised during the year ended 31 August 2015 are as follows:

(Shares) (Yen)

Type	Number of shares	Weighted average stock price on exercise date
Stock options	27,018	¥45,719

③ Expected life of stock options

The weighted average expected life of outstanding stock options as at 31 August 2015 was 7.63 years.

In addition, the weighted average expected life of outstanding stock options as at 31 August 2014 was 7.83 years.

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

The methods of estimating fair value of 5th share subscription rights A type and B type, granted during the year ended 31 August 2015, were as follows:

① Valuation model: Black-Scholes model

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

	5th share subscription rights A type	5th share subscription rights B type
Stock price volatility (Note 1)	36%	34%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	300 yen/share	300 yen/share
Risk-free interest rate (Note 4)	0.254%	0.168%

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2008 to November 2014) and 5.04 years for B type (from November 2009 to November 2014).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are the actual dividends for the year ended 31 August 2014.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

Also, the method of estimating fair value for the 4th share subscription rights A type and B type granted during the year ended 31 August 2014 are as follows:

① Valuation model: Black-Scholes model

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

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

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

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

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

29 Financial Instruments

(1) Capital risk management

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

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

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Interest-bearing borrowings	¥ 37,561	**¥ 38,035**
Cash and cash equivalents	314,049	**355,212**
Net interest-bearing borrowings	(276,487)	**(317,176)**
Equity	636,041	**774,804**

To maximize corporate value, the Group engages in cash flow-oriented management. As at 31 August 2014 and 2015, the Group maintained a position where the value of cash and cash equivalents exceeded interest-bearing borrowings.

As at 31 August 2015, the Group is not subject to any externally imposed capital requirement.

(2) Significant accounting policies

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

(3) Categories of financial instruments

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
Financial assets		
Loans and receivables		
Trade and other receivables	¥ 47,428	**¥ 44,777**
Other current financial assets	9,119	**22,593**
Other non-current financial assets	70,842	**75,366**
Available-for-sale investments	450	**574**
Derivatives		
Financial assets at fair value through profit or loss (“FVTPL”)	21	**595**
Foreign currency forward contracts designated as hedging instruments	99,103	**156,895**
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	185,119	**181,577**
Other current financial liabilities	12,696	**15,471**
Other non-current financial liabilities	27,604	**25,513**
Derivatives		
Financial liabilities at FVTPL	140	**38**
Foreign currency forward contracts designated as hedging instruments	871	**61**

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

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

(4) Financial risk management

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

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

(5) Market risk management

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

① Foreign currency risk

1) Foreign currency risk management

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

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

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

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

The Group’s notional amount of foreign currency forward contracts was 1,038,956 million yen as at 31 August 2015.

2) Foreign currency sensitivity analysis

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

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

	Year ended 31 August 2014	**Year ended 31 August 2015**
Average exchange rate (Yen)		
$	101.54	**117.36**
EUR	138.20	**137.14**
Impact on profit for the year (Millions of yen)		
$	(613)	**(1,281)**
EUR	(42)	**(70)**
Impact on other comprehensive income (Millions of yen)		
$	(8,933)	**(10,865)**
EUR	(5)	**(8)**

3) Currency derivatives and hedges

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

Cash flow hedges

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

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

The gain/(loss) on derivative transactions (after tax effects) projected to be reclassified to profit or loss within one year was 94,285 million yen (gain) as at 31 August 2015, and 54,154 million yen (gain) as at 31 August 2014.

1. Derivative transactions of which hedge accounting is not applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell EUR)	— (€/$)	**0.90 (€/$)**	—	**8**	¥ —	**¥1,117**	¥ —	**¥ (0)**
Within 1 year								
Buy USD (sell EUR)	0.71 (€/$)	**0.89 (€/$)**	5	**13**	535	**1,507**	20	**(38)**
Buy USD (sell SGD)	— (SG$/$)	**1.33 (SG$/$)**	—	**22**	—	**2,585**	—	**162**
Buy USD (sell KRW)	1,056.10 (KRW/$)	**1,131.13 (KRW/$)**	3	**2**	364	**282**	(6)	**11**
Buy USD (sell TWD)	30.05 (TWD/$)	**31.58 (TWD/$)**	34	**39**	3,634	**4,680**	(10)	**181**
Buy USD (sell THB)	32.99 (THB/$)	**33.47 (THB/$)**	45	**28**	4,672	**3,167**	(116)	**239**
Buy USD (sell AUD)	1.08 (AUD/$)	**— (AUD/$)**	8	**—**	879	**—**	1	**—**
Buy USD (sell IDR)	12,230.00 (IDR/$)	**— (IDR/$)**	6	**—**	682	**—**	(6)	**—**

