FAST RETAILING

FAST RETAILING

FAST RETAILING CO., LTD.
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Fast Retailing Co., Ltd.
Consolidated Financial Statements
for the year ended 31 August 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FAST RETAILING CO., LTD. and consolidated subsidiaries
31 August 2020 and 2021

		Millions of yen		Thousands of U.S. dollars*
		2020	2021	2021
ASSETS	*Notes*			
Current assets:				
Cash and cash equivalents	*8, 30*	¥1,093,531	**¥1,177,736**	**$10,716,433**
Trade and other receivables	*9, 30*	67,069	**50,546**	**459,934**
Other financial assets	*11, 30*	49,890	**56,157**	**510,983**
Inventories	*10*	417,529	**394,868**	**3,592,975**
Derivative financial assets	*30*	14,413	**27,103**	**246,621**
Income taxes receivable		2,126	**2,992**	**27,227**
Other assets	*12*	10,629	**15,270**	**138,948**
Total current assets		1,655,191	**1,724,674**	**15,693,124**
Non-current assets:				
Property, plant and equipment	*13, 15*	136,123	**168,177**	**1,530,274**
Right-of-use assets	*15, 17*	399,944	**390,537**	**3,553,570**
Goodwill	*14*	8,092	**8,092**	**73,637**
Intangible assets	*14, 15*	66,833	**66,939**	**609,091**
Financial assets	*11, 30*	67,770	**67,122**	**610,759**
Investments in associates accounted for using the equity method	*16*	14,221	**18,236**	**165,933**
Deferred tax assets	*18*	45,447	**37,125**	**337,809**
Derivative financial assets	*30*	10,983	**22,552**	**205,205**
Other assets	*12, 15*	7,383	**6,520**	**59,328**
Total non-current assets		756,799	**785,302**	**7,145,610**
Total assets		¥2,411,990	**¥2,509,976**	**$22,838,734**
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities:				
Trade and other payables	*19, 30*	¥ 210,747	**¥ 220,057**	**$ 2,002,345**
Other financial liabilities	*11, 28, 30*	213,301	**104,969**	**955,134**
Derivative financial liabilities	*30*	2,763	**2,493**	**22,693**
Lease liabilities	*17, 28, 30*	114,652	**117,083**	**1,065,365**
Current tax liabilities		22,602	**38,606**	**351,283**
Provisions	*20*	752	**2,149**	**19,560**
Other liabilities	*12*	82,636	**95,652**	**870,359**
Total current liabilities		647,455	**581,012**	**5,286,741**
Non-current liabilities				
Financial liabilities	*11, 28, 30*	370,780	**370,799**	**3,373,971**
Lease liabilities	*17, 28, 30*	351,526	**343,574**	**3,126,246**
Provisions	*20*	32,658	**39,046**	**355,288**
Deferred tax liabilities	*18*	7,760	**9,860**	**89,718**
Derivative financial liabilities	*30*	3,205	**1,042**	**9,490**
Other liabilities	*12*	2,524	**2,342**	**21,312**
Total non-current liabilities		768,455	**766,665**	**6,976,029**
Total liabilities		1,415,910	**1,347,678**	**12,262,770**
EQUITY				
Capital stock	*21*	10,273	**10,273**	**93,484**
Capital surplus	*21*	23,365	**25,360**	**230,764**
Retained earnings	*21*	933,303	**1,054,791**	**9,597,736**
Treasury stock, at cost	*21*	(15,129)	**(14,973)**	**(136,244)**
Other components of equity	*21*	4,749	**41,031**	**373,354**
Equity attributable to owners of the Parent		956,562	**1,116,484**	**10,159,095**
Non-controlling interests		39,516	**45,813**	**416,868**
Total equity		996,079	**1,162,298**	**10,575,964**
Total liabilities and equity		¥2,411,990	**¥2,509,976**	**$22,838,734**

See accompanying notes to consolidated financial statements.

*Calculations are based on an exchange rate of ¥109.9 to US $1.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2020 and 2021

	Notes	2020 (Millions of yen)	2021 (Millions of yen)	2021 (Thousands of U.S. dollars*)
Revenue	22	¥ 2,008,846	¥ 2,132,992	$19,408,484
Cost of sales		(1,033,000)	(1,059,036)	(9,636,367)
Gross profit		975,845	1,073,955	9,772,117
Selling, general and administrative expenses	23	(805,821)	(818,427)	(7,447,023)
Other income	24	7,954	18,238	165,954
Other expenses	15, 24	(28,952)	(25,315)	(230,353)
Share of profit and loss of associates accounted for using the equity method	16	321	561	5,108
Operating profit		149,347	249,011	2,265,802
Finance income	25	11,228	23,859	217,098
Finance costs	25	(7,707)	(6,998)	(63,678)
Profit before income taxes		152,868	265,872	2,419,222
Income tax expense	18	(62,470)	(90,188)	(820,641)
Profit for the year		90,398	175,684	1,598,581
Profit for the year attributable to:				
Owners of the Parent		90,357	169,847	1,545,471
Non-controlling interests		40	5,836	53,109
Total		¥ 90,398	¥ 175,684	$ 1,598,581
Earnings per share				
Basic (yen, dollar)	27	885.15	1,663.12	15.13
Diluted (yen, dollar)	27	¥ 883.62	¥ 1,660.44	$ 15.11

See accompanying notes to consolidated financial statements.
*Calculations are based on an exchange rate of ¥109.9 to US $1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2020 and 2021

	Notes	2020 (Millions of yen)	2021 (Millions of yen)	2021 (Thousands of U.S. dollars*)
Profit for the year		¥ 90,398	¥175,684	$1,598,581
Other comprehensive income/(loss), net of income taxes				
Items that will not be reclassified subsequently to profit or loss				
Financial assets measured at fair value through other comprehensive income/(loss)	26	(630)	541	4,930
Total items that will not be reclassified subsequently to profit or loss		(630)	541	4,930
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	26	5,227	20,266	184,410
Cash flow hedges	26	14,130	26,333	239,617
Share of other comprehensive income/(loss) of associates	26	(39)	65	592
Total items that may be reclassified subsequently to profit or loss		¥ 19,318	¥ 46,665	$ 424,619
Other comprehensive income/(loss), net of income tax		¥ 18,687	¥ 47,207	$ 429,550
Total comprehensive income for the year		¥109,085	¥222,891	$2,028,131
Attributable to:				
Owners of the Parent		110,134	215,309	1,959,138
Non-controlling interests		(1,049)	7,582	68,993
Total comprehensive income for the year		¥109,085	¥222,891	$2,028,131

See accompanying notes to consolidated financial statements.
*Calculations are based on an exchange rate of ¥109.9 to US $1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2020 and 2021

Millions of yen

						Other components of equity							
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Financial assets measured at fair value through other comprehensive income/(loss)	Foreign currency translation reserve	Cash-flow hedge reserve	Share of other comprehensive income of associates	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2019		¥10,273	¥20,603	¥928,748	¥(15,271)	¥ (697)	¥(13,929)	¥ 8,906	¥(11)	¥ (5,732)	¥938,621	¥44,913	¥983,534
Effect of change in accounting policy		—	—	(35,094)	—	—	—	—	—	—	(35,094)	(1,331)	(36,426)
Balance after adjustment		10,273	20,603	893,653	(15,271)	(697)	(13,929)	8,906	(11)	(5,732)	903,526	43,581	947,108
Net changes during the year													
Comprehensive income													
Profit for the year		—	—	90,357	—	—	—	—	—	—	90,357	40	90,398
Other comprehensive income/(loss)	26	—	—	—	—	(630)	5,440	15,007	(39)	19,776	19,776	(1,089)	18,687
Total comprehensive income/(loss)		—	—	90,357	—	(630)	5,440	15,007	(39)	19,776	110,134	(1,049)	109,085
Transactions with the owners of the Parent													
Acquisition of treasury stock	21	—	—	—	(5)	—	—	—	—	—	(5)	—	(5)
Disposal of treasury stock	21	—	1,496	—	148	—	—	—	—	—	1,644	—	1,644
Dividends	21	—	—	(48,994)	—	—	—	—	—	—	(48,994)	(2,038)	(51,032)
Share-based payments	21	—	1,265	—	—	—	—	—	—	—	1,265	—	1,265
Transfer to non-financial assets		—	—	—	—	—	—	(11,008)	—	(11,008)	(11,008)	(976)	(11,985)
Transfer to retained earnings		—	—	(1,713)	—	1,713	—	—	—	1,713	—	—	—
Total transactions with the owners of the Parent		—	2,761	(50,708)	142	1,713	—	(11,008)	—	(9,294)	(57,098)	(3,015)	(60,113)
Total net changes during the year		—	2,761	39,649	142	1,082	5,440	3,998	(39)	10,482	53,036	(4,064)	48,971
As at 31 August 2020		¥10,273	¥23,365	¥933,303	¥(15,129)	¥ 385	¥ (8,489)	¥ 12,905	¥(51)	¥ 4,749	¥956,562	¥39,516	¥996,079

Millions of yen

						Other components of equity							
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Financial assets measured at fair value through other comprehensive income/(loss)	Foreign currency translation reserve	Cash-flow hedge reserve	Share of other comprehensive income of associates	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2020		¥10,273	¥23,365	¥ 933,303	¥(15,129)	¥ 385	¥ (8,489)	¥12,905	¥(51)	¥ 4,749	¥ 956,562	¥39,516	¥ 996,079
Net changes during the year													
Comprehensive income													
Profit for the year		—	—	**169,847**	—	—	—	—	—	—	**169,847**	**5,836**	**175,684**
Other comprehensive income/(loss)	26	—	—	—	—	**541**	**18,345**	**26,509**	**65**	**45,461**	**45,461**	**1,745**	**47,207**
Total comprehensive income/(loss)		—	—	**169,847**	—	**541**	**18,345**	**26,509**	**65**	**45,461**	**215,309**	**7,582**	**222,891**
Transactions with the owners of the Parent													
Acquisition of treasury stock	21	—	—	—	**(12)**	—	—	—	—	—	**(12)**	—	**(12)**
Disposal of treasury stock	21	—	**1,836**	—	**168**	—	—	—	—	—	**2,005**	—	**2,005**
Dividends	21	—	—	**(49,015)**	—	—	—	—	—	—	**(49,015)**	**(1,867)**	**(50,882)**
Share-based payments	21	—	**159**	—	—	—	—	—	—	—	**159**	—	**159**
Transfer to non-financial assets		—	—	—	—	—	—	**(8,523)**	—	**(8,523)**	**(8,523)**	**67**	**(8,456)**
Transfer to retained earnings		—	—	**655**	—	**(655)**	—	—	—	**(655)**	—	—	—
Others		—	—	—	—	—	—	—	—	—	—	**514**	**514**
Total transactions with the owners of the Parent		—	**1,995**	**(48,359)**	**155**	**(655)**	—	**(8,523)**	—	**(9,179)**	**(55,387)**	**(1,285)**	**(56,673)**
Total net changes during the year		—	**1,995**	**121,487**	**155**	**(113)**	**18,345**	**17,985**	**65**	**36,282**	**159,921**	**6,296**	**166,218**
As at 31 August 2021		**¥10,273**	**¥25,360**	**¥1,054,791**	**¥(14,973)**	**¥ 271**	**¥ 9,855**	**¥30,890**	**¥ 13**	**¥41,031**	**¥1,116,484**	**¥45,813**	**¥1,162,298**

See accompanying notes to consolidated financial statements.

