FINANCIAL SUMMARY

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

	Millions of yen									Millions of yen		Thousands of U.S. dollars*4
	JGAAP	IFRS										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YoY	2021
For the year												
Net sales/Revenue	¥ 928,669	¥1,142,971	¥1,382,935	¥1,681,781	¥1,786,473	¥1,861,917	¥2,130,060	¥2,290,548	¥2,008,846	**¥2,132,992**	+6.2%	**$19,408,484**
Operating income/Operating profit	126,450	134,101	130,402	164,463	127,292	176,414	236,212	257,636	149,347	**249,011**	+66.7	**2,265,802**
EBITDA*1	150,687	157,708	161,210	202,221	164,089	216,102	281,267	306,112	327,195	**426,922**	+30.5	**3,884,646**
Income before income taxes and minority interests/ Profit before income taxes	123,390	155,732	135,470	180,676	90,237	193,398	242,678	252,447	152,868	**265,872**	+73.9	**2,419,222**
Net income/Profit attributable to owners of the Parent	71,654	104,595	74,546	110,027	48,052	119,280	154,811	162,578	90,357	**169,847**	+88.0	**1,545,471**
Net cash generated by operating activities	127,643	99,474	110,595	134,931	98,755	212,168	176,403	300,505	264,868	**428,968**	+62.0	**3,903,265**
Net cash (used in)/generated by investing activities	(35,313)	(62,584)	(56,323)	(73,145)	(245,939)	122,790	(57,180)	(78,756)	(75,981)	**(82,597)**	+8.7	**(751,573)**
Free cash flow*2	92,330	36,890	54,272	61,786	(147,184)	334,958	119,223	221,748	188,887	**346,370**	+83.4	**3,151,691**
Net cash (used in)/generated by financing activities	(29,056)	(24,226)	(44,060)	(41,784)	201,428	(50,836)	198,217	(102,429)	(183,268)	**(302,985)**	+65.3	**(2,756,916)**
Cash and cash equivalents*3	266,020	296,708	314,049	355,212	385,431	683,802	999,697	1,086,519	1,093,531	**1,177,736**	+7.7	**10,716,433**
Depreciation and amortization	18,573	23,607	30,808	37,758	36,797	39,688	45,055	48,476	177,848	**177,910**	—	**1,618,843**
Capital expenditures	40,184	39,681	58,814	62,461	52,387	59,755	69,380	85,201	82,736	**100,653**	+21.7	**915,866**
At year-end												
Total assets	¥ 595,102	¥ 901,208	¥ 992,307	¥1,163,706	¥1,238,119	¥1,388,486	¥1,953,466	¥2,010,558	¥2,411,990	**¥2,509,976**	+4.1%	**$22,838,734**
Total net assets/Total equity	394,892	589,726	636,041	774,804	597,661	762,043	902,777	983,534	996,079	**1,162,298**	+16.7	**10,575,964**
Interest-bearing debt	23,194	37,259	37,561	38,035	283,465	281,512	544,502	513,405	484,496	**382,634**	(21.0)	**3,481,663**
Reference indices												
Operating income margin/Operating profit margin (%)	13.6%	11.7%	9.4%	9.8%	7.1%	9.5%	11.1%	11.2%	7.4%	**11.7%**	+4.2pts.	**11.7%**
ROE/Ratio of profit to equity attributable to owners of the Parent (%)	20.4	21.7	12.5	16.1	7.3	18.3	19.4	18.0	9.5	**16.4**	+6.9	**16.4**
Equity ratio/Ratio of equity attributable to owners of the Parent to total assets (%)	65.0	63.3	62.3	64.5	46.4	52.7	44.2	46.7	39.7	**44.5**	+4.8	**44.5**
Debt-equity ratio (%)	6.0	6.5	6.1	5.1	49.3	38.5	63.1	54.7	51.0	**34.5**	(16.5)	**34.5**
Dividend payout ratio (%)	37.0	28.2	41.0	32.4	74.3	29.9	29.0	30.1	54.2	**28.9**	(25.3)	**28.9**
Per share data (actual yen, dollar amount)												
Net income/Profit attributable to owners of the Parent (EPS)	¥ 703.62	¥ 1,026.68	¥ 731.51	¥ 1,079.42	¥ 471.31	¥ 1,169.70	¥ 1,517.71	¥ 1,593.20	¥ 885.15	**¥ 1,663.12**	+87.9%	**$ 15.13**
Net assets/Equity attributable to owners of the Parent	3,797.04	5,598.12	6,067.40	7,366.07	5,634.35	7,175.35	8,458.52	9,196.61	9,368.83	**10,930.42**	+16.7	**99.46**
Cash dividends	260.00	290.00	300.00	350.00	350.00	350.00	440.00	480.00	480.00	**480.00**	—	**4.37**
Other data (at fiscal year-end)												
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	**106,073,656**	—	**106,073,656**
Market capitalization (¥ billion, $ million)*4	¥ 1,938.0	¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	¥ 3,854.7	¥ 3,338.1	¥ 5,495.6	¥ 6,602.0	¥ 6,712.3	**¥ 7,692.5**	+14.6%	**$ 69,995**
Number of subsidiaries	91	102	112	119	120	121	130	133	134	**130**	(4)	**130**
Total number of stores	2,222	2,449	2,753	2,978	3,160	3,294	3,445	3,589	3,630	**3,527**	(103)	**3,527**
Total sales floor space (m^2)*5	1,170,353	1,387,367	1,835,095	2,030,031	2,188,688	2,392,618	2,671,629	2,881,485	3,047,360	**3,207,524**	+160,164	**3,207,524**
Number of full-time employees*6	18,854	23,982	30,448	41,646	43,639	44,424	52,839	56,523	57,727	**55,589**	(2,138)	**55,589**

