FINANCIAL INFORMATION

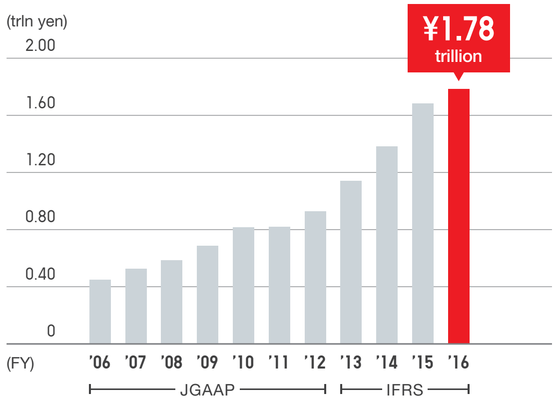
For complete details, please see the volume *Fast Retailing Co., Ltd. Consolidated Financial Statements for the year ended 31 August 2016.*

UNIQLO Global Brand Ambassador Novak Djokovic

FISCAL 2016 FINANCIAL HIGHLIGHTS

Revenue

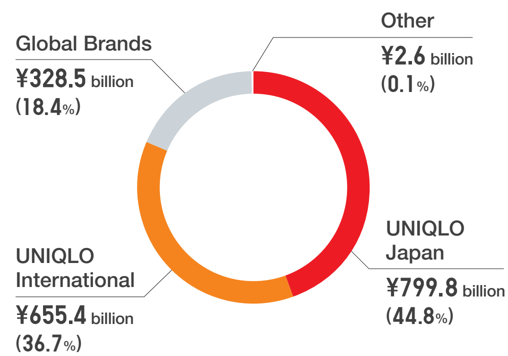
¥1.78 trillion | 6.2%



Consolidated revenue rose 6.2% year on year to ¥1.7864 trillion. Revenue increased at all three business segments (UNIQLO International: +¥51.7 billion, Global Brands: +¥33.2 billion, UNIQLO Japan: +¥19.6 billion).

UNIQLO International's Contribution to Revenue

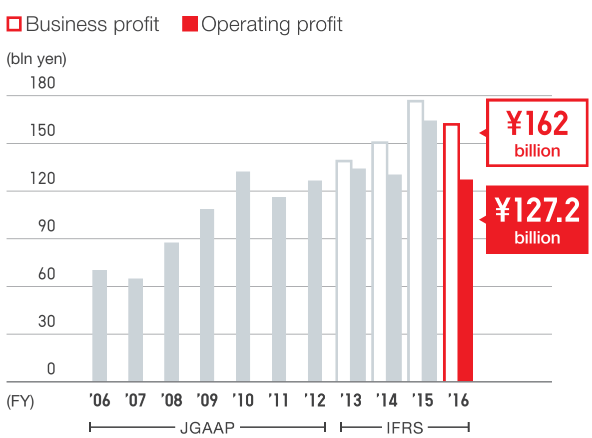
36.7% | 0.8 pt



UNIQLO International contributed 36.7% of total revenue, up 0.8 point year on year. Strong performances from UNIQLO Greater China and UNIQLO Southeast Asia were the key drivers of overall growth. The Global Brands contribution to total revenue increased by 0.8 point on continued GU strength.

Operating Profit

¥127.2 billion | 22.6%

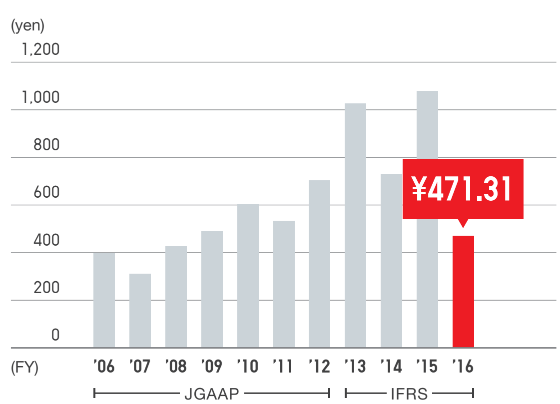


Declined 22.6% year on year on poor first-half sales during the warm winter, impairment losses at UNIQLO USA stores and J Brand, and a considerable finance cost relating to yen appreciation. Business profit*1, which doesn't include impairment or finance income/costs, declined by just 8.3% to ¥162.0 billion.