Thousands of U.S. dollars*

						Other components of equity							
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Financial assets measured at fair value through other comprehensive income/(loss)	Foreign currency translation reserve	Cash-flow hedge reserve	Share of other comprehensive income of associates	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2020		$93,484	$212,606	$8,492,296	$(137,662)	$ 3,505	$(77,249)	$117,426	$(466)	$ 43,215	$ 8,703,939	$359,571	$ 9,063,511
Net changes during the year													
Comprehensive income													
Profit for the year		—	—	**1,545,471**	—	—	—	—	—	—	**1,545,471**	**53,109**	**1,598,581**
Other comprehensive income/(loss)	26	—	—	—	—	**4,930**	**166,928**	**241,214**	**592**	**413,666**	**413,666**	**15,883**	**429,550**
Total comprehensive income/(loss)		—	—	**1,545,471**	—	**4,930**	**166,928**	**241,214**	**592**	**413,666**	**1,959,138**	**68,993**	**2,028,131**
Transactions with the owners of the Parent													
Acquisition of treasury stock	21	—	—	—	**(116)**	—	—	—	—	—	**(116)**	—	**(116)**
Disposal of treasury stock	21	—	**16,709**	—	**1,534**	—	—	—	—	—	**18,244**	—	**18,244**
Dividends	21	—	—	**(445,998)**	—	—	—	—	—	—	**(445,998)**	**(16,990)**	**(462,989)**
Share-based payments	21	—	**1,448**	—	—	—	—	—	—	—	**1,448**	—	**1,448**
Transfer to non-financial assets		—	—	—	—	—	—	**(77,560)**	—	**(77,560)**	**(77,560)**	**613**	**(76,946)**
Transfer to retained earnings		—	—	**5,967**	—	**(5,967)**	—	—	—	**(5,967)**	—	—	—
Others		—	—	—	—	—	—	—	—	—	—	**4,680**	**4,680**
Total transactions with the owners of the Parent		—	**18,158**	**(440,031)**	**1,418**	**(5,967)**	—	**(77,560)**	—	**(83,528)**	**(503,982)**	**(11,696)**	**(515,679)**
Total net changes during the year		—	**18,158**	**1,105,440**	**1,418**	**(1,036)**	**166,928**	**163,654**	**592**	**330,138**	**1,455,155**	**57,296**	**1,512,452**
As at 31 August 2021		**$93,484**	**$230,764**	**$9,597,736**	**$(136,244)**	**$ 2,468**	**$89,679**	**$281,080**	**$ 125**	**$373,354**	**$10,159,095**	**$416,868**	**$10,575,964**

See accompanying notes to consolidated financial statements.

*Calculations are based on an exchange rate of ¥109.9 to US $1.

CONSOLIDATED STATEMENT OF CASH FLOWS

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the years ended August 31, 2021 and 2020

	Notes	Millions of yen 2020	Millions of yen 2021	Thousands of U.S. dollars* 2021
Cash flows from operating activities:				
Profit before income taxes		¥ 152,868	¥ 265,872	$ 2,419,222
Depreciation and amortization		177,848	177,910	1,618,843
Impairment losses	15	23,074	16,908	153,856
Interest and dividend income		(9,724)	(4,628)	(42,118)
Interest expenses		7,706	6,990	63,606
Foreign exchange losses/(gains)		(1,503)	(19,222)	(174,908)
Share of profit and loss of associates accounted for using the equity method		(321)	(561)	(5,108)
Losses on disposal of property, plant and equipment		1,125	985	8,967
(Increase)/decrease in trade and other receivables		(4,164)	15,334	139,533
(Increase)/decrease in inventories		(2,665)	36,749	334,390
Increase/(decrease) in trade and other payables		18,600	384	3,495
(Increase)/decrease in other assets		10,686	3,494	31,796
Increase/(decrease) in other liabilities		(44,567)	9,300	84,625
Others, net		8,776	153	1,398
Cash generated from operations		337,738	509,672	4,637,601
Interest and dividend income received		8,546	4,134	37,616
Interest paid		(6,783)	(6,101)	(55,514)
Income taxes paid		(75,460)	(80,555)	(732,987)
Income taxes refunded		827	1,818	16,549
Net cash generated by operating activities		264,868	428,968	3,903,265
Cash flows from investing activities:				
Amounts deposited into bank deposits with original maturities of three months or longer		(88,714)	(102,307)	(930,912)
Amounts withdrawn from bank deposits with original maturities of three months or longer		83,502	99,943	909,403
Payments for property, plant and equipment		(46,500)	(56,500)	(514,110)
Payments for intangible assets		(21,008)	(19,624)	(178,563)
Payments for acquisition of right-of-use assets		(1,808)	(846)	(7,706)
Payments for lease and guarantee deposits		(7,171)	(3,979)	(36,212)
Proceeds from collection of lease and guarantee deposits		6,394	4,542	41,329
Payments for acquisition of investments in associates		—	(4,232)	(38,512)
Others, net		(673)	407	3,711
Net cash generated by/(used in) investing activities		(75,981)	(82,597)	(751,573)
Cash flows from financing activities:				
Proceeds from short-term loans payable	28	35,019	64,247	584,603
Repayment of short-term loans payable	28	(21,546)	(67,804)	(616,964)
Repayment of long-term loans payable	28	(4,343)	—	—
Repayment of redemption of bonds	28	—	(100,000)	(909,918)
Dividends paid to owners of the Parent	21	(48,995)	(48,993)	(445,798)
Dividends paid to non-controlling interests		(2,328)	(2,342)	(21,314)
Repayments of lease liabilities	28	(141,216)	(148,248)	(1,348,943)
Others, net		142	155	1,418
Net cash generated by/(used in) financing activities		(183,268)	(302,985)	(2,756,916)
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,393	40,818	371,417
Net increase in cash and cash equivalents		7,011	84,204	766,192
Cash and cash equivalents at the beginning of year	8	1,086,519	1,093,531	9,950,241
Cash and cash equivalents at the end of year	8	¥1,093,531	¥1,177,736	$10,716,433

See accompanying notes to consolidated financial statements.

*Calculations are based on an exchange rate of ¥109.9 to US $1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 Reporting Entity

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

The principal activities of the Group are the UNIQLO business (casual wear retail business operating under the "UNIQLO" brand in Japan and overseas), GU business (casual wear retail business operating under the "GU" brand in Japan and overseas) 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 IFRS issued by the IASB.

The Group meets all criteria of a "specified company" defined under Article 1-2 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements accordingly, applies Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements.

(2) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 26 November 2021 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 a 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 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 estimates and judgments that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

- Valuation of inventories (3. Significant Accounting Policies F. and Note 10)
- Valuation of property, plant and equipment, and right-of-use assets (3. Significant Accounting Policies J. and Note 15)
- Recoverability of deferred tax assets (3. Significant Accounting Policies N. and Note 18)
- Accounting treatment and valuation of provisions (3. Significant Accounting Policies K. and Note 20)
- Fair value measurement of financial instruments (3. Significant Accounting Policies D. and Note 30)

With the global spread of COVID-19, the Group's performance has been adversely affected due to temporarily closing stores, etc. Regarding impairment to our non-financial assets, in the previous consolidated fiscal year, we had assumed that the impact of the COVID-19 pandemic would continue to be felt through to the end of August 2021, on the basis of the assumption that business activities would gradually return to normal. However, in the current consolidated fiscal year, there continues to be uncertainty around the future economic outlook owing to concerns such as the spread of the virus, and the timing for the situation subsiding differs from region to region and on a case-by-case basis. As such, we made accounting estimates involving the assumption that the impact will last until the end of August 2022 for most countries and regions including Japan, with the situation taking longer to get under control for stores in certain other countries and regions.

(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 ¥109.90=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market at 31 August 2021. 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

A. Basis of Consolidation

(1) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. The Group controls enterprises when it is exposed, or has rights, 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 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 the Group, obtains control until the date that control ceases.

The subsidiaries adopted the 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 statutory fiscal year end dates for FAST RETAILING (CHINA) TRADING CO., LTD., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD., GU (Shanghai) Co., Ltd. and 11 other companies vary between 31 December, 31 March and 30 June.

Management prepares the financial statements of these subsidiaries as at the Group's year-end solely 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 2021 is 130.

(2) Investments in associates

An associate is an entity in which the Group has significant influence over the financial and operating policies.

If the Group holds 20% or more of the voting rights of another enterprise, it is presumed that the Group has a significant influence over the other enterprise. Investments in associates are accounted for applying the equity method, and measured at historical cost at the time of acquisition.

Thereafter the carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since acquisition date. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The number of associates as at 31 August 2021 is three.

B. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregation of the acquisition date fair values of assets transferred, liabilities assumed, and equity interests 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, the excess is recorded as goodwill on the consolidated statement of financial position. If it is below the fair value, the difference is immediately recorded as gains 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 as if the acquisitions took place during the measurement period, 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.

C. Foreign Currencies

(1) 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 of exchange at the reporting date. Differences arising from 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).

(2) Foreign Operations

Upon consolidation, the assets and liabilities of foreign operations are translated into yen at the rate of exchange prevailing at each reporting date and their statements of profit or loss 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.

D. Financial Instruments

(1) Non-derivative financial assets

(a) Initial recognition and measurement

The Group classifies financial assets as "financial assets measured at fair value through profit or loss"; "financial assets measured at fair value through other comprehensive income" or "financial assets measured at amortized cost"; and that classification is determined at the time of initial recognition.

The Group carries out initial recognition on the date of the transaction, when it becomes party to the contract related to the financial asset(s).

All financial assets are measured by adding directly linked transaction costs to fair value, except those in the category classified as measured at fair value through profit or loss.

Financial assets are classified as financial assets measured at amortized cost, if the following requirements are satisfied:

- Assets are held based on a business model that requires them to be held to collect contractual cash flow
- Cash flow, made up solely of payment of the principal and interest on the balance of principal, is generated on a specified day under the contractual terms of the financial asset.

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value. Apart from equity instruments held for trading purposes, which must be measured at fair value through Profit or Loss, other equity instruments measured at fair value are designated as either being measured at fair value through Profit or Loss or alternatively measured at fair value through Other Comprehensive Income; this is done for each individual equity instrument and the designation is continuously applied to the instrument thereafter.

(b) Subsequent measurement

Measurement after the initial recognition of financial assets is carried out as follows in accordance with the classification.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value

The fluctuation in the fair value of financial assets measured at fair value is recognized as profit or loss. However, any fluctuation in the fair value of equity financial instruments designated as instruments to be measured at fair value through other comprehensive income, is recognized as other comprehensive income; and if recognition is suspended or if the fair value significantly drops, then it is transferred to Retained earnings. Note that dividends from the financial assets are recognized as profit or loss as part of finance income.

(c) Impairment of financial assets

For financial assets measured at amortized cost, expected credit losses pertaining to the financial assets are recognized as allowances for doubtful accounts.

On each reporting date, the credit risk pertaining to each financial asset is evaluated to see if it has increased significantly since initial recognition and, if it has, then the expected credit losses for the entire period are recognized as an allowance for doubtful accounts; whereas if it has not, then the expected credit losses for a 12-month period are recognized as an allowance for doubtful accounts.

At the time of an evaluation, if the contractual payment due date has passed then, in principle, it will be assumed that the credit risk has significantly increased; however, when the evaluation takes place, other information that can be reasonably used and used as support is taken into account.

However, trade receivables, etc., that do not include any major financial elements are always recognized as being an amount equivalent to expected credit loss for the entire period. If the issuer or debtor is in serious financial difficulties or is subject to a legal or formal business failure, then it is judged that there has been a default on obligations. And if it is judged that there has been a default on obligations, then the assets are treated as credit-impaired financial assets.

Irrespective of the above, if it is reasonably judged that all or part of financial assets cannot be collected due to our legal rights of claim being terminated or similar, then the book value of the financial assets is directly amortized.

(d) 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.

(2) Non-derivative financial liabilities
(a) Initial recognition and measurement
Corporate bonds and loans, etc., are initially recognized by the Group on their effective date; and other financial liabilities are initially recognized on their transaction date. Financial liabilities are either classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost, and this classification is determined at the time of initial recognition. All financial liabilities are initially measured at fair value, but financial liabilities measured at amortized cost are measured using the amount obtained after deducting directly attributable transaction costs.

(b) Subsequent measurements
For measurements made after the initial recognition of a financial liability, any financial liabilities measured at fair value through profit or loss include financial liabilities held for trading purposes and financial liabilities specified at the time of initial recognition as measured at fair value through profit or loss; and when these liabilities are measured at fair value after initial recognition, any changes are recognized as profit or loss for the current period. Any financial liabilities measured at amortized cost are measured after initial recognition at amortized cost using the effective interest method. Any gains or losses made in the event of amortization using the effective interest method and the derecognition of a liability are recognized as profit or loss for the current period as part of finance costs.

(c) 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 expired.

(3) Presentation of financial assets and financial liabilities
The balance of financial assets and financial liabilities is offset on the consolidated statement of financial position and the net amount is presented only in cases in which the Group has the right to legally enforce offsetting the balances and also intends to settle the net amount, or realize assets and settle liabilities, at the same time.

(4) 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
For gains and losses on hedges, effective portions are recognized as other comprehensive income, and non-effective portions are immediately recognized as profit or loss on the Consolidated Statement of Profit or Loss.