*1 EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Operating profit + Depreciation and amortization. Depreciation and amortization of right-of-use assets has been included in the depreciation and amortization total from the year ending August 31, 2020 following the application of IFRS 16.
*2 Free cash flow = Net cash generated by operating activities + Net cash (used in)/generated by investing activities
*3 Cash and cash equivalents = cash and bank deposits + term deposits of less than 3 months + securities
*4 Calculations are based on the closing share price of ¥72,520 at the end of August 2021 and an exchange rate of ¥109.90 to US $1.
*5 Total sales floor space includes only directly operated stores.
*6 The total number of employees does not include operating officers, junior employees, part-time workers, or temporary staff seconded from other companies.

CFO MESSAGE

Takeshi Okazaki
Director
Group Senior Executive Officer and CFO
Fast Retailing Co., Ltd.

Promote Business Expansion and Sustainability, Maintain Strong Financial Base

Business Performance Review and Outlook

Fast Retailing generated higher revenue and significantly higher profits in FY2021. Revenue totaled ¥2.1329 trillion (+6.2% year on year) and operating profit totaled ¥249.0 billion (+66.7%) thanks primarily to a recovery in UNIQLO operations following the previous year's heavy COVID-19 impact. Profit attributable to owners of the Parent reached a record ¥169.8 billion (+88.0%).

UNIQLO International reported considerable revenue and profit gains, with revenue rising to ¥930.1 billion (+10.2%) and operating profit reaching ¥111.2 billion (+121.4%). Within that segment, the Greater China region drove the recovery by reporting record revenue of ¥532.2 billion (+16.7%) and operating profit of ¥100.2 billion (+52.7%). North America and Europe, both hard hit by COVID-19, witnessed a sharp recovery in revenue from May 2021 as the rate of new infections slowed. Even during the pandemic, we pressed ahead with earnings structure reforms by closing unprofitable stores and normalizing inventory, etc. That helped North America halve its operating loss and Europe turn a profit. It has also created a firm framework for future expansion. UNIQLO Japan revenue rose to ¥842.6 billion (+4.4%), and operating profit rose significantly to ¥123.2 billion (+17.7%) thanks to especially strong first-half sales. GU revenue rose to ¥249.4 billion (+1.4%) but operating profit declined to ¥20.1 billion (–7.6%). While first-half sales were strong, second-half sales were impacted by another state of emergency in Japan and various other issues including some product shortages and lost sales opportunities.

Our FY2022 consolidated forecasts (as of January 13, 2022) include revenue of ¥2.2000 trillion (+3.1%), operating profit of ¥270.0 billion (+8.4%), profit before income taxes of ¥270.0 billion (+1.6%), and profit attributable to owners of the Parent of ¥175.0 billion (+3.0%).

We expect revenue and profit will decline in the first half as COVID-19 restrictions and temporary store closures continue to some degree. We have incorporated some production and transportation delays. However, assuming restrictions are eased and business can proceed smoothly, we expect considerable revenue and profit gains in the second half. We forecast FY2022 net earnings per share (EPS) of ¥1,713.26, and expect to increase our dividend by ¥40 year on year to ¥520 per share (¥260 interim and year-end dividends).

Strengthen Business Expansion and Sustainability Initiatives in Tandem

The Group is strengthening our business expansion and sustainability initiatives in tandem as we aim to become the global No.1 brand.