*1 Business profit = Revenue – (Cost of sales + SG&A expenses)

Earnings per Share

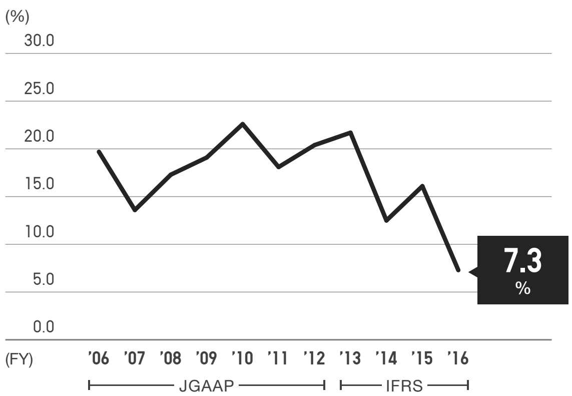
¥471.31 | 56.3%



Basic earnings per share declined 56.3% year on year to ¥471.31. A ¥37.0 billion loss was recorded under finance income and costs after yen appreciation reduced the value of long-term foreign-currency holdings in yen terms.

ROE

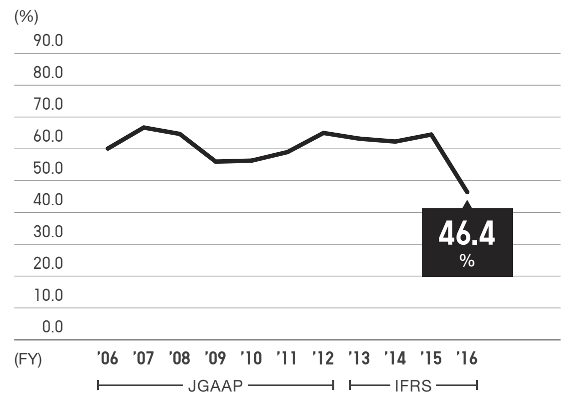
7.3% | 8.8pt



ROE declined 8.8 points to 7.3% following a significant 56.3% decline in profit attributable to owners of the parent.

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

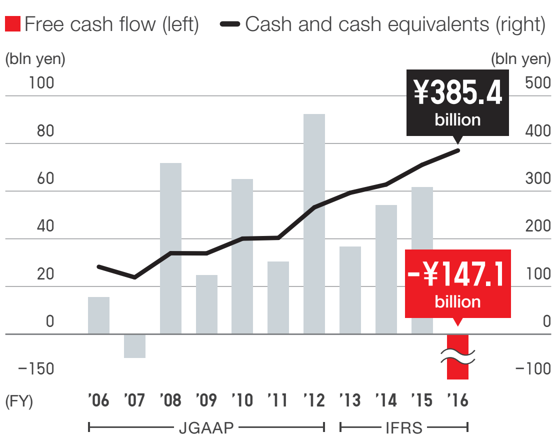
46.4% | 18.1pt



This ratio declined 18.1 points year on year to 46.4%. Liabilities increased by ¥251.5 billion partly due to our December 2015 corporate bond issue, and total net assets declined by ¥177.1 billion after yen appreciation resulted in a sharp decline in cash flow hedges.

Cash and Cash Equivalents

¥385.4 billion | 8.5%

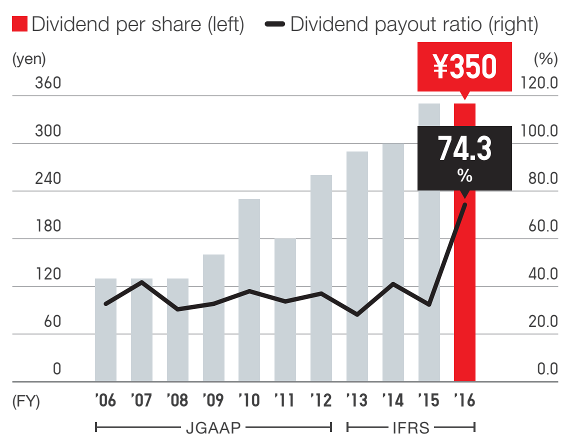


Net cash from operating activities totaled ¥98.7 billion while net cash used in investing activities totaled ¥245.9 billion, resulting in a ¥147.1 billion decline in free cash flow*2. However, if the ¥186.5 billion placed in highly liquid bank deposits with maturity over three months is included free cash flow actually increased.

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

Dividend per Share

¥350 | ±¥0



We maintained an annual dividend of ¥350. However, yen appreciation reduced the value of foreign-currency denominated assets in yen terms, resulting in a ¥37.0 billion finance cost, and a sharp fall in EPS. As a result, the dividend payout ratio rose to 74.3%.