Amounts pertaining to hedges that are included as other comprehensive income are transferred to profit or loss at the point in time when the hedged trades have an impact on profit or loss. If a transaction is planned that will generate recognition of hedged assets or liabilities of a non-financial nature, then the amount that is recognized as other comprehensive income is processed as a correction of the initial book value for 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.

E. 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.

F. 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 sell.

G. Property, plant and equipment
(1) 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.

(2) 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	3-30 years
Machinery and equipment	10 years
Furniture, fixtures 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.

H. Goodwill and intangible assets
(1) 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 CGU 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 periods.

(2) 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 to 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 CGU level.

I. Leases

(1) As Lessee

Right-of-use assets are initially measured at cost at the commencement date of their lease. The cost includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred.

After the initial measurement, right-of-use assets are depreciated over the lease term using the straight-line method. The lease term is determined as the non-cancellable period together with periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

The lease payments included in the measurement of the lease liability comprise the fixed payments and payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, or a change in the assessment of possibility of exercising a termination option.

If a lease liability is remeasured, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

(2) As Lessor

For leases where the Group is the lender, each lease is classified as either a finance lease or an operating lease at the time that the lease is agreed.

In classifying each lease, the Group comprehensively evaluates whether or not the risks and economic value associated with ownership of the underlying assets all transfer substantively. If they do transfer, the lease is classified as a finance lease; otherwise, it is classified as an operating lease. Leases in which the Group acts as lender all correspond to subleases in which the Group acts as an intermediate lender. Head leases and subleases are accounted separately. In its consolidated financial statement, the Group includes lender finance leases pertaining to relevant subleases in "other current financial assets and "non-current financial assets."

J. 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 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 current market transactions. However, if the observable market transactions are not available, appropriate valuation model is used. 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 identifiable 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 assets other than goodwill 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.

K. 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.

Provision is described below:

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 discount rates ranging between (0.32)-1.00% are generally used in calculations.

L. Employee benefits

(1) Defined contribution system

We have adopted a defined contribution pension plan for employees of the Company and certain subsidiaries.

The defined contribution pension plan is a post-retirement benefit plan in which the employer contributes a certain amount of contributions to other independent companies and is not subject to legal or presumptive obligation on payment beyond those contributions.

Contributions to the defined contribution pension plan are charged to expense during the period in which employees provide services.

(2) Short-term employee benefits

For short-term employee benefits, no discount calculation is made and expenses are recorded when employees provide related services.

For bonuses and paid leave expenses, we have legal or presumptive obligations to pay them and recognize as liabilities the amount estimated to be paid based on those plans if reliable estimates are possible.

(3) 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 "29. 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 the number of stock options that will ultimately vest.

M. Revenue recognition

The Group recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers by applying the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group, as a global clothing retailer, recognizes revenue when it satisfies its performance obligation by transferring the promised goods to the customer. An asset is transferred when the customer obtains control of that asset. In addition, the Group recognizes revenue at the amount of the promised consideration that the customer would pay in accordance with a contract, less the sum of discounts, rebates and refunds or credits.

N. Income taxes

Income taxes comprise current and deferred taxes and these are recognized in profit or loss, except 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 generates 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.

The consolidated taxation system is applied for the Company and 100% owned subsidiaries in Japan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the 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.

O. 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 Newly Applied Standatds and Interpretation Guidelines

The Group shall apply the written standards below, with effect from the current consolidated accounting year.

IFRS	Title	Summary
IFRS 16	Leases	Amendments to accounting treatment for COVID-19-related rent concessions

Application of amendments to IFRS 16 Leases

In accordance with the amendment to IFRS 16 Leases ("IFRS 16") issued in May 2020, rent concessions arising as a direct result of the COVID-19 pandemic were not being considered as lease modifications, and were accounted for as variable lease payments.

In conjunction with the amendment to paragraph 46B(b) of IFRS 16 issued in March 2021, similar rent concessions are continued to be accounted in a same way if all of the following conditions are met

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022.
- There is no substantive change to other terms and conditions of the lease.

Any recognized gains or losses from rent concessions, that are not accounted for as lease modification, did not have a significant impact on the Group's consolidated financial statements.

5 Issued But Not Yet Effective IFRS, Not-yet-applied New Standards and Interpretation Guidelines

New written standards and new interpretation to existing standards guidelines that were either newly established or revised by the date the consolidated financial statements were approved, the main standards that the Company has not applied, as of 31 August 2021, are stated below.

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
International Accounting Standards ("IAS") 12	Income Taxes	1 January 2023	Fiscal year ending 31 August 2024	Deferred tax related to assets and liabilities arising from a single transaction

The Company is in the process of assessing the impact of the adoption of the above standards on the Group's consolidated financial statements.

6 Segment Information

A. Description of reportable segments

The Group's reportable segments are components for which discrete financial information is available and 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 four reportable operating segments: UNIQLO Japan, UNIQLO International, GU 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
GU:	GU brand clothing business in Japan and overseas
Global Brands:	Theory, PLST, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and J Brand clothing operations

J Brand Inc. has been excluded from the Fast Retailing Group consolidated scope following the completion of corporate liquidation proceedings on 5 August 2021.

B. Method of accounting for 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.

C. Segment information

Year ended 31 August 2020

(Millions of yen)

	Reportable segments				Total	Others (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	¥806,887	¥843,937	¥246,091	¥109,633	¥2,006,550	¥2,295	¥ —	¥2,008,846
Operating profit/(loss)	104,686	50,234	21,835	(12,743)	164,013	(81)	(14,585)	149,347
Segment income/(loss) (i.e., profit/(loss) before income taxes)	104,648	50,417	21,581	(13,226)	163,421	(79)	(10,473)	152,868
Other disclosure:								
Depreciation and amortization	52,997	70,524	21,574	10,473	155,569	11	22,267	177,848
Impairment losses (Note 3)	2,413	15,847	1,305	3,523	23,090	13	(28)	23,074

Notes: 1. "Others" includes the real estate leasing business, etc.
2. "Adjustments" primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.
3. Details on the Impairment losses are stated in note "15 Impairment losses".

Year ended 31 August 2021

(Millions of yen)

	Reportable segments							
	UNIQLO Japan	UNIQLO International	GU	Global Brands	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
Revenue	¥842,628	¥930,151	¥249,438	¥108,204	¥2,130,423	¥2,569	¥ —	¥2,132,992
Operating profit/(loss)	123,243	111,203	20,175	(1,637)	252,985	91	(4,065)	249,011
Segment income/(loss) (i.e., profit/(loss) before income taxes)	125,888	109,475	20,075	(2,093)	253,345	93	12,432	265,872
Other disclosure:								
Depreciation and amortization	52,717	69,326	19,915	9,107	151,067	9	26,833	177,910
Impairment losses (Note 3)	4,697	7,755	1,500	3,139	17,092	—	(183)	16,908

Notes: 1. "Others" includes the real estate leasing business, etc.
2. "Adjustments" primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.
3. Details on the Impairment losses are stated in note "15. Impairment losses".

D. Geographic Information

Year ended 31 August 2020

(1) External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥1,082,243	¥380,998	¥545,604	¥2,008,846

(2) Non-current assets (excluding financial assets, investments in associates accounted for using the equity method and deferred tax assets)

(Millions of yen)

Japan	United States of America	Overseas (Others)	Total
¥343,489	¥82,468	¥192,418	¥618,376

Year ended 31 August 2021

(1) External revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
¥1,119,207	¥457,571	¥556,213	¥2,132,992

(2) Non-current assets (excluding financial assets, investments in associates accounted for using the equity method and deferred tax assets)

(Millions of yen)

Japan	United States of America	Overseas (Others)	Total
¥351,808	¥69,547	¥218,910	¥640,266

7 Business Combination

In the Group, there are no significant transactions both individually and in the aggregate, and the information is omitted.

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 2020	As at 31 August 2021
Cash and bank balances	¥ 947,566	¥1,031,286
Money market funds (MMF), negotiable certificates of deposits	145,965	146,449
Total	¥1,093,531	¥1,177,736

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 2020	As at 31 August 2021
Accounts receivable – trade	¥55,195	¥41,072
Other accounts receivable	10,919	8,405
Lease receivable	1,499	1,514
Allowance for doubtful accounts	(544)	(445)
Total	¥67,069	¥50,546

See note "30. Financial Instruments" for credit risk management and the fair value of trade and other receivables.

The above classifications of financial assets are all financial assets measured at amortized cost.

The above Accounts receivable — trade are mainly recognized as revenue at the time of delivery of the clothing because the customer is deemed to have gained control of the clothing and the performance of obligations to have been fulfilled upon delivery. The Group receives payment within a short period of time after fulfilling the performance of obligations based on separately specified payment conditions. Because the period from fulfillment of the performance obligations to receipt of consideration is normally within one year, the receivables are not adjusted as material financial elements using the convention method.

10 Inventories

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

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Products	¥411,563	¥389,104
Materials and supplies	5,965	5,763
Total	¥417,529	¥394,868

Note: As at 31 August 2020 and 31 August 2021, the Group had inventories attributable to UNIQLO Japan, UNIQLO International and GU business segments aggregated to 390,569 million yen and 374,595 million yen, respectively.

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 2020	Year ended 31 August 2021
Write-down of inventories to net realizable value	¥10,020	¥15,120

Note: As at 31 August 2020 and 31 August 2021, the Group had write-down of inventories to net realizable value from UNIQLO Japan, UNIQLO International and GU business segments aggregated to 7,389 million yen and 13,038 million yen, respectively.

11 Other Financial Assets and Other Financial Liabilities

The breakdowns of other financial assets and other financial liabilities as at each year end are as follows:

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Other financial assets:		
Financial assets measured at amortized cost		
Security deposits/guarantees	¥ 63,639	¥ 64,502
Bank deposits	45,916	50,516
Others	7,584	7,470
Allowance for doubtful accounts	(850)	(219)
Financial assets measured at fair value through other comprehensive income		
Stocks	1,370	1,008
Total	117,660	123,279
Other current financial assets total	49,890	56,157
Other non-current financial assets total	67,770	67,122

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing bank and other borrowings (Note)	¥484,496	¥382,634
Deposits	98,156	91,805
Deposits/guarantees received	1,428	1,328
Total	584,082	475,768
Other current financial liabilities total	213,301	104,969
Other non-current financial liabilities total	370,780	370,799

Note: Interest-bearing bank and other borrowings include corporate bonds and loans payable.

The issues and fair values of financial assets measured at fair value through other comprehensive income are as follows:

(Millions of yen)

Issue(s)	As at 31 August 2020	As at 31 August 2021
Crystal International Group Ltd.	¥591	¥808
Matsuoka Corporation	566	—

Stocks are principally held to strengthen medium-term relationships with strategic partners, and are therefore designated as financial assets at fair value through other comprehensive income.

The fair value and cumulative gains or losses (before tax effects) as at the date of derecognition of financial assets measured at fair value through other comprehensive income that were derecognized during the period are as follows.

(Millions of yen)

Issue(s)	As at 31 August 2020	As at 31 August 2021
Fair value	¥—	¥883
Cumulative gains/(losses)	—	739

Notes: 1. The Group sells off (derecognizes) equity instruments measured at fair value through other comprehensive income based on the efficient utilization of assets and reviews of business relationships.
2. If equity instruments measured at fair value through other comprehensive income are derecognized, cumulative gains or losses (after tax effects) recognized in other comprehensive income are transferred to retained earnings.

Dividend income recognized in financial assets measured at fair value through other comprehensive income is as follows.