We are focusing on four initiatives in FY2022 as the year for accelerating our transformation into a digital consumer retailing company: 1) Transform our earnings structure through high-quality sales. That means offering products that meet customer needs and strengthening the marketing appeal of our product and brand value in order to move away from a discounting-reliant model. Promoting no-waste business processes with a tighter and more appropriate range of product colors and sizes, with appropriate inventory levels for each; 2) Accelerate e-commerce expansion as the foundation of a digital consumer retailing company. That means expanding systems and services that meld e-commerce and physical store operations so customers worldwide can buy products anytime, anywhere. E-commerce will drive groupwide expansion because e-commerce enables us to communicate directly with customers, convey personalized information, and incorporate customer insight into product development; 3) Diversify our global earnings pillars. We intend to expand earnings in the Greater China region and Southeast Asia, and also in North America and Europe. We are actively developing new stores to pave the way for a faster opening of multiple stores worldwide from FY2023; 4) Accelerate sustainability initiatives in tandem with business expansion as a medium to long-term growth strategy. That means building a supply chain—from planning through production and retail—that reduces environmental impact and protects the human rights, health, and safety of its workers, while also pursuing further initiatives to develop circular products and help solve social issues. We will accelerate our business expansion by further promoting our transformative Ariake Project, focusing on these initiatives, while improving profitability.

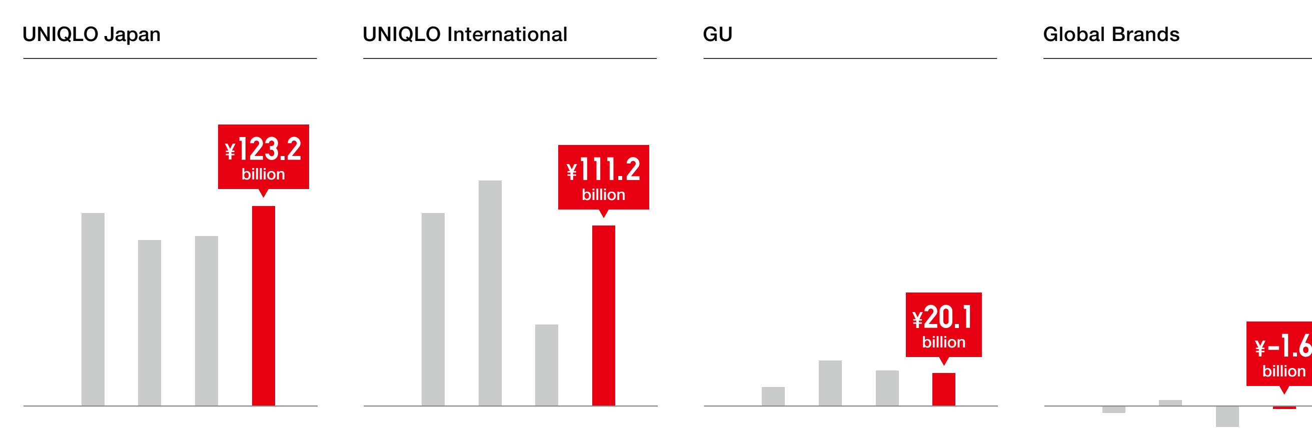
We will also continue to pursue our low-cost management philosophy to maintain strong competitiveness. We are succeeding in efforts to reduce distribution costs through inventory efficiency, to improve productivity in stores, to improve operational productivity by streamlining, standardizing, and digitalizing business processes, and to improve cost effectiveness through strengthened purchasing practices. We are speeding these initiatives up and striving to improve SG&A ratios groupwide, reviewing unprofitable operations and stores and realizing steady benefits from our investments.

Performance by Group Operation

(FY)		2020			2021		
		Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
UNIQLO Japan	Revenue	¥806.8	¥ (66.0)	(7.6)	¥842.6	+¥35.7	+4.4
	Operating profit	104.6	+2.2	+2.2	123.2	+18.6	+17.7
UNIQLO International	Revenue	843.9	(182.0)	(17.7)	930.1	+86.2	+10.2
	Operating profit	50.2	(88.6)	(63.8)	111.2	+60.9	+121.4
GU	Revenue	246.0	+7.3	+3.1	249.4	+3.3	+1.4
	Operating profit	21.8	(6.3)	(22.5)	20.1	(1.6)	(7.6)
Global Brands*	Revenue	109.6	(40.3)	(26.9)	108.2	(1.4)	(1.3)
	Operating profit	(12.7)	(16.4)	—	(1.6)	+11.1	—

*Global Brands includes Theory, PLST, Comptoir des Cotonniers, Princesse tam.tam, and J Brand.
Note: Consolidated revenue also includes items reported by Fast Retailing Co., Ltd., the Parent company, such as real estate leasing.
Consolidated operating profit includes Fast Retailing operating profit.