2. Derivative transactions of which hedge accounting is applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**	31 August 2014	**31 August 2015**
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	93.59 (¥/$)	**106.01 (¥/$)**	5,229	**5,659**	¥489,422	**¥599,999**	¥44,077	**¥62,547**
Buy USD (sell EUR)	— (€/$)	**0.88 (€/$)**	—	**2**	—	**299**	—	**1**
Within 1 year								
Buy USD (sell JPY)	88.08 (¥/$)	**95.11 (¥/$)**	3,538	**3,618**	311,645	**344,154**	54,647	**90,583**
Buy USD (sell EUR)	0.73 (€/$)	**0.85 (€/$)**	104	**123**	10,402	**14,210**	378	**564**
Buy USD (sell SGD)	1.26 (SG$/$)	**— (SG$/$)**	49	**—**	5,129	**—**	(32)	**—**
Buy USD (sell TWD)	— (TWD/$)	**32.20 (TWD/$)**	—	**117**	—	**14,127**	—	**221**
Buy USD (sell MYR)	— (MYR/$)	**3.70 (MYR/$)**	—	**10**	—	**1,091**	—	**152**
Buy USD (sell IDR)	— (IDR/$)	**14,052.00 (IDR/$)**	—	**5**	—	**663**	—	**25**
Buy USD (sell AUD)	— (AUD/$)	**1.30 (AUD/$)**	—	**23**	—	**2,617**	—	**222**
Buy USD (sell KRW)	1,087.34 (KRW/$)	**1,120.14 (KRW/$)**	247	**413**	27,152	**47,342**	(827)	**2,577**
Buy EUR (sell JPY)	136.55 (¥/€)	**139.05 (¥/€)**	4	**6**	587	**851**	(12)	**(49)**
Buy KRW (sell USD)	— ($/KRW)	**0.001 ($/KRW)**	—	**2**	—	**255**	—	**(12)**

② Interest rate risk management

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

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

③ Price risk management in equity instruments

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

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

(6) Credit risk management

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

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

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

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

① Financial assets and other credit risk exposure

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

(Millions of yen)

	Maximum credit risk	
	As at 31 August 2014	**As at 31 August 2015**
Guaranteed liabilities	¥7	**¥—**

The Company holds no properties or other credit enhancement as collateral for exposure to the credit risk described in the table at right.

② Past-due or impaired financial assets

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

(Millions of yen)

	Total	Within due date	Overdue amounts		
			Within 90 days	91 days to 1 year	Over 1 year
Balances as at 31 August 2014					
Trade and other receivables (total)	¥47,940	¥45,688	¥1,617	¥230	¥ 403
Allowance for doubtful accounts	(511)	(255)	(7)	(17)	(231)
Trade and other receivables (net)	47,428	45,432	1,610	213	172
Other financial assets (total)	80,490	80,410	13	31	34
Allowance for doubtful accounts	(76)	(76)	—	—	—
Other financial assets (net)	80,413	80,333	13	31	34
Balances as at 31 August 2015					
Trade and other receivables (total)	**¥45,457**	**¥42,864**	**¥2,152**	**¥165**	**¥ 275**
Allowance for doubtful accounts	**(679)**	**(452)**	**(2)**	**(43)**	**(180)**
Trade and other receivables (net)	**44,777**	**42,411**	**2,150**	**121**	**95**
Other financial assets (total)	**98,800**	**98,681**	**10**	**77**	**30**
Allowance for doubtful accounts	**(265)**	**(265)**	**—**	**—**	**—**
Other financial assets (net)	**98,534**	**98,415**	**10**	**77**	**30**

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

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

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

(Millions of yen)

	Allowance for doubtful accounts (current)	Allowance for doubtful accounts (non-current)	Total
Balances as at 1 September 2013	¥ 488	¥ 78	¥ 567
Provision for the year	216	76	292
Decrease (intended purposes)	(55)	—	(55)
Others	(137)	(78)	(215)
Balances as at 31 August 2014	511	76	588
Provision for the year	436	276	712
Decrease (intended purposes)	(26)	(24)	(51)
Others	(241)	(63)	(304)
Balances as at 31 August 2015	**679**	**265**	**945**

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

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

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

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

(7) Liquidity risk management

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

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

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 31 August 2014								
Non-derivative financial liabilities								
Trade and other payables	¥185,119	¥185,119	¥185,119	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings (excluding current portion)	18,295	18,295	—	4,809	2,074	3,112	4,149	4,149
Current portion of long-term borrowings	4,809	4,809	4,809	—	—	—	—	—
Short-term borrowings	2,857	2,857	2,857	—	—	—	—	—
Long-term finance lease obligations	7,705	7,705	—	3,140	2,429	1,634	500	—
Short-term finance lease obligations	3,894	3,894	3,894	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	1,012	—						
Total	223,693	222,680	196,680	7,950	4,504	4,746	4,649	4,149
As at 31 August 2015								
Non-derivative financial liabilities								
Trade and other payables	**¥181,577**	**¥181,577**	**¥181,577**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Long-term borrowings (excluding current portion)	**15,884**	**15,884**	**—**	**2,536**	**3,654**	**4,847**	**4,847**	**—**
Current portion of long-term borrowings	**5,236**	**5,236**	**5,236**	**—**	**—**	**—**	**—**	**—**
Short-term borrowings	**4,652**	**4,652**	**4,652**	**—**	**—**	**—**	**—**	**—**
Long-term finance lease obligations	**8,073**	**8,073**	**—**	**3,495**	**2,720**	**1,488**	**368**	**—**
Short-term finance lease obligations	**4,188**	**4,188**	**4,188**	**—**	**—**	**—**	**—**	**—**
Derivative financial liabilities								
Foreign currency forward contracts	**100**	**—**						
Total	**219,713**	**219,613**	**195,654**	**6,031**	**6,375**	**6,335**	**5,215**	**—**