(Millions of yen)

Issue(s)	As at 31 August 2020	As at 31 August 2021
Derecognized financial assets	¥—	¥—
Financial assets held at the end of the fiscal year	50	39

12 Other Assets and Other Liabilities

The breakdowns of other assets and other liabilities as at each year end are as follows:

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Other assets:		
Prepayments	¥ 8,246	**¥ 8,683**
Long-term prepayments	2,662	**2,534**
Others	7,104	**10,572**
Total	18,013	**21,790**
Current	10,629	**15,270**
Non-current	7,383	**6,520**

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Other liabilities:		
Accruals	¥57,338	**¥68,797**
Employee benefits accruals	8,146	**8,520**
Suspense receipt/ accrued consumption tax	1,396	**9,861**
Others	18,280	**10,814**
Total	85,160	**97,994**
Current	82,636	**95,652**
Non-current	2,524	**2,342**

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	Machinery and equipment	Furniture, fixtures and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2019	¥265,885	¥ 20	¥57,501	¥1,962	¥ 10,404	¥ 57,409	¥393,184
Effect of change in accounting policy	—	—	—	—	—	(57,409)	(57,409)
At 1 September 2019 (After adjustment)	265,885	20	57,501	1,962	10,404	—	335,774
Additions	1,886	271	42	—	43,784	—	45,986
Disposals	(10,896)	—	(2,994)	—	(160)	—	(14,051)
Transfers	33,457	101	7,535	—	(41,094)	—	—
Effect of change in exchange rate	2,927	12	453	—	286	—	3,678
At 31 August 2020	293,259	405	62,539	1,962	13,220	—	371,388
Additions	6,946	341	106	—	57,305	—	64,700
Disposals	(14,373)	(5)	(5,206)	—	(1,086)	—	(20,672)
Transfers	29,803	10,717	11,681	—	(52,201)	—	—
Effect of change in exchange rate	8,941	173	3,593	—	1,120	—	13,829
At 31 August 2021	**324,577**	**11,633**	**72,713**	**1,962**	**18,358**	**—**	**429,245**

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Machinery and equipment	Furniture, fixtures and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2019	¥(171,242)	¥ (3)	¥(40,425)	¥(34)	¥—	¥(19,385)	¥(231,092)
Effect of change in accounting policy	—	—	—	—	—	19,385	19,385
At 1 September 2019 (After adjustment)	(171,242)	(3)	(40,425)	(34)	—	—	(211,706)
Depreciation provided during the year	(22,966)	(13)	(7,385)	—	—	—	(30,365)
Impairment losses	(3,715)	—	(655)	—	—	—	(4,370)
Disposals	9,938	—	2,735	—	—	—	12,674
Effect of change in exchange rate	(1,165)	—	(330)	—	—	—	(1,496)
At 31 August 2020	(189,150)	(17)	(46,061)	(34)	—	—	(235,265)
Depreciation provided during the year	(24,217)	(393)	(7,699)	—	—	—	(32,310)
Impairment losses	(1,895)	—	(417)	—	—	—	(2,313)
Disposals	13,243	2	4,865	—	—	—	18,112
Effect of change in exchange rate	(6,436)	(8)	(2,847)	—	—	—	(9,292)
At 31 August 2021	**(208,457)**	**(416)**	**(52,159)**	**(34)**	**—**	**—**	**(261,068)**

(Millions of yen)

Net carrying amount	Buildings and structures	Machinery and equipment	Furniture, fixtures and vehicles	Land	Construction in progress	Total
At 31 August 2020	¥104,108	¥ 388	¥16,477	¥1,927	¥13,220	¥136,123
At 31 August 2021	**116,120**	**11,216**	**20,553**	**1,927**	**18,358**	**168,177**

Notes: 1. The Group had store assets attributable to UNIQLO Japan, UNIQLO International and GU business segments.
2. There are no restrictions on ownership rights and no pledges on the Group's property, plant and equipment.
3. "Machinery and equipment" that was included in "Buildings and structures" and "Furniture, fixtures and vehicles" is separately presented from the current fiscal year due to its increased materiality. As a result, "Furniture, fixtures and vehicles" for the previous fiscal year was reclassified to "Machinery and equipment".

14 Goodwill and Intangible Assets

A. 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				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2019	¥ 38,754	¥ 94,578	¥ 20,686	¥ 21,950	¥137,215	¥175,970
External purchases	—	21,349	33	1,693	23,076	23,076
Disposals	—	(626)	—	(118)	(744)	(744)
Effect of change in exchange rate	(231)	123	(202)	(412)	(491)	(723)
At 31 August 2020	38,522	115,426	20,517	23,112	159,056	197,578
External purchases	—	19,291	164	551	20,008	20,008
Disposals	(23,782)	(520)	(12,310)	(13,565)	(26,396)	(50,178)
Effect of change in exchange rate	1,144	81	808	(678)	211	1,356
At 31 August 2021	**15,885**	**134,279**	**9,179**	**9,419**	**152,879**	**168,764**

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2019	¥(30,661)	¥(48,649)	¥(13,113)	¥(15,335)	¥(77,097)	¥(107,759)
Amortization provided during the year	—	(13,976)	—	(49)	(14,025)	(14,025)
Impairment losses	—	(0)	(1,312)	(333)	(1,646)	(1,646)
Disposals	—	306	—	49	355	355
Effect of change in exchange rate	231	70	110	10	191	423
At 31 August 2020	(30,429)	(62,249)	(14,315)	(15,658)	(92,222)	(122,652)
Amortization provided during the year	—	(17,422)	—	(23)	(17,445)	(17,445)
Impairment losses	—	(108)	(383)	(686)	(1,178)	(1,178)
Disposals	23,348	413	12,145	13,447	26,007	49,355
Effect of change in exchange rate	(710)	(17)	(580)	(501)	(1,099)	(1,810)
At 31 August 2021	**(7,792)**	**(79,384)**	**(3,133)**	**(3,422)**	**(85,939)**	**(93,732)**

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				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 31 August 2020	¥8,092	¥53,176	¥6,202	¥7,454	¥66,833	¥74,925
At 31 August 2021	**8,092**	**54,894**	**6,046**	**5,997**	**66,939**	**75,031**

B. Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets recorded in the consolidated statement of financial position are primarily for goodwill and trademarks related to the Theory business.

Trademarks and certain other intangible assets will continue to be used as long as the business remains viable; therefore, management estimated the useful lives as indefinite.

The carrying amount of the goodwill and intangible assets with indefinite useful lives by CGU is as follows:

(Millions of yen)

Net carrying amount	Goodwill				Intangible assets with indefinite useful lives			
	UNIQLO Japan	UNIQLO International	GU	Global Brands	UNIQLO Japan	UNIQLO International	GU	Global Brands
At 31 August 2020	¥—	¥—	¥—	¥8,092	¥—	¥—	¥—	¥11,985
At 31 August 2021	**—**	**—**	**—**	**8,092**	**—**	**—**	**—**	**11,348**

15 Impairment Losses

The Group recognized impairment losses on certain store assets etc., due to reductions in profitability of the respective CGU.

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

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Buildings and structures	¥ 3,715	**¥ 1,895**
Furniture, fixtures and vehicles	655	**417**
Subtotal impairment losses on property, plant and equipment	4,370	**2,313**
Software	0	**108**
Trademark (Note)	1,312	**383**
Other intangible assets	333	**686**
Subtotal impairment losses on intangible assets	1,646	**1,178**
Right-of-use assets	17,041	**13,410**
Other non-current assets (long-term prepayments)	15	**6**
Total impairment losses	23,074	**16,908**

Note: For the year ended 31 August 2020, 612 million yen represented impairment losses on trademark of the Helmut Lang brand and 700 million yen represented impairment losses on trademark of the J Brand. For the year ended 31 August 2021, 383 million yen represented impairment losses on trademark of the J Brand.

The Group's impairment losses during the year ended 31 August 2021 amounted to 16,908 million yen, compared with 23,074 million yen during the year ended 31 August 2020, and are included in "Other expenses" on the consolidated statement of profit or loss.

Year ended 31 August 2020

Property, plant and equipment and Right-of-use assets

Impairment losses amounting to 23,074 million yen, 21,411 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores. With the global spread of COVID-19, the Group's performance has been adversely affected due to temporarily closing stores, etc. We measured impairment losses on the assumption that the impact of COVID-19 pandemic will continue to be felt through to the end of August 2021.

The grouping of assets is based on the smallest identifiable CGU that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of mainly 7.1%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

The main CGUs for which impairment losses were recorded are as follows:

Operating segment	CGU	Type
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings, structures and Right-of-use assets
UNIQLO International	UNIQLO USA, FRL Korea Co., Ltd. etc., stores	Buildings, structures and Right-of-use assets
GU	G.U. CO., LTD., FRL Korea Co., Ltd. etc., stores	Buildings, structures and Right-of-use assets
Global Brands	Theory LLC.,COMPTOIR DES COTONNIERS S.A.S., etc., stores	Buildings, structures and Right-of-use assets

Note: The total of tangible assets and right-of-use assets associated with domestic UNIQLO stores, overseas UNIQLO stores, and GU stores for the fiscal year ended August 2020 are 120,354 million yen, 196,793 million yen, and 39,752 million yen, respectively.

Year ended 31 August 2021

Property, plant and equipment and Right-of-use assets

Impairment losses amounting to 16,908 million yen, 15,723 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores. With the global spread of COVID-19, the Group's performance has been adversely affected due to temporarily closing of the stores, etc. Although the timing for the situation subsiding differs from region to region and on a case-by-case basis, we made accounting estimates involving the assumption that the impact will last until the end of August 2022 for most countries and regions including Japan. For stores in other certain countries and regions, it may take longer for the situation to get under control.

The grouping of assets is based on the smallest identifiable CGU that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates approved by management, applying a discount rate of mainly 8.9 %. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

The main CGUs for which impairment losses were recorded are as follows:

Operating segment	CGU	Type
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings, structures and Right-of-use assets
UNIQLO International	UNIQLO USA, UNIQLO EUROPE LTD. etc., stores	Buildings, structures and Right-of-use assets
GU	G.U. CO., LTD. etc., stores	Buildings, structures and Right-of-use assets
Global Brands	COMPTOIR DES COTONNIERS S.A.S., etc., stores	Buildings, structures and Right-of-use assets

Note: The total of tangible assets and right-of-use assets associated with domestic UNIQLO stores, overseas UNIQLO stores, and GU stores for the fiscal year ended August 2021 are 129,814 million yen, 205,036 million yen, and 31,599 million yen, respectively.

16 Investments in Associates Accounted for Using the Equity Method

A. Information on associates accounted for using the equity method

Information on associates accounted for using the equity method is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Share of profit and loss of associates accounted for using the equity method	¥ 321	**¥ 561**
Share of other comprehensive income/(loss) of investments in associates accounted for using the equity method	(39)	**65**
Share of comprehensive income/(loss) of investments in associates accounted for using the equity method	281	**626**
Carrying amount of investments in associates	14,221	**18,236**

B. Determination regarding significant influence and financial information on important associates

In June 2016, the Company invested in a domestic real estate investment trust aiming to own a distribution facility. The Company has significant influence over the financial and operating policy.

The Company's maximum exposure to losses due to its investments in the associates is limited to the amount of the investments by the Company and is included in the consolidated statement of financial position as "Investments in associates," which amounted to 13,138 million yen as at 31 August 2020 and 17,250 million yen as at 31 August 2021, respectively. The Group's share of profit and comprehensive income of the associates was 486 million yen during the year ended 31 August 2020 and 631 million yen during the year ended 31 August 2021, which was included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively.

Total assets of the associates amounted to 69,872 million yen as at 31 August 2020 and 90,622 million yen as at 31 August 2021 respectively, which mainly comprised non-current assets such as warehouse, etc. The Company invested in the associates at the time of incorporation and no goodwill is recognized.

The Company received dividends from the associates amounting to 619 million yen during the year ended 31 August 2020 and 664 million yen during the year ended 31 August 2021, respectively.

The Group has entered into lease contracts with one of the associates relating to warehouse rental, etc.

17 Leases

(1) Lessee

As a lessee, the Group mainly leases real estate for store use (land, buildings and structures).