FINANCIAL SUMMARY

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

	2007	2008	2009	2010
For the year				
Net sales/Revenue	¥ 525,203	¥ 586,451	¥ 685,043	¥ 814,811
Operating income/Operating profit	64,963	87,493	108,639	132,378
EBITDA *1	75,310	97,467	112,621	152,141
Income before income taxes and minority interests/ Profit before income taxes	62,713	81,994	95,487	116,867
Net income/Profit attributable to owners of the parent	31,775	43,529	49,797	61,681
Net cash provided by operating activities/ Net cash from operating activities	18,847	87,336	59,214	88,623
Net cash used in investing activities	(28,783)	(15,421)	(34,273)	(23,389)
Free cash flow *2	(9,936)	71,915	24,941	65,234
Net cash used in financing activities	(12,759)	(19,054)	(16,847)	(28,897)
Cash and cash equivalents *3	119,216	169,888	169,574	200,462
Depreciation and amortization	6,567	8,523	9,765	12,229
Capital expenditures	26,441	21,017	22,601	28,018
At year-end				
Total assets	¥ 359,770	¥ 404,720	¥ 463,285	¥ 507,287
Total net assets/Total equity	243,283	264,014	261,413	287,987
Interest-bearing debt	24,429	20,016	35,400	28,834
Reference indices				
Operating income margin/Operating profit margin (%)	12.4%	14.9%	15.9%	16.2%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	13.6	17.3	19.1	22.6
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	66.7	64.7	56.0	56.3
Debt-equity ratio (%)	10.1	7.6	13.6	10.1
Dividend payout ratio (%)	41.7	30.4	32.7	38.0
Per share data (yen, dollar)				
Net income/Profit attributable to owners of the parent (EPS)	¥ 311.98	¥ 427.38	¥ 488.96	¥ 605.99
Net assets/Equity attributable to owners of the parent	2,357.79	2,572.09	2,550.86	2,804.34
Cash dividends	130.00	130.00	160.00	230.00
Other data (at fiscal year-end)				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, $ million) *4	¥ 720.2	¥ 1,180.6	¥ 1,182.7	¥ 1,228.3
Number of subsidiaries	21	21	96	90
Total number of stores	1,828	1,958	2,258	2,203
Directly-operated stores in Japan	[1,233]	[1,310]	[1,454]	[1,370]
Directly-operated stores overseas	[247]	[294]	[397]	[474]
Franchise stores	[348]	[354]	[407]	[359]
Commercial complexes	1	4	4	4
Total sales floor space (m^2) *5	626,998m^2	685,942m^2	740,489m^2	847,523m^2
Number of full-time employees	6,514	8,054	11,037	11,596

*1 EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Operating profit + Depreciation and amortization
*2 Free cash flow = Net cash from operating activities + Net cash used in investing activities
*3 Cash and cash equivalents (JGAAP) include cash, time deposits with maturities of generally three months or less and marketable securities.
Cash and cash equivalents (IFRS) include cash, bank deposits with maturity over three months and marketable securities.

Millions of yen		Millions of yen (except Per share data and Other data)					Thousands of U.S. dollars *4
JGAAP		IFRS *6					
2011	**2012**	**2013**	**2014**	**2015**	**2016**	**YoY**	**2016**
¥ 820,349	¥ 928,669	¥1,142,971	¥1,382,935	¥1,681,781	**¥1,786,473**	+6.2%	**$17,312,471**
116,365	126,450	134,101	130,402	164,463	**127,292**	(22.6)	**1,233,576**
141,716	150,687	157,708	161,210	202,221	**164,089**	(18.9)	**1,590,171**
93,881	123,390	155,732	135,470	180,676	**90,237**	(50.1)	**874,475**
54,354	71,654	104,595	74,546	110,027	**48,052**	(56.3)	**465,670**
57,158	127,643	99,474	110,595	134,931	**98,755**	(26.8)	**957,026**
(26,643)	(35,313)	(62,584)	(56,323)	(73,145)	**(245,939)**	—	**(2,383,365)**
30,515	92,330	36,890	54,272	61,786	**(147,184)**	—	**(1,426,339)**
(26,156)	(29,056)	(24,226)	(44,060)	(41,784)	**201,428**	—	**1,952,013**
202,104	266,020	296,708	314,049	355,212	**385,431**	+8.5	**3,735,160**
18,755	18,573	23,607	30,808	37,758	**36,797**	(2.5)	**356,595**
33,993	40,184	39,681	58,814	62,461	**52,387**	(16.1)	**507,683**
¥ 533,777	¥ 595,102	¥ 901,208	¥ 992,307	¥1,163,706	**¥1,238,119**	+6.4%	**$11,998,445**
319,911	394,892	589,726	636,041	774,804	**597,661**	(22.9)	**5,791,850**
28,263	23,194	37,259	37,561	38,035	**283,465**	+645.3	**2,747,027**
14.2%	13.6%	11.7%	9.4%	9.8%	**7.1%**	(2.7)pts.	**7.1%**
18.1	20.4	21.7	12.5	16.1	**7.3**	(8.8)	**7.3**
59.0	65.0	63.3	62.3	64.5	**46.4**	(18.1)	**46.4**
9.0	6.0	6.5	6.1	5.1	**49.7**	44.6	**49.7**
33.7	37.0	28.2	41.0	32.4	**74.3**	41.9	**74.3**
¥ 533.93	¥ 703.62	¥ 1,026.68	¥ 731.51	¥ 1,079.42	**¥ 471.31**	(56.3)%	**$ 4.57**
3,091.17	3,797.04	5,598.12	6,067.40	7,366.07	**5,634.35**	(23.5)	**54.60**
180.00	260.00	290.00	300.00	350.00	**350.00**	—	**3.39**
106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	**106,073,656**	—	**106,073,656**
¥ 1,535.9	¥ 1,938.0	¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	**¥ 3,854.7**	(26.2)%	**$ 37,355**
98	91	102	112	119	**120**	+1	**120**
2,088	2,222	2,449	2,753	2,978	**3,160**	+182	**3,160**
[1,213]	[1,250]	[1,331]	[1,406]	[1,444]	**[1,463]**	+[19]	**[1,463]**
[491]	[589]	[743]	[1,072]	[1,240]	**[1,405]**	+[165]	**[1,405]**
[384]	[383]	[375]	[275]	[294]	**[292]**	([2])	**[292]**
4	4	4	4	4	**4**	—	**4**
938,896m²	1,170,353m²	1,387,367m²	1,835,095m²	2,030,031m²	**2,188,688m²**	+158,657m²	**2,188,688m²**
14,612	18,854	23,982	30,448	41,646	**43,639**	+1,993	**43,639**