Operating Profit by Group Operation



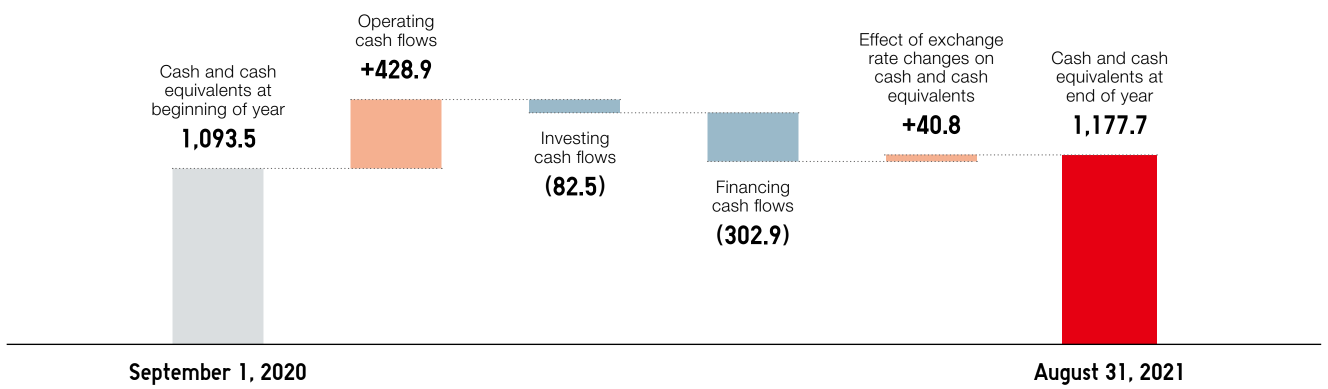
Increase Cash-generation Capabilities for Shareholder Returns, Growth Investment, and Ready Liquidity

Fast Retailing's financial strategy focuses on maintaining financial soundness, maximizing free cash flow and effectively utilizing that cash to secure shareholder returns, growth investment funds, and liquidity in hand. We strive to hold three to five months' worth of monthly sales as working capital and risk capital funds to deal with any unforeseen circumstances.

Despite repaying ¥100.0 billion in corporate bonds during the period, our balance of cash and cash equivalents stood at ¥1.1777 trillion at the end of August 2021, an appropriate level that equates to roughly four to five months of our ¥3 trillion medium-term annual sales target.

Shareholder returns are a top priority. We pay consistent and appropriate dividends that reflect corporate performance and consider operational funding requirements and financial soundness. We paid a dividend of ¥480 per share in FY2021 (28.9% dividend payout ratio).

Cash Flow Information (billions of yen)