(a) Lease liabilities

(Millions of yen)

	Year ended 31 August 2020		**Year ended 31 August 2021**	
	Remaining lease payments	Present value of remaining lease payments	Remaining lease payments	Present value of remaining lease payments
Lease liabilities				
Due within one year	¥115,222	¥114,652	**¥120,492**	**¥117,083**
Due after one year through two years	85,370	83,993	**86,417**	**81,570**
Due after two years through three years	60,865	59,130	**61,489**	**59,061**
Due after three years through four years	49,846	47,954	**46,862**	**44,786**
Due after four years through five years	38,523	36,724	**28,000**	**26,660**
Due after five years	130,932	123,722	**137,705**	**131,495**
Total	480,761	466,179	**480,966**	**460,658**

Interest expenses on lease liabilities

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Interest expenses on lease liabilities	¥4,763	**¥4,847**

Cash outflow for leases

Cash outflow for leases is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Total Cash outflow for leases	¥200,483	**¥219,331**

(b) Right-of-use assets

A breakdown of right-of-use assets is as follows:

(Millions of yen)

	Real estates	Machinery and equipment	Furniture, fixtures and vehicles	Total
At 1 September 2019	¥ 330,860	¥15,941	¥28,739	¥ 375,541
Additions due to new lease contracts, reassessment of lease liabilities, etc.	164,901	3,449	9,599	177,950
Depreciation	(120,862)	(3,135)	(9,459)	(133,457)
Impairment losses	(16,766)	—	(274)	(17,041)
Expiration, cancellation, etc.	(2,034)	—	(1,084)	(3,118)
Others	442	—	(372)	69
At 31 August 2020	356,539	16,255	27,148	399,944
Additions due to new lease contracts, reassessment of lease liabilities, etc.	116,494	18,079	2,955	137,528
Depreciation	(116,943)	(4,411)	(9,020)	(130,376)
Impairment losses	(13,260)	—	(149)	(13,410)
Expiration, cancellation, etc.	(10,931)	(148)	(1,229)	(12,310)
Others	6,656	—	2,504	9,161
At 31 August 2021	**338,553**	**29,774**	**22,209**	**390,537**

Note: "Machinery and equipment" that was included in "Furniture, fixtures and vehicles" is separately presented from the current fiscal year due to its increased materiality. As a result, "Furniture, fixtures and vehicles" for the previous fiscal year was reclassified to "Machinery and equipment".

(c) Expenses relating to Leases

A breakdown of expenses relating to Leases is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Expenses relating to variable lease payments not included in the measurement of lease liability	¥49,418	**¥55,429**
Expenses relating to short-term leases (excluding expenses relating to leases with lease term of no more than one month)	3,261	**6,617**
Expenses relating to leases of low value assets (excluding expenses relating to short-term leases)	33	**149**

Note: Variable lease payments are linked to sales performance which mainly relate to store opening contracts.

(d) Others

The future cash outflows to which the lessee is potentially exposed that are not yet commenced to which the lessee is committed during the year ended 31 August 2021 amounted to 40,109 million yen, compared with 11,071 million yen during the year ended 31 August 2020.

The Group's leased properties are granted a termination option for the purposes of flexible decision-making regarding store closures. This is mainly in relation to store lease agreements, most of which have the option of early termination provided that written notice is given to the other party six months in advance. In light of the possibility for the termination option to be exercised, the lease term is determined by setting a non-cancellable lease term as a minimum and taking a target period for return on investment for each segment into consideration. We continually review this assessment, should any event arise that would impact this assessment, as well as any occurrence or situation that would cause significant changes.

(2) Lessor

The Group subleases some real estate as part of promoting its store-opening strategy. The Group receives security deposits from lessee to collateralize risks such as non-restitution of defaults on lease payments liabilities and non-implementation of asset retirement obligation.

(a) Finance leases

The Group acts as a lessor under a finance lease, primarily for the subletting of road-side stores.

(i) Analysis of changes of lease receivables

An analysis of changes in lease receivables in relation to finance leases is as follows:

(Millions of yen)

	As at 31 August 2020	**As at 31 August 2021**
Carrying amounts at the beginning of period	¥ 4,824	**¥ 4,474**
Increases due to finance lease contracts	1,943	**3,088**
Decreases due to repayments	(2,294)	**(2,020)**
Others	0	**(1,644)**
Carrying amounts at the end of period	4,474	**3,897**

(ii) Maturity analysis of the lease payments receivables to be reconciled to the net investment in the lease

A maturity analysis of lease payments in relation to finance leases is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Undiscounted lease payments to be received		
Due within one year	¥1,499	**¥1,514**
Due after one year through two years	1,034	**1,305**
Due after two years through three years	792	**443**
Due after three years through four years	502	**305**
Due after four years through five years	370	**171**
Due after five years	345	**207**
Total	4,545	**3,948**
Unearned finance income	71	**51**
Net investment in the lease	4,474	**3,897**

(iii) Amount pertaining to lease receivables recognized in the Consolidated statement of profit or loss

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Finance income from net investment in the lease	¥37	**¥18**

(b) Operating leases

The Group subleases property to its tenants under operating leases for each commercial establishment it operates.

(i) Lease income

A breakdown of income on operating leases is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Income on variable lease payments	¥ 120	**¥ 88**
Income on fixed lease payments	1,030	**1,324**

(ii) Maturity analysis of lease payments to be received

A maturity analysis of lease payments to be received in relation to operating leases is as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Undiscounted lease payments to be received		
Due within one year	¥1,009	**¥1,212**
Due after one year through two years	1,008	**572**
Due after two years through three years	533	**236**
Due after three years through four years	205	**236**
Due after four years through five years	205	**236**
Due after five years	530	**236**
Total	3,492	**2,733**

18 Deferred Taxes and Income Taxes

A. 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 31 August 2019	Effect of adoption of IFRS 16	As at 1 September 2019	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Recognized directly in equity	As at 31 August 2020
Temporary differences							
Accrued business tax	¥ 1,819	¥ —	¥ 1,819	¥ (334)	¥ —	¥ —	¥ 1,484
Accrued for bonuses	4,642	—	4,642	(659)	—	—	3,982
Allowance for doubtful accounts	172	—	172	(166)	—	—	5
Impairment losses on non-current assets	3,864	—	3,864	(1,944)	—	—	1,919
Unrealized gains/(losses) on available-for-sale securities	186	—	186	—	(355)	—	(169)
Depreciation	7,402	—	7,402	238	—	—	7,640
Net gains/(losses) on revaluation of cash flow hedges	(1,889)	—	(1,889)	—	(6,899)	3,383	(5,405)
Temporary differences on shares of subsidiaries	(1,893)	—	(1,893)	—	—	—	(1,893)
Accelerated depreciation	(4,081)	—	(4,081)	4,081	—	—	—
Right-of-use assets/Lease liabilities	—	13,988	13,988	(3,117)	—	—	10,870
Others	10,061	—	10,061	4,140	—	—	14,202
Subtotal	20,283	13,988	34,272	2,236	(7,255)	3,383	32,636
Tax losses carried forward	4,056	—	4,056	993	—	—	5,049
Net deferred tax assets/(liabilities)	24,340	13,988	38,329	3,229	(7,255)	3,383	37,686

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

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

(Millions of yen)

	As at 1 September 2020	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Recognized directly in equity	**As at 31 August 2021**
Temporary differences					
Accrued business tax	¥ 1,484	¥ 780	¥ —	¥ —	**¥ 2,265**
Accrued for bonuses	3,982	645	—	—	**4,627**
Allowance for doubtful accounts	5	5	—	—	**11**
Impairment losses on non-current assets	1,919	4,651	—	—	**6,570**
Unrealized gains/(losses) on available-for-sale securities	(169)	—	104	—	**(64)**
Depreciation	7,640	1,512	—	—	**9,152**
Net gains/(losses) on revaluation of cash flow hedges	(5,405)	—	(12,513)	4,221	**(13,697)**
Temporary differences on shares of subsidiaries	(1,893)	—	—	—	**(1,893)**
Accelerated depreciation	—	—	—	—	**—**
Right-of-use assets/Lease liabilities	10,870	1,455	—	—	**12,326**
Others	14,202	(9,351)	—	—	**4,851**
Subtotal	32,636	(299)	(12,408)	4,221	**24,149**
Tax losses carried forward	5,049	(1,934)	—	—	**3,115**
Net deferred tax assets/(liabilities)	37,686	(2,234)	(12,408)	4,221	**27,265**

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

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

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Unrecognized tax losses carried forward	¥32,071	**¥41,382**
Deductible temporary differences	11,574	**12,766**
Total	43,646	**54,148**

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 2020	As at 31 August 2021
First year	¥ 340	**¥ 167**
Second year	239	**289**
Third year	608	**266**
Fourth year	333	**3,183**
Fifth year and thereafter	30,549	**37,475**
Total	32,071	**41,382**

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 2020 and 31 August 2021 were 427,747 million yen and 430,902 million yen, respectively.

Deferred tax liabilities are not recognized as the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse it in the foreseeable future.

B. Income taxes

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Current tax	¥68,263	**¥87,800**
Deferred tax	(5,793)	**2,388**
Total	¥62,470	**¥90,188**

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

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Statutory income tax rate	30.6 %	**30.6 %**
Unrecognized deferred tax assets	9.1 %	**4.0 %**
Difference in statutory income tax rates of subsidiaries	(2.5)%	**(3.0)%**
Undistributed earnings of foreign subsidiaries	0.9 %	**1.5 %**
Foreign withholding tax	3.8 %	**1.4 %**
Others	(1.0)%	**(0.6)%**
Effective tax rate	40.9 %	**33.9 %**

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 2020	As at 31 August 2021
Trade payables	¥150,749	**¥179,988**
Notes payables	12	**13**
Other payables	59,984	**40,055**
Total	¥210,747	**¥220,057**

20 Provisions

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

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Asset retirement obligations	¥33,410	**¥41,195**
Total	33,410	**41,195**
Current liabilities	752	**2,149**
Non-current liabilities	32,658	**39,046**

The primarily factors for the increase / (decrease) in provision are as follows:

(Millions of yen)

	Asset retirement obligations
Balances as at 31 August 2020	¥33,410
Additional provisions	8,487
Amounts utilized	(1,377)
Increase in discounted amounts arising from passage of time	272
Others	402
Balances as at 31 August 2021	**41,195**

Please refer to "3. Significant Accounting Policies K. Provisions" for an explanation of respective provisions.

21 Equity and Other Equity Items

A. 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 2019	300,000,000	106,073,656	102,061,735	¥10,273	¥20,603
Increase/(decrease) (Note)	—	—	38,808	—	2,761
Balances as at 31 August 2020	300,000,000	106,073,656	102,100,543	10,273	23,365
Increase/(decrease) (Note)	—	—	44,128	—	1,995
Balances as at 31 August 2021	**300,000,000**	**106,073,656**	**102,144,671**	**10,273**	**25,360**

Note: The primarily 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.

B. Treasury Stock and Capital Surplus

(1) Treasury Stock

(Shares) (Millions of yen)

	Number of shares	Amount
Balances as at 1 September 2019	4,011,921	¥15,271
Acquisition of treasury stock less than one unit	83	5
Exercise of stock options	(38,891)	(148)
Balances as at 31 August 2020	3,973,113	15,129
Acquisition of treasury stock less than one unit	160	12
Exercise of stock options	(44,288)	(168)
Balances as at 31 August 2021	**3,928,985**	**14,973**

(2) Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 2019	¥4,578	¥6,483	¥5,981	¥3,559	¥20,603
Disposal of treasury stock	—	1,496	—	—	1,496
Share-based payments	—	—	1,265	—	1,265
Balances as at 31 August 2020	4,578	7,980	7,246	3,559	23,365
Disposal of treasury stock	—	1,836	—	—	1,836
Share-based payments	—	—	159	—	159
Balances as at 31 August 2021	**4,578**	**9,816**	**7,405**	**3,559**	**25,360**

Please refer to "29. Share-based Payments" for details of share-based payments (stock options).

C. 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 2020	Year ended 31 August 2021
Exchange differences on translation of foreign operations	¥ (212)	**¥1,921**
Cash flow hedges	(877)	**(175)**
Other comprehensive income	(1,089)	**1,745**

D. 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 2020

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 5 November 2019	¥24,494	¥240
Board of Directors' meeting held on 9 April 2020	24,499	240

Year ended 31 August 2021

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 4 November 2020	**¥24,504**	**¥240**
Board of Directors' meeting held on 8 April 2021	**24,511**	**240**

Dividend which effective date is after fiscal 2021 is as follows:

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 2 November 2021	**¥24,514**	**¥240**

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

22 Revenue

A. The breakdown of revenue for each year is as follows:

The Group performs global retail clothing operations through both physical stores and e-commerce channels. The following is a breakdown of total revenue by major regional market operation.

Year ended 31 August 2020

(Millions of yen)

	Revenue (Millions of yen)	Percent of Total (%)
Japan	¥ 806,887	40.2
Greater China	455,986	22.7
Other parts of Asia & Oceania	204,537	10.2
North America & Europe	183,412	9.1
UNIQLO (Note 1)	1,650,825	82.2
GU (Note 2)	246,091	12.3
Global Brands (Note 3)	109,633	5.5
Others (Note 4)	2,295	0.1
Total	¥2,008,846	100.0

Notes: 1. Revenue is classified by nation or region based on customer location. The designated countries and regions are classified as follows:
Greater China: Mainland China, Hong Kong, Taiwan
Other parts of Asia & Oceania: South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia, Vietnam, India
North America & Europe: United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, the Netherlands, Denmark, Italy
2. Main national and regional market: Japan
3. Main national and regional markets: North America, Europe, Japan
4. The "Others" category includes real estate leasing operations.