*4 Calculations are based on the closing share price of ¥36,340 at the end of August 2016 and an exchange rate of ¥103.19 to U.S.$1.
*5 Total sales floor space includes only directly operated stores.
*6 Fast Retailing adopted IFRS from Fiscal 2014. Fiscal 2013 data recalculated using IFRS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group Performance in Fiscal 2016
(Year to August 31, 2016)

- **Revenue: ¥1.7864 trillion (+6.2% YoY), operating profit ¥127.2 billion (–22.6% YoY). Full-year profit down on warm winter in 1H, but profit recovered sharply in 2H.**
- **Basic earnings per share: ¥471.3 (–56.3% YoY) after yen appreciation reduced the value of foreign currency assets in yen terms, resulting in a ¥37.0 billion finance cost.**
- **Annual dividend per share held steady at ¥350**

1 Operating Environment and Management Strategy

While the broader Japanese economy recovered gently, average wages remained flat, making customers increasingly selective in their purchasing decisions, and prolonging the tough consumption environment. The outlook for the global economy was clouded by the UK's decision to exit the EU, the global refugee crisis and a less buoyant Chinese economy.

Our retail operation faced difficult challenges including sluggish consumption in Japan, a global slump in demand during the warm winter, upward pressure on manufacturing costs from higher raw material prices and rising distribution-related costs in Japan. As a result, while consolidated revenue increased 6.2% year on year to ¥1.7864 trillion in fiscal 2016, operating profit declined by 22.6% to ¥127.2 billion.

Full-year consolidated revenue was supported by an expanding UNIQLO International store network and subsequent rising sales, and a significant increase in revenue at our low-priced GU casual fashion brand. Full-year operating profit declined after warm winter weather worldwide in the first half (September 2015 to February 2016) stifled demand in Japan, Greater China, South Korea and the United States. However, performance rebounded in the second half (March to August 2016) at UNIQLO Japan and UNIQLO International, thanks to robust sales, improved gross profit margins and cost controls.

The Group recorded a ¥13.8 billion impairment loss on J Brand in the second half, along with ¥9.3 billion in store-closure losses and impairment loss at UNIQLO Japan and

Number of Stores by Group Operation

(Unit: Stores)

(FY)	2015	2016		
	End Aug.	End Aug.	Open	Close
UNIQLO Japan	841	**837**	36	40
Directly operated	811	**798**	27	40
Large-scale	208	**205**	7	10
Standard	603	**593**	20	30
Franchise	30	**39**	9	0
UNIQLO International	798	**958**	176	16
Mainland China	387	**472**	92	7
Hong Kong	25	**25**	0	0
Taiwan	55	**63**	8	0
South Korea	155	**173**	20	2
Singapore	23	**24**	2	1
Malaysia	25	**35**	10	0
Thailand	23	**32**	9	0
The Philippines	23	**32**	9	0
Indonesia	8	**9**	1	0
Australia	6	**12**	6	0
U.S.	42	**45**	8	5
U.K.	9	**10**	1	0
France	8	**10**	2	0
Russia	8	**11**	4	1
Germany	1	**3**	2	0
Belgium	—	**2**	2	0
Global Brands	1,339	**1,365**	99	73
GU	319	**350**	50	19
Theory*	504	**530**	39	13
Comptoir des Cotonniers*	368	**348**	7	27
Princesse tam.tam*	145	**137**	3	11
J Brand	3	**0**	0	3
Total	2,978	**3,160**	311	129