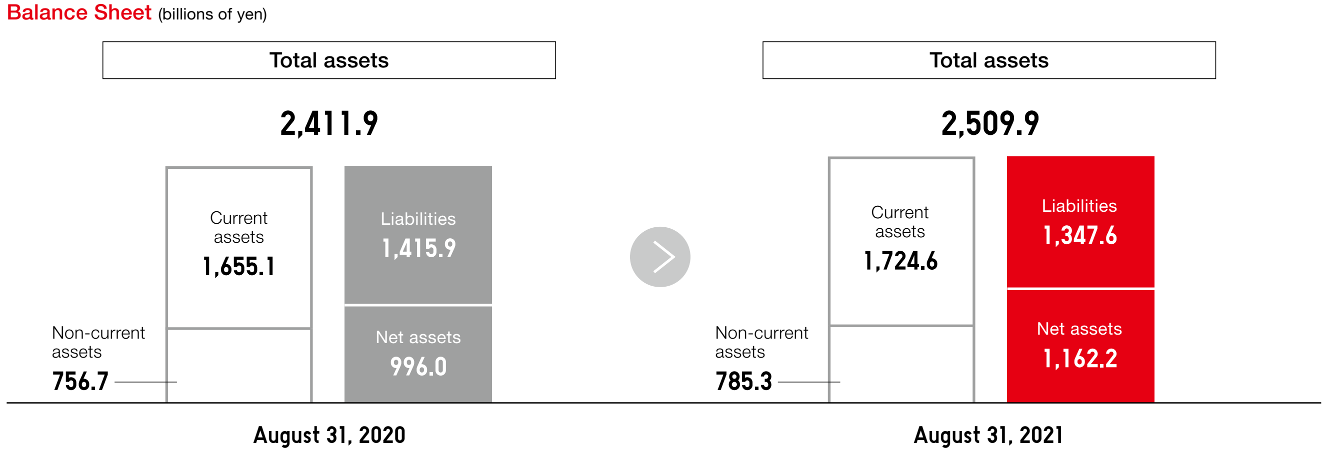


A Solid Balance Sheet to Support Sustainable Growth

Total assets increased ¥97.9 billion to ¥2.5099 trillion at the end of August 2021 due primarily to a ¥84.2 billion increase in cash and cash equivalents and a ¥32.0 billion increase in property, plant and equipment from automated warehousing investment, etc. Total liabilities decreased ¥68.2 billion to ¥1.3476 trillion, due to a ¥108.3 billion decline in other financial liabilities. Total equity increased ¥166.2 billion to ¥1.1622 trillion, due to a ¥121.4 billion increase in retained earnings and a ¥36.2 billion increase in other components of equity.

The ratio of equity attributable to owners of the Parent to total assets (shareholders' equity ratio) increased 4.8 points to 44.5%. We aim to boost the medium to long-term ratio to roughly 50.0% by steadily accumulating profits through business activities. ROE increased 6.9 points to 16.4%. We will continue to maintain ROE between 15.0 and 20.0% going forward.

Balance Sheet (billions of yen)



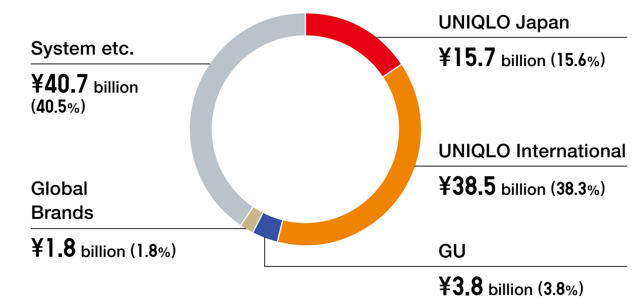
Continue Proactive Investment to Expand Operations

While seeking to expand our global store network, Fast Retailing also invests aggressively in systems to help progress Ariake Project objectives and in other areas to help expand operations.

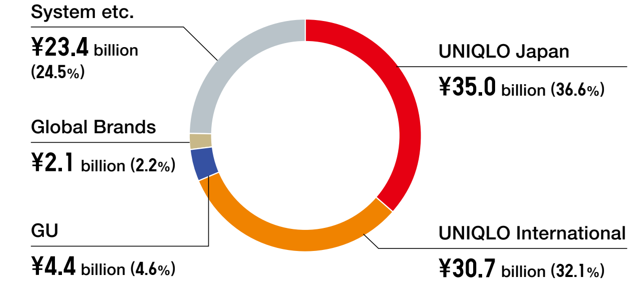
Capital expenditure increased by ¥17.9 billion to ¥100.6 billion in FY2021. That figure breaks down into ¥15.7 billion for UNIQLO Japan, ¥38.5 billion for UNIQLO International, ¥3.8 billion for GU, ¥1.8 billion for Global Brands, and ¥40.7 billion for systems, etc. We increased investment in automated warehouses in Japan, the United States, Mainland China, and Australia, and we plan to automate our warehouses globally going forward. Also, in April 2021, we created one of Japan's largest photographic studios and customer centers on the fourth floor of our Ariake headquarters.

In FY2022, we expect capital expenditure will decrease by ¥4.7 billion to ¥95.9 billion. ¥34.3 billion of that is earmarked for planned new store investment (UNIQLO International: 170 stores, UNIQLO Japan: 30 stores, Global Brands: 40 stores, GU: 36 stores) and ¥61.7 billion for Ariake Project-related investment as we plan to invest in new e-commerce platforms, supply chain systems, and automated warehouses.

FY2021 Capital Expenditures



FY2022 Capital Expenditures (forecast)