Year ended 31 August 2021

(Millions of yen)

	Revenue (Millions of yen)	Percent of Total (%)
Japan	**¥ 842,628**	**39.5**
Greater China	**532,249**	**25.0**
Other parts of Asia & Oceania	**202,472**	**9.5**
North America & Europe	**195,429**	**9.2**
UNIQLO (Note 1)	**1,772,780**	**83.1**
GU (Note 2)	**249,438**	**11.7**
Global Brands (Note 3)	**108,204**	**5.1**
Others (Note 4)	**2,569**	**0.1**
Total	**¥2,132,992**	**100.0**

Notes: 1. Revenue is classified by nation or region based on customer location. The designated countries and regions are classified as follows:
Greater China: Mainland China, Hong Kong, Taiwan
Other parts of Asia & Oceania: South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia, Vietnam, India
North America & Europe: United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, the Netherlands, Denmark, Italy
2. Main national and regional market: Japan
3. Main national and regional markets: North America, Europe, Japan
4. The "Others" category includes real estate leasing operations.

B. Liabilities arising from contracts with customers are as stated below.

(Millions of yen)

	End of current consolidated fiscal year (31 August 2020)	End of current consolidated fiscal year (31 August 2021)
Contractual liabilities		
Advances received from customers	¥1,391	**¥1,572**
Refund liabilities	1,445	**1,558**

Consideration for anticipated refunds to customers is reasonably estimated and recognized as a refund liability.

In the consolidated statement of financial position, liabilities pertaining to advances received and refunds from customers are included in "Other current liabilities."

C. Transaction prices allocated to existing performance obligations

In the Group, there are no significant transactions for which the individual forecast contract period exceeds one year.

Therefore, the practical short-cut method is used, and information related to remaining performance obligations is omitted.

Furthermore, in the consideration arising from contracts with customers, there are no significant monetary amounts that are not included in the transaction price.

D. Assets recognized from costs for acquiring or performing contracts with customers

In the Group, there are no assets recognized from costs for acquiring or performing contracts with customers.

23 Selling, General and Administrative Expenses

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

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Selling, general and administrative expenses		
Advertising and promotion	¥ 68,307	**¥ 66,576**
Lease expenses	53,617	**62,494**
Depreciation and amortization	177,848	**177,910**
Outsourcing	49,686	**50,320**
Salaries	277,556	**285,361**
Distribution	94,018	**91,375**
Others	84,787	**84,389**
Total	¥805,821	**¥818,427**

24 Other Income and Other Expenses

The breakdowns of other income and other expenses for each year are as follows:

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Other income		
Foreign exchange gains (Note 1)	¥1,576	**¥ 2,912**
Gain on reclassification of foreign exchange differences on translation of foreign operations (Note 2)	–	**8,708**
Others	6,378	**6,617**
Total	¥7,954	**¥18,238**

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Other expenses		
Losses on retirement of property, plant and equipment	¥ 1,125	**¥ 985**
Impairment losses	23,074	**16,908**
Others	4,752	**7,421**
Total	¥28,952	**¥25,315**

Notes 1. Currency adjustments incurred in the course of operating transactions are included in "Other income".
2. The amount represents gain reclassified to profit and loss due to the liquidation of J Brand, Inc. during the year ended 31 August 2021.

25 Finance Income and Finance Costs

The breakdowns of finance income and finance costs for each year are as follows:

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Finance income		
Foreign exchange gains (Note)	¥ 1,503	**¥19,222**
Interest income	9,673	**4,589**
Others	50	**47**
Total	¥11,228	**¥23,859**

(Millions of yen)

	Year ended 31 August 2020	Year ended 31 August 2021
Finance costs		
Interest expenses	¥7,706	**¥6,990**
Others	1	**7**
Total	¥7,707	**¥6,998**

Note: Currency adjustments incurred in the course of non-operating transactions are included in "Finance income".

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 each year are as follows:

Year ended 31 August 2020

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
Financial assets measured at fair value through other comprehensive income/(loss)	¥ (275)	¥ —	¥ (275)	¥ (355)	¥ (630)
Total	(275)	—	(275)	(355)	(630)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	5,227	—	5,227	—	5,227
Cash flow hedges	26,185	(5,155)	21,029	(6,899)	14,130
Share of other comprehensive income of associates	(39)	—	(39)	—	(39)
Total	31,373	(5,155)	26,217	(6,899)	19,318
Total comprehensive income for the year	31,098	(5,155)	25,942	(7,255)	18,687

Note: The cash flow hedge reclassification adjustment of 5,155 million yen is the amount transferred to profit or loss after hedge accounting was suspended, as a forecast transaction eligible for hedge accounting was no longer expected to occur.

Year ended 31 August 2021

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Items that will not be reclassified subsequently to profit or loss					
Financial assets measured at fair value through other comprehensive income/(loss)	¥ 436	¥ —	¥ 436	¥ 104	¥ 541
Total	436	—	436	104	541
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	28,975	(8,708)	20,266	—	20,266
Cash flow hedges	38,644	203	38,847	(12,513)	26,333
Share of other comprehensive income of associates	65	—	65	—	65
Total	67,684	(8,505)	59,179	(12,513)	46,665
Total comprehensive income for the year	68,121	(8,505)	59,616	(12,408)	47,207

Note: The exchange differences on translation of foreign operations reclassification adjustment of (8,708) million yen is the amount transferred to profit or loss due to the liquidation of J Brand, Inc. during the year ended 31 August 2021.
In addition, the cash flow hedge reclassification adjustment of 203 million yen is the amount transferred to profit or loss after hedge accounting was suspended, as a forecast transaction eligible for hedge accounting was no longer expected to occur. There is no transfer amount for the previous consolidated fiscal year.

27 Earnings per Share

(Yen)

Year ended 31 August 2020		Year ended 31 August 2021	
Equity per share attributable to owners of the Parent (Yen)	¥9,368.83	Equity per share attributable to owners of the Parent (Yen)	**¥10,930.42**
Basic earnings per share for the year (Yen)	885.15	Basic earnings per share for the year (Yen)	**1,663.12**
Diluted earnings per share for the year (Yen)	883.62	Diluted earnings per share for the year (Yen)	**1,660.44**

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 2020	**Year ended 31 August 2021**
Basic earnings per share for the year		
Profit for the year attributable to owners of the Parent (Millions of yen)	¥ 90,357	**¥ 169,847**
Profit not attributable to common shareholders (Millions of yen)	—	**—**
Profit attributable to common shareholders (Millions of yen)	90,357	**169,847**
Average number of common stock during the year (Shares)	102,081,609	**102,125,851**
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	**—**
Increase in number of common stock (Shares)	177,082	**164,744**
(share subscription rights)	(177,082)	**(164,744)**

28 Cash Flow Information

A. Liabilities of financing activities

Liabilities of financing activities are as follows:

Year ended 31 August 2020

(Millions of yen)

	Balances as at 31 August 2019	Adjustment for adoption of IFRS 16	Balances as at 1 September 2019	Variation with cash flow	Variation without cash flow: Foreign currency translation reserve	Variation without cash flow: New lease contracts	Variation without cash flow: Others	Balances as at 31 August 2020
Short-term borrowings	¥ 1,236	¥ —	¥ 1,236	¥ 13,472	¥ 445	¥ —	¥ —	¥ 15,154
Long-term borrowings	4,258	—	4,258	(4,343)	84	—	—	—
Corporate bonds	469,183	—	469,183	—	—	—	158	469,342
Finance lease obligations (Note)	38,726	(38,726)	—	—	—	—	—	—
Lease liabilities (Note)	—	428,631	428,631	(141,216)	2,806	177,451	(1,493)	466,179
Total	513,405	389,904	903,309	(132,087)	3,336	177,451	(1,334)	950,675

Year ended 31 August 2021

(Millions of yen)

	Balances as at 1 September 2020	Variation with cash flow	Variation without cash flow: Foreign currency translation reserve	Variation without cash flow: New lease contracts	Variation without cash flow: Others	Balances as at 31 August 2021
Short-term borrowings	¥ 15,154	**¥ (3,556)**	**¥ 1,565**	**¥ —**	**¥ —**	**¥ 13,163**
Corporate bonds	469,342	**(100,000)**	**—**	**—**	**128**	**369,471**
Lease liabilities	466,179	**(148,248)**	**10,082**	**142,346**	**(9,700)**	**460,658**
Total	950,675	**(251,805)**	**11,648**	**142,346**	**(9,571)**	**843,292**

Note: 100,000 million yen in 2nd non-collateralized corporate bonds (interest rate: 0.291%; date of maturity: 18 December 2020) have been redeemed.

B. Important non-cash transactions

Year ended 31 August 2020

The amount of increase or decrease in right-of-use assets is listed in “17. Leases.”

Year ended 31 August 2021

The amount of increase or decrease in right-of-use assets is listed in “17. Leases.”

C. Information on corporate bonds as at 31 August 2020 and 2021 is as follows:

(Millions of yen)

Company name	Name of bonds	Date of issuance	As at 31 August 2020	As at 31 August 2021	Interest rate (%)	Date of maturity
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	99,989	—	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	49,957	49,976	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	69,895	69,915	0.749	18 December 2025
FAST RETAILING CO., LTD.	5th non-collateralized corporate bonds	6 June 2018	79,910	79,943	0.110	6 June 2023
FAST RETAILING CO., LTD.	6th non-collateralized corporate bonds	6 June 2018	29,943	29,955	0.220	6 June 2025
FAST RETAILING CO., LTD.	7th non-collateralized corporate bonds	6 June 2018	99,786	99,813	0.405	6 June 2028
FAST RETAILING CO., LTD.	8th non-collateralized corporate bonds	6 June 2018	39,859	39,867	0.880	4 June 2038
Total	—	—	469,342	369,471	—	—

29 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 the 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.

A. 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 grantees	Employees of the Company: 7 Employees of Group subsidiaries: 3	Employees of the Company: 266 Employees of 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 grantees	Employees of the Company: 14 Employees of Group subsidiaries: 4	Employees of the Company: 139 Employees of Group subsidiaries: 584
Number of stock options by type of shares (Note)	Common stock: maximum 13,894 shares	Common stock: maximum 51,422 shares
Grant date	15 November 2011	15 November 2011
Vesting conditions	To serve continuously until the vesting date (14 November 2014) after the grant date (15 November 2011)	To serve continuously until the vesting date (14 December 2011) after the grant date (15 November 2011)
Eligible service period	From 15 November 2011 to 14 November 2014	From 15 November 2011 to 14 December 2011
Exercise period	From 15 November 2014 to 14 November 2021	From 15 December 2011 to 14 November 2021
Settlement	Equity settlement	Equity settlement

	3rd share subscription rights A type	3rd share subscription rights B type
Category and number of grantees	Employees of the Company: 18 Employees of Group subsidiaries: 8	Employees of the Company: 136 Employees of 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 grantees	Employees of the Company: 19 Employees of Group subsidiaries: 11	Employees of the Company: 180 Employees of 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 grantees	Employees of the Company: 36 Employees of Group subsidiaries: 16	Employees of the Company: 223 Employees of 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

	6th share subscription rights A type	6th share subscription rights B type
Category and number of grantees	Employees of the Company: 15 Employees of Group subsidiaries: 19	Employees of the Company: 274 Employees of Group subsidiaries: 921
Number of stock options by type of shares (Note)	Common stock: maximum 2,847 shares	Common stock: maximum 25,389 shares
Grant date	13 November 2015	13 November 2015
Vesting conditions	To serve continuously until the vesting date (12 November 2018) after the grant date (13 November 2015)	To serve continuously until the vesting date (12 December 2015) after the grant date (13 November 2015)
Eligible service period	From 13 November 2015 to 12 November 2018	From 13 November 2015 to 12 December 2015
Exercise period	From 13 November 2018 to 12 November 2025	From 13 December 2015 to 12 November 2025
Settlement	Equity settlement	Equity settlement