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

Performance by Group Operation

(FY)	2015			2016		
	Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
UNIQLO Japan						
Revenue	¥780.1	¥ 64.4	+9.0	**¥799.8**	**¥19.6**	**+2.5**
Operating profit	117.2	10.9	+10.3	**102.4**	**(14.7)**	**(12.6)**
UNIQLO International						
Revenue	603.6	190.0	+45.9	**655.4**	**51.7**	**+8.6**
Operating profit	43.3	10.4	+31.6	**37.4**	**(5.9)**	**(13.7)**
Global Brands*						
Revenue	295.3	44.0	+17.6	**328.5**	**33.2**	**+11.3**
Operating profit	14.4	18.6	—	**9.5**	**(4.8)**	**(34.0)**

*Global Brands includes GU, Theory, CDC, PTT, J Brand.
Note: Consolidated revenue also includes items reported by the holding company, Fast Retailing Co., Ltd., such as real estate leasing.
Consolidated operating profit includes Fast Retailing operating profit.

UNIQLO USA. The Group also recorded a ¥37.0 billion finance cost as the appreciating yen reduced the yen value of foreign-currency denominated assets. As a result, profit attributable to owners of the parent contracted sharply, down 56.3% to ¥48.0 billion.

The Group's medium-term vision is to become the world's No.1 digital-powered apparel retailer. To this end, we are focusing on expanding UNIQLO International and GU, boosting store numbers in each national operation, and opening global flagship stores and large-format stores in major cities worldwide to consolidate UNIQLO's position as a key global brand. We are expanding GU, our second pillar brand, by opening more GU stores within Japan and developing the brand's international presence.

We are also transforming our entire supply chain from design, raw materials and procurement to manufacturing and retail in order to support a new business model more suited to today's digital era. This business revolution will transform us into a leading digital-powered retailer capable of immediately translating customer feedback into new, better products, and actively offering the latest information on lifestyles, fashion trends, and exciting but comfortable modern clothing.

2 Revenue

Consolidated revenue rose 6.2% year on year to ¥1.7864 trillion, a ¥104.6 billion increase. This breaks down into ¥51.7 billion from UNIQLO International, ¥33.2 billion from Global Brands and ¥19.6 billion from UNIQLO Japan. UNIQLO International contributed to overall revenue gains by opening an additional 160 stores, taking the network from 798 stores in August 2015 to 958 in August 2016 (Greater China: +93, Southeast Asia & Oceania: +36, South Korea: +18, Europe: +10, USA: +3). Within Global Brands, GU performed strongly, reporting a 32.7% increase in revenue to ¥187.8 billion.

Same-store sales at UNIQLO Japan were hit hard by warm winter weather, declining 1.9% in the first half. However, that same measure subsequently expanded 4.9% in the second half following the introduction of affordable, easily recognizable pricing, and strong sales of new trendy clothing such as skants, and items made from anti-perspiration high-function materials that featured in our sportswear campaign.

3 Gross Profit Margin

Gross profit rose 1.9% year on year to ¥864.9 billion. The gross profit margin shrank 2.1 points to 48.4% on the back of a 2.9 point contraction in gross profit margin at UNIQLO International caused by warm winter weather. A 3.5 point contraction in UNIQLO Japan's first-half gross profit margin led to a 1.4 point full-year decline. However, the gross profit margin rebounded by 1.4 points in the second half after we reduced the number of weekend discounts and introduced new affordable, easily recognizable prices.

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

SG&A expenses totaled ¥702.9 billion. The SG&A to net sales ratio declined 0.6 point year on year to 39.3%, following our Group-wide cost-cutting drive in the second half. The drive was especially successful at UNIQLO International and UNIQLO Japan, generating significant reductions in business cost ratios of 3.5 and 1.9 points, respectively.

5 Other Income/Expenses

Other income and expenses totaled -¥34.7 billion in fiscal 2016, including i) a ¥11.0 billion foreign exchange loss relating to temporary advances paid by overseas subsidiaries on purchases after the yen strengthened against the U.S. dollar from ¥121 to ¥103 over the period, ii) a ¥13.8 billion J Brand impairment loss, and iii) ¥9.3 billion impairment losses on UNIQLO Japan and UNIQLO USA stores, retirement and store-closure losses.