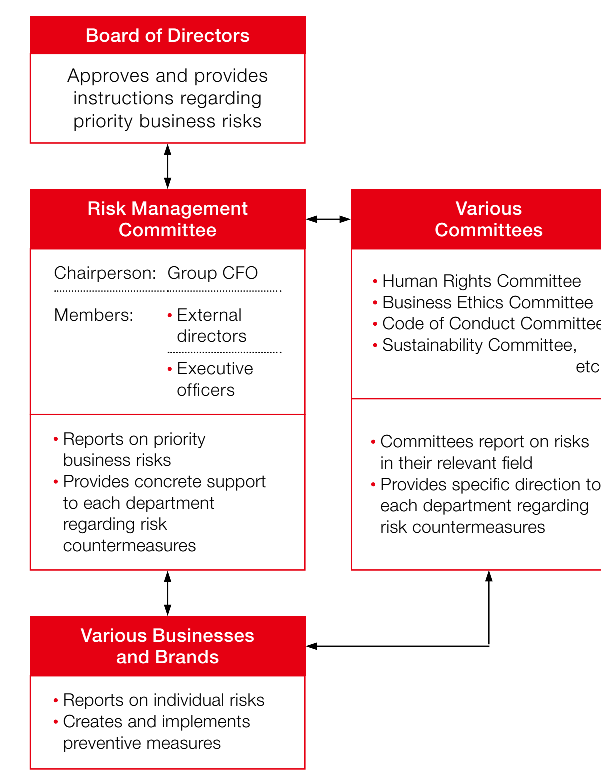


Firm Risk Management System to Clarify Risks and Strengthen Our Response

Fast Retailing's Risk Management Committee reports directly to the Board and works to regularly identify latent risks in business activities and to establish and strengthen frameworks to detect and manage material risks. The committee, which is chaired by myself as Group CFO, unifies the management of risk across Fast Retailing, analyzing and assessing the frequency and impact of risks to business, prioritizing high-risk areas in countermeasure discussions to prevent these risks from occurring, or to ensure a speedy response should they eventuate. The committee also submits reports on significant risks to the Board and offers concrete support to departments required to deal with identified risks.

The committee met four times in FY2021 to discuss risks relating to the COVID-19 pandemic, a Tokyo near-field earthquake and other large-scale disasters, and international circumstances.

Risk Management Framework



RISK FACTORS

The following is a list of the main potential risks which would have an especially large impact on the Group's operating results and financial situation. Future-related items in the descriptions below are assessed by the Group on the date of submission of the Year-end Report (November 26, 2021). This list of risks is not exhaustive, which means that the Group may be affected in the future by risks it had not foreseen or did not recognize as significant at the time of compiling the report. If there are no details of risks already having materialized under the Risk Description and Effects on the Group column, then that risk has not yet surfaced and the timing or likelihood of whether it will indeed materialize at some point in the future is uncertain.