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

(8) Fair value of financial instruments

(Millions of yen)

	As at 31 August 2014		As at 31 August 2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	¥ 2,857	¥ 2,857	¥ 4,652	¥ 4,652
Long-term borrowings	23,104	22,065	21,121	21,270
Lease obligations	11,599	11,379	12,262	12,197
Total	37,561	36,302	38,035	38,120

Note: Long-term borrowings and Lease obligations include the outstanding balance of borrowings due within 1 year.
The fair value of short-term financial assets, short-term financial liabilities, long-term financial assets and long-term financial liabilities, which are measured by amortized cost, approximate their carrying amounts.
The fair value of long-term borrowings and lease obligations are classified by term, and are calculated on the basis of the current value applying a discount rate that takes into account time remaining to maturity and credit risk.

(9) Fair value hierarchy of financial instruments

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(Millions of yen)

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

As at 31 August 2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	¥363	¥ —	¥210	¥ 574
Financial assets/(liabilities) at FVTPL	—	556	—	556
Foreign currency forward contracts designated as hedging instruments	—	156,834	—	156,834
Net amount	363	157,390	210	157,964

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

Non-listed shares are included in level 3. There is no significant increase or decrease in level 3 items through purchase, disposal or settlement. Also, there is no transfer from level 3 to level 2.

30 Related Party Disclosures

Remuneration of key management personnel

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

(Millions of yen)

	Year ended 31 August 2014	**Year ended 31 August 2015**
Short-term employee benefits	¥364	**¥364**
Total	364	**364**

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

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

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

Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
2. Terms of transactions and policy for the terms
Transaction amounts were determined based on the negotiation with the related party considering market prices.

Year ended 31 August 2015 (from 1 September 2014 to 31 August 2015)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2015 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Other current liabilities	1

Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
2. Terms of transactions and policy for the terms
Transaction amounts were determined based on the negotiation with the related party considering market prices.

31 Major Subsidiaries

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

32 Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Commitment for the acquisition of property, plant and equipment	¥5,487	**¥8,825**
Commitment for acquisition of intangible assets	373	**85**
Total	5,861	**8,910**

33 Contingent Liabilities

Amount of guaranteed obligations

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

(Millions of yen)

	As at 31 August 2014	**As at 31 August 2015**
Employees' benefit society: Fast Retailing mutual aid society	¥7	**¥—**
Total	7	**—**

34 Subsequent Events

Year ended 31 August 2014

(1) The issue of share-based compensation stock options (Share subscription rights)

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

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

Year ended 31 August 2015

(1) The issue of share-based compensation stock options (Share subscription rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 8 October 2015, the Company decided to issue share subscription rights as share-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

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

(2) Issuance of non-collateralized corporate bonds

At the Board of Directors meeting on 25 November 2015, a comprehensive decision was made to issue non-collateralized corporate bonds, as detailed below.

(1) Amount to be issued	Up to 250 billion yen (may be issued in multiple tranches, up to a total of this amount)
(2) Time frame	26 November 2015 to 5 November 2017
(3) Amount of payment	100 yen per 100 yen face value
(4) Interest rate	No more than 0.6 percentage point above the market yield of JGBs of comparable maturity
(5) Term	Three years or more, up to 10 years
(6) Redemption	Lump sum payment at maturity
(7) Use of funds	Capital investment, operating funds, investments and/or repayment of other borrowings
(8) Determination of terms of issuance	Decisions regarding amount to be issued, maturity, interest rate, payment date and other terms of issuance shall be made solely by the chairman, president and representative director, within parameters determined by the Board of Directors.

(3) Others

Quarterly information for the year ended 31 August 2015

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	¥479,543	¥949,684	¥1,348,114	¥1,681,781
Quarterly income before income taxes and non-controlling interests (Millions of yen)	106,745	163,666	210,282	180,676
Quarterly net income (Millions of yen)	68,826	104,753	132,364	110,027
Earnings per share (Yen)	675.30	1,027.75	1,298.60	1,079.42

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings/(losses) per share (Yen)	¥675.30	¥352.47	¥270.86	¥(219.11)

Building a better
working world

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 August 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 August 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

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

Ernst & Young ShinNihon LLC

27 November 2015
Tokyo, Japan

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