Breakdown of SG&A Expenses

(FY)	2014			2015			**2016**		
	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change
Advertising and promotion	¥ 60,941	¥ 8,247	+15.7	¥ 68,474	¥ 7,533	+12.4	**¥ 71,611**	**¥ 3,136**	**+4.6**
Rental expenses	138,652	27,376	+24.6	166,437	27,784	+20.0	**171,356**	**4,918**	**+3.0**
Depreciation and amortization	30,808	7,200	+30.5	37,758	6,949	+22.6	**36,797**	**(961)**	**(2.5)**
Outsourcing	22,953	5,768	+33.6	29,324	6,371	+27.8	**33,602**	**4,277**	**+14.6**
Salaries	184,864	44,752	+31.9	230,815	45,950	+24.9	**242,033**	**11,218**	**+4.9**
Others	110,975	29,671	+36.5	139,053	28,077	+25.3	**147,555**	**8,502**	**+6.1**
Total	¥549,195	¥123,017	+28.9	¥671,863	¥122,668	+22.3	**¥702,956**	**¥31,093**	**+4.6**

6 Operating Profit

Operating profit decreased 22.6% year on year to ¥127.2 billion. The operating income margin decreased 2.7 points to 7.1%.

7 Finance Income/Costs

Net finance income and costs totaled -¥37.0 billion at the end of August 2016, compared to +¥16.2 billion at the end of August 2015, after the yen's appreciation from ¥121 to ¥103 against the U.S. dollar over the period greatly reduced the carrying amount of foreign-currency denominated assets.

8 Income Taxes and Other Taxes

Income taxes totaled ¥36.1 billion in fiscal 2016. The effective corporate tax rate after tax effect accounting was 40.0%, 7.0 points higher than Japan's statutory tax rate of 33.0%, largely because of an increase in unrecognized deferred tax assets.

9 Profit Attributable to Owners of the Parent and Dividend

Profit attributable to owners of the parent totaled ¥48.0 billion (-56.3% YoY). Basic earnings per share declined ¥608.11 to ¥471.31. The annual dividend was maintained at ¥350 per share (dividend payout ratio 74.3%). The sharp decline in profit attributable to owners of the parent resulted in an 8.8 point decline in return on equity (ROE) to 7.3%.

10 Results by Business Segment

UNIQLO Japan

UNIQLO Japan reported rising revenue but falling profit in fiscal 2016. Revenue totaled ¥799.8 billion (+2.5% YoY) and operating profit ¥102.4 billion (-12.6%). Revenue was supported by a 0.9% rise in same-store sales and a buoyant 30.1% increase in e-commerce. The 12.6% decline in operating profit was due largely to a 1.4 point contraction in the gross profit margin, and a 0.5 point increase in the SG&A ratio.

However, UNIQLO Japan operating profit rebounded in the second half to report a healthy 38.0% year-on-year gain. Same-store sales expanded 4.9% on strong sales of trendy items such as jogger pants and skants, and a strong performance by sportswear campaign items featuring AIRism and DRY technologies. The second-half gross profit margin also improved by 1.4 points as new attractive, readily recognizable pricing for every day of the week bore fruit, reducing discounting. Cost-cutting in advertising, outsourcing, etc. generated a 1.9 point improvement in the SG&A ratio.

We opened 27 new directly operated stores, closed 32 stores, and converted 8 to employee franchise stores. The UNIQLO Japan network stood at 798 (excluding 39 franchise stores) at the end of fiscal 2016.

UNIQLO International

UNIQLO International also reported rising revenue but falling profit. Revenue totaled ¥655.4 billion (+8.6%) and operating profit ¥37.4 billion (-13.7%). However, operating profit rebounded in the second half to 15 times the previous year's number thanks to marked improvements in profitability in Greater China, Southeast Asia and Oceania, and Europe.

UNIQLO Greater China generated revenue of ¥332.8 billion (+9.3%) and operating profit of ¥36.5 billion (-5.5%). While full-year operating profit declined slightly, Greater China reported a much stronger profit rebound than expected in the second half. In Mainland China, the impact of the warm winter was contained within the first quarter and same-store sales rebounded from the second quarter onwards. The impact of a slowing economy on our business was limited. Conversely, UNIQLO operations in Taiwan and Hong Kong were more adversely impacted by the slowing Chinese economy, and reported a fall in both revenue and profit in fiscal 2016. The ordinarily strong UNIQLO South Korea operation also reported lower results due to a worsening consumer environment.

UNIQLO Southeast Asia and Oceania, and the now profitable UNIQLO Europe reported rising revenue and profits. UNIQLO USA, hit hard by the warm winter, reported an

UNIQLO Japan: Sales Floor Space and Sales per Square Meter

increased first-half operating loss. The subsequent thorough overhaul of business operations, including store closures as well as inventory and cost controls, started to bear fruit, leading to improved second-half profitability. However, the full-year operating loss expanded after UNIQLO USA accounted a ¥7.4 billion temporary loss from impairment losses on stores and losses related to asset retirement and store closures.