Risk Item	Risk Description and Effects on the Group	Main Group Initiatives
Risk of the large-scale, global spread of infectious diseases (including COVID-19)	• The large-scale, global spread of infectious diseases such as COVID-19 may cause difficulties in the production and supply of products to stores due to infection among employees of the Group and its partners, as well as due to measures enacted to prevent the spread of the disease. • The global spread of COVID-19 has had a negative impact on the entire Group, including restricted operations at production factories, logistical delays, and instore operational restrictions.	• Led by the Company-wide Emergency Response Headquarters established by the Risk Management Committee, the Group develops medical evidence-based infection prevention measures aided by advice received from experts, and implements such measures at all Group offices and stores while ensuring all Group employees fully understand them. • We provide partner factories with guidelines for improving hygiene management to prevent infection at factories and for employee subsidies during temporary factory shutdowns. • We encourage our employees, their families or anyone residing in the same household to get vaccinated to reduce the risk of infection across the Group.
Management personnel risk	• Members of the Group's management team, led by Chairman, President and CEO Tadashi Yanai, play a major role in their respective areas of responsibility. If any officer becomes unable to fulfill his or her duties and the Group is unable to find any personnel who can take on those important responsibilities, this could have an adverse impact on business performance.	• In each of the Group's businesses, we have established a team-based executive management structure to ensure that decision-making and execution of duties are not dependent on specific management personnel. • In each business, the managers themselves personally train the management personnel who will be their successors in those positions. • We actively recruit globally active management talent on an ongoing basis, and we have established dedicated educational institutions to educate and train our hired talent into managers.
Country risks and risks pertaining to international affairs	• The Group's product production, supply, and sale infrastructure may be adversely impacted by events in countries and regions in which we manufacture products and conduct business, due to factors including changes in political or economic conditions, social disorder or deterioration of public safety due to terrorism or conflicts, changes in legal or tax systems, or the occurrence of large-scale natural disasters such as earthquakes, strong winds, or water disasters.	• The Group is moving forward with establishing a supply chain that can respond flexibly to changes in international conditions. This includes dispersing production sites across multiple countries and regions, as well establishing production management offices at our main production hubs to enable the timely monitoring of and quick response to local circumstances. • We have assigned accounting, tax, and legal specialists to Group companies' offices to ensure we can respond and communicate quickly and appropriately if a risk materializes. • With respect to cross-border tensions and deteriorating racial relations in specific countries and regions, the Group as a global company aims to contribute to the resolution of social issues in countries and regions in which we operate, and to achieve a lasting peaceful co-existence and co-prosperity in the communities within each region and country.
Environmental risks	• We risk weakening public trust in Group brands if our climate change response is slow, such as delays in reducing greenhouse gas emissions or transitioning to renewable energy sources, or if we do not appropriately implement initiatives to reduce waste emissions, circulate resources, manage chemical substances, etc. • Increasingly prevalent extreme weather conditions caused by climate change could adversely affect our product supply systems and our business as a whole.	• We strive to fully understand and reduce greenhouse gas emissions across all our business activities from product manufacture through disposal, to minimize our impact on climate change and biodiversity. Our initiatives include a commitment to uphold the Paris Agreement target to reduce greenhouse gas emissions by 2050, based on the United Framework Convention on Climate Change. Meanwhile, we also set our own specific targets and implement activities to achieve those targets. • We consistently determine and implement concrete initiatives based on our Environmental Policy and led by our Sustainability Committee in five priority areas: addressing climate change, improving energy efficiency, managing water resources, improving waste management and resource efficiency, and managing chemical substances. • In June 2021, we expressed support for Task Force on Climate-related Financial Disclosures (TCFD) recommendations and are working to ensure TCFD-compliant disclosure.
Large-scale disaster risks	• Large-scale disasters such as earthquakes, typhoons, volcanic eruptions, fires, storms and floods, explosions, and collapsed buildings can adversely affect our product production, product supply systems, product sales systems, and also our management infrastructure in areas where there are head offices, retail stores, and production plants for products sold by the Group.	• Led by our Risk Management Committee, we are establishing system infrastructure that, in the event of a major earthquake or other major disaster, enables our Emergency Response headquarters to operate a fully prepared emergency command system to ensure the safety of customers, employees, and related personnel, mitigate damage to business resources. prevent secondary disasters, and quickly restore business. We are also establishing dispersed recovery bases, and preparing and promoting the global use of crisis management manuals, etc.
Risks related to resource management and the procurement of raw materials	• Disasters, climate change, and other factors may cause escalating prices or difficulty in procuring the raw materials (such as cotton, cashmere, down, etc.) used in the products sold by the Group's businesses. If these risks materialize, the Group's product supply systems and performance may be adversely affected.	• We have entered into procurement agreements with multiple suppliers so that we are able to source reasonably priced raw materials, without having to rely on a specific supplier for a specific raw material.
Information security risks	• If customer information (including personal information), trade secrets, and other confidential information were to be leaked or lost, we would need to respond by recovering the information and possibly paying damages to customers, which could adversely affect our business performance and reduce customer trust. • If a government were to determine that we are in violation of legal regulations that restrict the transfer of personal information between countries and regions, such as the EU's General Data Protection Regulation (GDPR), we may lose customers' trust and be subject to significant fines that would negatively impact our business performance.	• In order to ensure that confidential information held by the Group is properly managed, we have established an Information Security Office under the direction of a Chief Security Officer (CSO) who oversees the entire Group. • Working in cooperation with the IT and legal departments of each country and region in which we operate, the Information Security Office builds and improves the infrastructure needed to properly manage sensitive information (especially customers' personal information) in anticipation of external attacks, internal fraud and various other incidents. This is done by putting in place infrastructure, evaluating our administrative processes and our contractors, establishing and standardizing internal rules, and conducting regular educational and awareness activities in each business division.