	7th share subscription rights A type	7th share subscription rights B type
Category and number of grantees	Employees of the Company: 16 Employees of Group subsidiaries: 23	Employees of the Company: 339 Employees of Group subsidiaries: 1,096
Number of stock options by type of shares (Note)	Common stock: maximum 2,821 shares	Common stock: maximum 31,726 shares
Grant date	11 November 2016	11 November 2016
Vesting conditions	To serve continuously until the vesting date (10 November 2019) after the grant date (11 November 2016)	To serve continuously until the vesting date (10 December 2016) after the grant date (11 November 2016)
Eligible service period	From 11 November 2016 to 10 November 2019	From 11 November 2016 to 10 December 2016
Exercise period	From 11 November 2019 to 10 November 2026	From 11 December 2016 to 10 November 2026
Settlement	Equity settlement	Equity settlement

	8th share subscription rights A type	8th share subscription rights B type
Category and number of grantees	Employees of the Company: 19 Employees of Group subsidiaries: 27	Employees of the Company: 395 Employees of Group subsidiaries: 1,152
Number of stock options by type of shares (Note)	Common stock: maximum 5,454 shares	Common stock: maximum 48,178 shares
Grant date	10 November 2017	10 November 2017
Vesting conditions	To serve continuously until the vesting date (9 November 2020) after the grant date (10 November 2017)	To serve continuously until the vesting date (9 December 2017) after the grant date (10 November 2017)
Eligible service period	From 10 November 2017 to 9 November 2020	From 10 November 2017 to 9 December 2017
Exercise period	From 10 November 2020 to 9 November 2027	From 10 December 2017 to 9 November 2027
Settlement	Equity settlement	Equity settlement

	8th share subscription rights C type	9th share subscription rights A type
Category and number of grantees	Employees of the Company: 29	Employees of the Company: 17 Employees of Group subsidiaries: 32
Number of stock options by type of shares (Note)	Common stock: maximum 5,929 shares	Common stock: maximum 4,057 shares
Grant date	10 November 2017	9 November 2018
Vesting conditions	To serve continuously until the vesting date (9 November 2020) after the grant date (10 November 2017)	To serve continuously until the vesting date (8 November 2021) after the grant date (9 November 2018)
Eligible service period	From 10 November 2017 to 9 November 2020	From 9 November 2018 to 8 November 2021
Exercise period	10 November 2020	From 9 November 2021 to 8 November 2028
Settlement	Equity settlement	Equity settlement

	9th share subscription rights B type	9th share subscription rights C type
Category and number of grantees	Employees of the Company: 419 Employees of Group subsidiaries: 1,267	Employees of the Company: 40
Number of stock options by type of shares (Note)	Common stock: maximum 36,275 shares	Common stock: maximum 4,733 shares
Grant date	9 November 2018	9 November 2018
Vesting conditions	To serve continuously until the vesting date (9 November 2018) after the grant date (8 December 2018)	To serve continuously until the vesting date (9 November 2018) after the grant date (8 November 2021)
Eligible service period	From 9 November 2018 to 8 December 2018	From 9 November 2018 to 8 November 2021
Exercise period	From 9 December 2018 to 9 November 2028	9 November 2021
Settlement	Equity settlement	Equity settlement

	10th share subscription rights A type	10th share subscription rights B type
Category and number of grantees	Employees of the Company: 11 Employees of Group subsidiaries: 46	Employees of the Company: 528 Employees of Group subsidiaries: 1,389
Number of stock options by type of shares (Note)	Common stock: maximum 3,548 shares	Common stock: maximum 37,424 shares
Grant date	8 November 2019	8 November 2019
Vesting conditions	To serve continuously until the vesting date (7 November 2022) after the grant date (8 November 2019)	To serve continuously until the vesting date (7 December 2019) after the grant date (8 November 2019)
Eligible service period	From 8 November 2019 to 7 November 2022	From 8 November 2019 to 7 December 2019
Exercise period	From 8 November 2022 to 7 November 2029	From 8 December 2019 to 7 November 2029
Settlement	Equity settlement	Equity settlement

	10th share subscription rights C type	11th share subscription rights A type
Category and number of grantees	Employees of the Company: 40	Employees of the Company: 18 Employees of Group subsidiaries: 47
Number of stock options by type of shares (Note)	Common stock: maximum 3,666 shares	Common stock: maximum 2,175 shares
Grant date	8 November 2019	13 November 2020
Vesting conditions	To serve continuously until the vesting date (7 November 2022) after the grant date (8 November 2019)	To serve continuously until the vesting date (12 November 2023 after the grant date (13 November 2020)
Eligible service period	From 8 November 2019 to 7 November 2022	From 13 November 2020 to 12 November 2023
Exercise period	8 November 2022	From 13 November 2023 to 12 November 2030
Settlement	Equity settlement	Equity settlement

	11th share subscription rights B type	11th share subscription rights C type
Category and number of grantees	Employees of the Company: 694 Employees of Group subsidiaries: 1,435	Employees of the Company: 41
Number of stock options by type of shares (Note)	Common stock: maximum 22,306 shares	Common stock: maximum 3,777 shares
Grant date	13 November 2020	13 November 2020
Vesting conditions	To serve continuously until the vesting date (12 December 2020) after the grant date (13 November 2020)	To serve continuously until the vesting date (12 November 2023) after the grant date (13 November 2020)
Eligible service period	From 13 November 2020 to 12 December 2020	From 13 November 2020 to 12 November 2023
Exercise period	From 13 December 2020 to 12 November 2030	13 November 2023
Settlement	Equity settlement	Equity settlement

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

Expenses recognized as share-based payments are as follows:

(Millions of yen)

	Year ended 31 August 2020	**Year ended 31 August 2021**
Expenses recognized		
Share-based payments	¥2,915	**¥2,179**

(2) Scale of stock options program and changes
Outstanding balance of stock options are converted into equivalent number of shares.

(a) Number and weighted average exercise prices of stock options
Stock options

(Shares)

	Number of shares	
	Year ended 31 August 2020	**Year ended 31 August 2021**
Non-vested		
Non-vested at beginning of the year	25,518	**24,561**
Granted	44,638	**28,248**
Forfeited	(1,196)	**(815)**
Vested	(44,399)	**(31,979)**
Non-vested at end of the year	24,561	**20,015**

(Shares)

	Number of shares	
	Year ended 31 August 2020	**Year ended 31 August 2021**
Vested		
Outstanding at beginning of the year	143,233	**148,450**
Vested	44,399	**31,979**
Exercised	(38,891)	**(44,288)**
Forfeited	(291)	**(789)**
Outstanding at end of the year	148,450	**135,352**

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

(b) Stock price on exercise date
Stock options exercised during the year ended 31 August 2021 are as follows:

Type	Number of shares (Shares)	Weighted-average stock price on exercise date (Yen)
Stock options	44,288	¥82,971

(c) Expected life of stock options
The weighted-average expected life of outstanding stock options as at 31 August 2021 was 5.52 years.

In addition, the weighted-average expected life of outstanding stock options as at 31 August 2020 was 5.80 years.

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

The methods of estimating fair value of 11th share subscription rights A type, B type, and C type granted during the year ended 31 August 2021, were as follows:

(1) Valuation model: Black-Scholes model
(2) The following table lists the inputs to the model used:

	11th share subscription rights A type	11th share subscription rights B type	11th share subscription rights C type
Fair value	77,559 yen	78,236 yen	79,192 yen
Share price	80,620 yen	80,620 yen	80,620 yen
Exercise price	1 yen	1 yen	1 yen
Stock price volatility (Note 1)	34%	35%	31%
Expected life of options (Note 2)	6.5 years	5.04 years	3 years
Expected dividends (Note 3)	480 yen/share	480 yen/share	480 yen/share
Risk-free interest rate (Note 4)	(0.0835%)	(0.09188%)	(0.13%)

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from June 2014 to November 2020), 5.04 years for B type (from December 2015 to November 2020), and 3.0 years for C type (from December 2017 to November 2020).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

Also, the method of estimating fair value for the '10th share subscription rights A type, B type, and C type granted during the year ended 31 August 2020 is as follows:

(1) Valuation model: Black-Scholes model
(2) The following table lists the inputs to the model used:

	10th share subscription rights A type	10th share subscription rights B type	10th share subscription rights C type
Fair value	66,058 yen	66,732 yen	67,684 yen
Share price	69,110 yen	69,110 yen	69,110 yen
Exercise price	1 yen	1 yen	1 yen
Stock price volatility (Note 1)	33%	34%	27%
Expected life of options (Note 2)	6.5 years	5.04 years	3 years
Expected dividends (Note 3)	480 yen/share	480 yen/share	480 yen/share
Risk-free interest rate (Note 4)	(0.2105%)	(0.21692%)	(0.203%)

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from June 2013 to November 2019), 5.04 years for B type (from December 2014 to November 2019), and 3.0 years for C type (from December 2016 to November 2019).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

C. 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.

30 Financial Instruments

A. 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 2020	**As at 31 August 2021**
Interest-bearing borrowings	¥ 484,496	**¥ 382,634**
Lease liabilities	466,179	**460,658**
Cash and cash equivalents	1,093,531	**1,177,736**
Net interest-bearing borrowings	(142,856)	**(334,443)**
Equity	996,079	**1,162,298**

Interest-bearing borrowings includes corporate bonds and borrowings. As at 31 August 2020 and 2021, the Group maintained a position where the carrying amount of cash and cash equivalents exceeded the total amounts of interest-bearing borrowings and lease liabilities.

As at 31 August 2021, the Group is not subject to any externally imposed capital requirement.

B. 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.

C. Categories of financial instruments

(Millions of yen)

	As at 31 August 2020	As at 31 August 2021
Financial assets		
Loans and receivables		
Trade and other receivables	¥ 67,069	¥ 50,546
Other current financial assets	49,890	56,157
Other non-current financial assets	66,399	66,113
Financial assets measured at fair value through other comprehensive income/(loss)	1,370	1,008
Derivatives		
Financial assets measured at fair value through profit or loss	1,619	209
Financial assets designated as hedging instruments	23,778	49,446
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	210,747	220,057
Other current financial liabilities	213,301	104,969
Current lease liabilities	114,652	117,083
Non-current financial liabilities	370,780	370,799
Non-current lease liabilities	351,526	343,574
Derivatives		
Financial liabilities measured at fair value through profit or loss	69	280
Financial liabilities designated as hedging instruments	5,899	3,256

No items in the above categories are included in discontinued operations or disposal groups 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."

D. Financial risk management

In relation to cash management, the Group seeks to ensure effective utilization of Group funds through the Group's Cash Management Service. The Group obtained credit facilities from financial institutions and issuance of bonds. 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.

E. 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

(a) 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 forecast transactions denominated in foreign currencies, for foreign currency exchange fluctuation risk by currency and on a monthly basis, the Group in principle hedges risk by using foreign currency forward contracts.

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

The Group enters into derivative transactions only with financial institutions evaluated as highly creditworthy by rating agencies to mitigate the counterparty risk.

The Group's notional amount of foreign currency forward contracts was 1,284,423 million yen as at 31 August 2021.

(b) Foreign currency sensitivity analysis

With respect to companies that use yen as the functional currency in each reporting period, below is an analysis of the impact an 1% increase in the yen against the Euro ("EUR") and the United States dollar ("USD") would have on the Group's profit before income taxes and other comprehensive income (before tax effects).

However, this analysis assumes that over variable factors are constant. Furthermore, this does not include the effect of conversion of financial instruments denominated the functional currencies, and revenue, expenses, assets, and liabilities of overseas sales entities into presentation currency.

	Year ended 31 August 2020	Year ended 31 August 2021
Average exchange rate (Yen)		
USD	108.04	106.96
EUR	120.06	128.01
Impact on profit before income taxes (Millions of yen)		
USD	(3,853)	(4,318)
EUR	(239)	(209)
Impact on other comprehensive income (Millions of yen)		
USD	(10,316)	(10,693)
EUR	(127)	(187)

(c) 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.

The monetary value of ineffective hedges is immaterial.