To extend its global presence and improve brand visibility worldwide, UNIQLO International opened its first UNIQLO stores in Belgium in October 2015, and in Canada in September 2016. In March 2016, UNIQLO International opened the avidly awaited refurbished 311 Oxford Street global flagship store in the U.K., and, in September 2016, opened the first global flagship store in Southeast Asia: the UNIQLO Orchard Central Store in Singapore.

The UNIQLO International network expanded by 160 stores to 958 at the end of fiscal 2016.

Global Brands

Global Brands reported a rise in revenue but a fall in profit in fiscal 2016. Revenue expanded 11.3% to ¥328.5 billion. Operating profit contracted 34.0% to ¥9.5 billion after the recording of a ¥13.8 billion impairment loss on J Brand.

Our low-priced GU fashion casualwear brand reported an overwhelmingly strong performance in its 10th anniversary year, with revenue expanding 32.7% to ¥187.8 billion, and operating profit 34.8% to ¥22.2 billion. GU achieved double-digit same-store sales growth with the help of strong trendy women's knitwear, skants and wide pants. The GU network increased by 31 to 350 stores (including 10 stores outside Japan) at the end of August 2016.

Meanwhile, Comptoir des Cotonniers reported a loss in fiscal 2016. Princesse tam.tam and J Brand generated persistent losses, while Theory reported increased profits.

11 Balance Sheet

Total assets rose ¥74.4 billion year on year to ¥1.2381 trillion. Current assets increased ¥50.1 billion to ¥924.5 billion (cash, cash equivalents and other current financial assets: +¥191.8 billion, inventory assets: +¥10.0 billion, derivative financial assets: -¥156.9 billion).

Cash from our December 2015 corporate bond issue and increased cash flow contributed to the ¥191.8 billion rise in total cash and cash equivalents and other current financial assets to ¥569.6 billion.

Inventory assets rose by ¥10.0 billion to ¥270.0 billion (UNIQLO International: -¥1.3 billion, UNIQLO Japan: +¥3.8 billion, Global Brands: +¥7.3 billion). UNIQLO International inventory declined on yen appreciation and a rundown of inventory in South Korea and Hong Kong. The targeted expansion of GU increased inventory at Global Brands.

Derivative financial assets decreased by ¥156.9 billion to ¥0.5 billion after the average exchange rate on the company's forward currency contracts fell below the actual exchange rate at the end of August 2016, turning derivative financial assets into liabilities.

Non-current assets increased by ¥24.2 billion to ¥313.5 billion. This increase includes a ¥33.3 billion rise in deferred tax assets but a ¥16.0 billion fall in intangible assets, following the reporting of year-end impairment losses at J Brand, etc.

Current liabilities increased by ¥45.8 billion to ¥338.0 billion, due largely to a ¥72.2 billion increase in derivative financial liabilities and a decrease of ¥27.1 billion in income taxes payable.

Non-current liabilities increased by ¥205.7 billion to ¥302.4 billion due to a ¥248.5 billion increase in non-current financial liabilities.

Total equity decreased by ¥177.1 billion to ¥597.6 billion, including a ¥54.0 billion increase in net profit for the year, a ¥39.9 billion decrease in retained earnings following dividend payments, and a ¥193.4 billion decrease in other comprehensive income (including cash flow hedges). As a result, the ratio of equity attributable to owners of the parent contracted 18.1 points to 46.4%.

Consolidated Subsidiaries (at end of August 31, 2016)

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

*The Fast Retailing Group comprises 120 consolidated subsidiaries.

12 Cash Flow Information

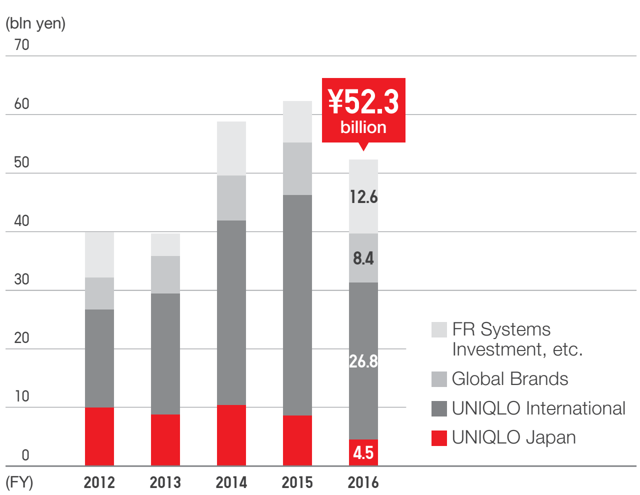
In fiscal 2016, net cash received from operating activities totaled ¥98.7 billion, net cash used in investing activities totaled ¥245.9 billion and net cash received from financing activities totaled ¥201.4 billion. As a result, free cash flow (net cash received from operating activities + net cash used in investing activities) totaled -¥147.1 billion. However, if the ¥186.5 billion invested in highly liquid bank deposits with maturities over three months is included then free cash flow actually totaled a positive ¥39.3 billion. Overall, the balance of cash and cash equivalents increased by ¥30.2 billion to ¥385.4 billion, and if you factor in other highly liquid current financial assets, which include the above bank deposits, the total figure is ¥569.6 billion.