Intellectual property risks	• Intellectual property rights apply in relation to the Group's products and the latest technologies used in all kinds of areas, including product management, store operations, and e-commerce websites. These rights not being licensed to us by their owners would present difficulties in our use of these technologies or in supplying products. • If these technologies or products were to infringe on the intellectual property rights of others, we may be liable to pay substantial damages or license fees that may adversely affect our business performance. • If the Group's products were to be copied by third parties and sold at low prices, this may negatively impact our business performance.	• In order to address these intellectual property risks, the Group has a dedicated department in place dealing with intellectual property. This department investigates infringements during product development and during the implementation of technologies, and in an effort to prevent infringements of intellectual property rights also runs educational and awareness activities for Group employees. • We actively take steps to acquire the rights to new technologies that we develop. Furthermore, we monitor markets in the countries and regions in which we operate or plan to expand, and cooperate with local legal departments, local law firms, and government agencies to gather information about counterfeit products and other intellectual property infringements. • In the event that infringement can be confirmed or if we fear such an infringement may have occurred, we work with local legal departments and local law firms to quickly consider our course of action, including a legal response.
Human rights risks	• All of the Group's businesses operate an SPA business model which integrates all stages of the business process, from products being designed by each business, to them being directly procured from factories and then delivered to customers. The supply chain involved in this SPA business model includes many of our business partners' employees, as well as those of the Group. Within the business system, deterioration in working environment or in health and safety, human rights violations such as harassment or discriminatory behavior, or other such acts that significantly infringe on the human rights of those affected may result in the Group losing the trust of our customers and suppliers, and consequently may negatively impact the supply and sale of our products. • The introduction of stricter regulations or new legislation in the United States, Europe or other regions to protect human rights, etc. across the supply chain may adversely impact the production, transportation, or retail of Group products.	• Our supply chain policy is based on our view that our most important responsibility is to respect the basic human rights of all people working in the supply chain of Group businesses, whether they are employees of the Group or of our business partners, and to ensure those employees' physical and mental health, safety, and peace of mind. • We have developed human rights guidelines, provide Code of Conduct (COC) training, operate an employee hotline, and conduct regular reviews in order prevent human rights violations from occurring. • Our Sustainability Department works to ensure good workplaces and to drive improvements by monitoring work environments at supplier factories and operating hotlines for factory employees. We also promote the procurement of raw materials that meet recognized international standards for protecting human rights and working environments during the production process. • Going forward, we intend to build frameworks for establishing traceability right back to the raw materials stage in all countries and regions, and to enable us to check directly whether any human rights or working environment-related issues exist. We will also use third-party certifications to objectively verify human rights and working environments are being properly protected. • In the event that a human rights violation does occur, in addition to the Human Rights Committee investigating and deliberating on the matter, we also have in place a framework for providing mental healthcare for the victim.
Risks originating from business partners	• The Group conducts business with many suppliers and business partners, which presents a variety of risks associated with business partners involved in product planning, production, transportation, and sales. • These risks include the possibility that our partners may not share the values and principles of the Group, which may lead to a drop in business efficiency, or the possibility that a partners financial status may make it difficult for us to adequately collect on receivables. These possibilities can have an adverse effect on our business performance, and furthermore may result in our unintentionally engaging in business with anti-social organizations (e.g. criminal groups and individuals) or violations of laws on the part of our partners. If these risks were to materialize, they may lead to a loss of trust in the Group among our customers and society. • In addition, for example during the transportation of products by delivery operators or while products are being stored at a warehouse, products may be destroyed, damaged, or stolen as a result of a natural disaster or human behavior, or it may not be possible to complete a transaction due to a problem arising with our partner or with local laws and regulations.	• In order to avoid entering into business relationships with inappropriate partners, all Group companies carry out credit checks as necessary when entering into a transaction with a new business partner. • In order to build appropriate business relationships with all of our partners, the Group has established Business Partner Conduct Guidelines and conducts business only with those partners who agree to and comply with those guidelines. • In response to the risks associated with dealing with delivery operators and warehouse operators, each of our businesses has logistics personnel in place who are in constant communication with our delivery and warehouse-operating business partners. These personnel are on-hand to promptly report any problems that arise in product shipping or storage to local management and the Global Logistics Headquarters, a system which enables them to promptly consider and action a response.
Impairment risks	• As a general rule, the Group considers each store as a small unit that generates an independent cash flow. We apply impairment accounting on that basis to determine the likelihood of a return on investment in a timely manner. If profitability decreases due to changes in the business environment, impairment losses may be recorded under property, plant, and equipment and right-of-use assets, among others.	• We apply impairment accounting to quickly identify signs of impairment, quickly identify unprofitable stores, and to ensure proper accounting. • We strive to understand the underlying cause of a store's drop in profitability, and develop fundamental profitability improvement plans for them.
Foreign currency risks	• Many of the products handled by each of the Group's businesses are imported from overseas production plants. Fluctuations in the currencies of settlement may have an adverse effect on our performance of each business. • The Group as a whole has financial assets in a variety of currencies in line with where we operate our businesses. Fluctuations in exchange rates against yen, which is the Group's functional currency, can have a major impact on financial gains and losses.	• In order to mitigate foreign exchange volatility in our international businesses, we have forward exchange contracts that extend several years into the future based on our procurement forecasts. In this process, the Group Board of Directors discusses and approves specific hedging policies such as hedge ratios, time periods, and other aspects, taking into account their contribution to our financial security. • The Board of Directors discusses the viability of the currencies in which our financial assets are held.
Risks arising from changes in the business environment	• In each country and region in which the Group's businesses operates, changes in the business environment, such as inclement weather and changes in consumption trends, may result in drops in product sales and the accumulation of excess inventory, negatively impacting our business performance.	• We collect timely information on the products required by customers in the countries and regions in which the Group's businesses operate. We have the infrastructure in place to immediately commercialize those products as well as to produce and sell the quantity required, responding to changes in the business environment as flexibly as possible.