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

Net Cash from Operating Activities: ¥98.7 Billion
Net inflows included ¥90.2 billion in profit before income taxes, ¥36.7 billion in depreciation and amortization and ¥22.3 billion in impairment losses. Working capital outflow, calculated from trade receivables, inventories and trade payables, totaled ¥18.6 billion. Net income taxes paid totaled ¥70.5 billion.

Net Cash Used in Investing Activities: ¥245.9 Billion
This includes a ¥186.5 billion increase in bank deposits with maturities over three months, ¥34.1 billion in acquisitions of property, plant and equipment to help expand UNIQLO International and Global Brands store networks, and ¥9.4 billion for the acquisition of non-tangible assets such as systems investment. Consolidated capital expenditure totaled ¥52.3 billion (UNIQLO Japan: ¥4.5 billion, UNIQLO International: ¥26.8 billion, Global Brands: ¥8.4 billion, Fast Retailing systems investment, etc.: ¥12.6 billion).

Capital Expenditure



Net Cash from Financing Activities: ¥201.4 Billion
Including ¥36.7 billion in cash dividend payments and ¥249.3 billion in proceeds from our December 2015 bond issuance.

13 Dividend Policy

Returning a portion of our profits to shareholders is a top priority. Our policy is to pay a high dividend after considering the funds required to expand Group operations, increase profits and maintain financial soundness. The Group paid an annual dividend of ¥350 per share in fiscal 2016. This translates into an annual dividend payout ratio of 74.3%.

14 Outlook for Fiscal 2017 (as of January 12, 2017)

We forecast rises in consolidated revenue and profit, with revenue reaching ¥1.8500 trillion (+3.6% YoY), operating profit ¥175.0 billion (+37.5%), profit before income taxes ¥175.0 billion (+93.9%) and net profit attributable to owners of the parent ¥100.0 billion (+108.1%). We forecast net earnings per share (EPS) of ¥980.74, and an annual dividend per share of ¥350 (¥175 interim and year-end dividends).

All three business segments are expected to generate gains in revenue and profit. At UNIQLO Japan, we expect same-store sales growth of 2.0%. While the gross profit margin is expected to remain flat, cost-cutting is expected to boost the operating profit margin slightly. We forecast a significant increase in operating profit at UNIQLO International due to higher profit contributions from UNIQLO Greater China and UNIQLO Southeast Asia & Oceania, and a reduced loss from North America (USA+Canada). We also forecast significantly higher operating profit at Global Brands, thanks to expected revenue and profit gains from GU and the absence of any scheduled impairment losses.

We expect the Fast Retailing Group store network will expand to 3,336 stores, including 837 UNIQLO Japan directly operated and franchise stores, 1,104 UNIQLO International stores and 1,395 Global Brands stores.

Store Openings by Segment

(Unit: Stores)

(FY)	2016	2017			
	End Aug.	Open	Close	Net	End Aug.
UNIQLO	1,795	**196**	50	+146	**1,941**
UNIQLO Japan*	837	30	30	+0	837
UNIQLO International	958	166	20	+146	1,104
Global Brands*	1,365	60	30	+30	1,395
Total	3,160	256	80	+176	3,336

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

15 Risk

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

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (27 November 2016).

(1) Risk specific to management strategy

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

i) Management personnel risk

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

ii) Competitive risk

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

iii) Risk of dependency on production in specified geographic locations

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

iv) Risk of corporate acquisitions

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

v) Overseas business risk

As the Group expands its business through M&A, we are steadily expanding our presence overseas. As we open more stores in more countries, it is expected that our overseas business will make up a higher portion of the Group's total revenues. If the goods we sell do not match the market needs and product trends in each country, or if there are economic fluctuations, social and political turmoil, changes in law, or major currency market volatility, or other factors that affect our ability to hire and train well-qualified management personnel and local staff who can smoothly manage our business in each country, this could have a negative impact on earnings.

vi) Currency risk

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

(2) General business risk

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

i) Manufactured product liability risk

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

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

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

iii) Risk due to weather

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

iv) Risk due to natural disaster

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

v) Risk of disputes and litigation

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

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

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