The details of foreign currency forward contract are as follows:

(i) Derivative transactions to 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 2020	31 August 2021	31 August 2020	31 August 2021	31 August 2020	31 August 2021	31 August 2020	31 August 2021
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell KRW)	1,137.61 (KRW/$)	— (KRW/$)	20	—	2,071	—	83	—
Buy KRW (sell USD)	0.00 ($/KRW)	— ($/KRW)	24,663	—	2,151	—	44	—
Within 1 year								
Buy USD (sell EUR)	0.85 (EUR/$)	0.84 (EUR/$)	8	27	855	2,932	(19)	24
Buy USD (sell GBP)	0.77 (£/$)	0.76 (£/$)	15	5	1,447	628	(38)	(25)
Buy USD (sell KRW)	1,124.35 (KRW/$)	1,147.18 (KRW/$)	154	43	15,463	4,725	830	69
Buy USD (sell TWD)	29.41 (TWD/$)	27.86 (TWD/$)	21	18	2,249	2,033	7	(6)
Buy USD (sell SGD)	— (SGD/$)	1.35 (SGD/$)	—	2	—	221	—	(1)
Buy USD (sell THB)	— (THB/$)	31.12 (THB/$)	—	1	—	166	—	6
Buy USD (sell HKD)	7.84 (HKD/$)	— (HKD/$)	7	—	789	—	(9)	—
Buy USD (sell VND)	— (VND/$)	23,142.72 (VND/$)	—	8	—	927	—	(11)
Buy EUR (sell USD)	1.14 ($/EUR)	1.22 ($/EUR)	7	22	843	2,967	45	(88)
Buy GBP (sell USD)	1.26 ($/£)	1.42 ($/£)	11	4	1,475	659	83	(17)
Buy KRW (sell USD)	0.00 ($/KRW)	0.00 ($/KRW)	188,516	50,620	16,249	4,800	519	(21)
Buy HKD (sell USD)	0.13 ($/HKD)	— ($/HKD)	57	—	779	—	1	—

(ii) Derivative transactions to 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 2020	**31 August 2021**	31 August 2020	**31 August 2021**	31 August 2020	**31 August 2021**	31 August 2020	**31 August 2021**
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	103.02 (¥/$)	**105.09 (¥/$)**	6,192	**6,034**	637,960	**634,094**	7,945	**21,481**
Buy USD (sell EUR)	0.85 (EUR/$)	**0.82 (EUR/$)**	103	**324**	10,958	**34,579**	(219)	**(327)**
Buy USD (sell GBP)	0.75 (£/$)	**0.73 (£/$)**	49	**110**	5,208	**12,215**	1	**(306)**
Buy USD (sell KRW)	1,158.56 (KRW/$)	**1,116.47 (KRW/$)**	107	**108**	11,077	**11,423**	223	**502**
Buy USD (sell SGD)	1.37 (SG$/$)	**1.36 (SG$/$)**	4	**0**	425	**22**	(3)	**0**
Buy USD (sell THB)	30.00 (THB/$)	**32.46 (THB/$)**	11	**5**	1,134	**551**	43	**0**
Buy USD (sell MYR)	4.43 (MYR/$)	**4.25 (MYR/$)**	2	**6**	224	**674**	(10)	**(2)**
Buy USD (sell AUD)	1.44 (AUD/$)	**1.32 (AUD/$)**	34	**24**	3,853	**2,617**	(207)	**103**
Buy USD (sell CAD)	1.38 (CAD/$)	**1.25 (CAD/$)**	0	**6**	89	**652**	(4)	**7**
Buy USD (sell PHP)	53.30 (PHP/$)	**49.34 (PHP/$)**	15	**5**	1,742	**632**	(116)	**15**
Buy EUR (sell USD)	— (EUR/$)	**8.35 (EUR/$)**	—	**13**	—	**12,107**	—	**36**
Within 1 year								
Buy USD (sell JPY)	102.26 (¥/$)	**102.79 (¥/$)**	3,443	**3,756**	352,183	**386,147**	10,115	**25,643**
Buy USD (sell EUR)	0.84 (EUR/$)	**0.84 (EUR/$)**	209	**224**	22,099	**24,390**	(132)	**(17)**
Buy USD (sell GBP)	0.77 (£/$)	**0.74 (£/$)**	86	**96**	9,422	**10,815**	(254)	**(287)**
Buy USD (sell KRW)	1,099.02 (KRW/$)	**1,146.97 (KRW/$)**	151	**117**	14,852	**12,690**	1,158	**208**
Buy USD (sell SGD)	1.39 (SGD/$)	**1.34 (SGD/$)**	84	**56**	9,126	**6,150**	(152)	**7**
Buy USD (sell THB)	30.17 (THB/$)	**30.93 (THB/$)**	88	**49**	9,030	**5,142**	278	**244**
Buy USD (sell MYR)	4.29 (MYR/$)	**4.17 (MYR/$)**	37	**48**	4,103	**5,324**	(96)	**44**
Buy USD (sell AUD)	1.45 (AUD/$)	**1.37 (AUD/$)**	70	**89**	7,974	**9,843**	(486)	**0**
Buy USD (sell RUB)	67.59 (RUB/$)	**78.40 (RUB/$)**	57	**88**	5,551	**10,363**	616	**(387)**
Buy USD (sell CAD)	1.32 (CAD/$)	**1.29 (CAD/$)**	36	**52**	3,885	**5,926**	(34)	**(120)**
Buy USD (sell IDR)	14,660.80 (IDR/$)	**14,721.74 (IDR/$)**	41	**65**	4,401	**7,377**	8	**(131)**
Buy USD (sell PHP)	52.03 (PHP/$)	**50.23 (PHP/$)**	69	**57**	7,883	**6,375**	(463)	**(16)**
Buy USD (sell INR)	75.71 ($/INR)	**— ($/INR)**	2	**—**	230	**—**	(5)	**—**
Buy USD (sell HKD)	7.82 (HKD/$)	**7.76 (HKD/$)**	70	**95**	7,504	**10,427**	(58)	**21**
Buy USD (sell CNY)	6.99 (CNY/$)	**6.75 (CNY/$)**	187	**138**	20,079	**15,833**	(248)	**(544)**
Buy EUR (sell USD)	1.18 ($/EUR)	**2.30 ($/EUR)**	20	**24**	2,529	**6,070**	30	**16**
Buy GBP (sell USD)	1.27 ($/GBP)	**1.38 ($/GBP)**	8	**14**	1,074	**2,252**	49	**(7)**
Buy IDR (sell USD)	0.00 ($/IDR)	**0.00 ($/IDR)**	444,011	**72,826**	3,056	**549**	(94)	**9**
Buy HKD (sell USD)	— ($/HKD)	**0.13 ($/HKD)**	—	**23**	—	**329**	—	**0**

(2) Interest rate risk management

The Group's interest-bearing borrowings are mainly bonds with fixed interest rates, and 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.

F. Credit risk management

When the Group initiates ongoing transactions where receivables are 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.

Financial assets and other credit risk exposure

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.

(1) Credit risk exposure

Time-frame analysis for trade receivables and other financial assets is as stated below.

Year ended 31 August 2020

(Millions of yen)

Number of days elapsed after due date	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period: Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Items measured in an amount equivalent to the expected credit losses for the entire period: Financial assets for which the credit risk has significantly increased since initial recognition	Items measured in an amount equivalent to the expected credit losses for the entire period: Credit-impaired financial assets	Total
Before due date has elapsed	¥124,302	¥59,019	¥47	¥—	¥183,368
Within 90 days	481	474	—	—	956
Over 90 days but within one year	156	25	2	—	184
Over one year	23	150	69	—	244
Term-end balance	124,965	59,669	119	—	184,754

Year ended 31 August 2021

(Millions of yen)

Number of days elapsed after due date	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period: Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Financial assets for which the credit risk has significantly increased since initial recognition	Credit-impaired financial assets	Total
Before due date has elapsed	¥127,637	¥44,543	¥40	¥—	¥172,221
Within 90 days	51	180	0	—	232
Over 90 days but within one year	317	7	2	—	327
Over one year	386	237	46	28	697
Term-end balance	128,392	44,969	89	28	173,479

(2) Allowances for Doubtful Accounts

Changes in allowances for doubtful accounts for trade receivables and other financial assets are as stated below.

Year ended 31 August 2020

(Millions of yen)

Changes in allowances for doubtful accounts	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period: Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Financial assets for which the credit risk has significantly increased since initial recognition	Credit-impaired financial assets	Total
Starting balance	¥117	¥ 471	¥40	¥ 241	¥ 871
Effect of adoption of IFRS 16	—	938	—	—	938
Balance after adjustment	117	1,409	40	241	1,809
Increase during period	35	224	5	—	265
Decrease during period (intended use)	(15)	(322)	—	(247)	(585)
Decrease during period (reversals)	(61)	(36)	—	—	(98)
Other changes	(11)	9	—	6	4
Term-end balance	64	1,284	46	—	1,395

Year ended 31 August 2021

(Millions of yen)

Changes in allowances for doubtful accounts	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period: Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Financial assets for which the credit risk has significantly increased since initial recognition	Credit-impaired financial assets	Total
Starting balance	¥ 64	¥1,284	¥ 46	¥ —	¥1,395
Increase during period	8	55	19	28	111
Decrease during period (intended use)	(0)	(699)	—	—	(699)
Decrease during period (reversals)	(28)	(106)	(46)	—	(181)
Other changes	15	22	—	—	37
Term-end balance	59	557	19	28	664

The Group continually monitors the credit standing of trading partners if there is a concern about recoverability, including receivables for which the due date has changed.

Based on the monitoring of the credit standing, the recoverability of accounts receivable, etc., is examined and the allowance for doubtful accounts is set.

In relation to the Group's global business expansion, there is little reliance on any specific trading partners and exposure is dispersed, so the impact of any sequential credit risk due to the poor credit standing of any specific trading partner is minimal.

As a result, we have no exposure to excessively concentrated credit risk.

G. 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 2020								
Non-derivative financial liabilities								
Trade and other payables	¥ 210,747	¥ 210,747	¥210,747	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	15,154	15,154	15,154	—	—	—	—	—
Corporate bonds	469,342	470,000	100,000	—	130,000	—	30,000	210,000
Long-term finance lease liabilities	351,526	365,539	—	85,370	60,865	49,846	38,523	130,932
Short-term finance lease liabilities	114,652	115,222	115,222	—	—	—	—	—
Deposits	98,156	98,156	98,156	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	5,968	5,968	2,763	1,348	1,757	99	—	—
Total	1,265,548	1,280,788	542,044	86,718	192,622	49,946	68,523	340,932
As at 31 August 2021								
Non-derivative financial liabilities								
Trade and other payables	220,057	220,057	220,057	—	—	—	—	—
Short-term borrowings	13,163	13,163	13,163	—	—	—	—	—
Corporate bonds	369,471	370,000	—	130,000	—	30,000	70,000	140,000
Long-term finance lease liabilities	343,574	360,474	—	86,417	61,489	46,862	28,000	137,705
Short-term finance lease liabilities	117,083	120,492	120,492	—	—	—	—	—
Deposits	91,805	91,805	91,805	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	3,536	3,536	2,493	553	489	—	—	—
Total	1,158,693	1,179,530	448,013	216,971	61,978	76,862	98,000	277,705

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

H. Fair value of financial instruments

(Millions of yen)

	As at 31 August 2020		As at 31 August 2021	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets				
Security deposits/guarantees	¥ 63,639	¥ 64,341	¥ 64,502	¥ 65,358
Total	63,639	64,341	64,502	65,358
Financial liabilities				
Corporate bonds	469,342	470,938	369,471	375,144
Total	469,342	470,938	369,471	375,144

Note: The above includes the outstanding balance of corporate bonds due within one year.

Notes concerning financial assets and financial liabilities for which fair value approximates book value have been omitted.

The fair value of security deposits / guarantees is calculated on the basis of the current value, applying the current market interest rate.

The fair value of corporate bonds is calculated with reference to publicly available market prices.

The fair value measurements of Security deposits / guarantees and Corporate bonds are classified as level 2.

I. 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

When multiple inputs are used to measure fair value, the fair value level is determined based on the input with the lowest level classification in the overall fair value assessment.

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

(Millions of yen)

As at 31 August 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	¥1,158	¥ —	¥212	¥ 1,370
Financial assets measured at fair value through profit or loss	—	1,550	—	1,550
Financial assets and financial liabilities designated as hedging instruments — Fair value	—	17,878	—	17,878
Net amount	1,158	19,428	212	20,799

As at 31 August 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	**¥808**	**¥ —**	**¥199**	**¥ 1,008**
Financial assets measured at fair value through profit or loss	**—**	**(71)**	**—**	**(71)**
Financial assets and financial liabilities designated as hedging instruments — Fair value	**—**	**46,190**	**—**	**46,190**
Net amount	**808**	**46,118**	**199**	**47,127**

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 using inputs such as interest rates, yield curves, currency rates, and volatility in comparable instruments.

Financial instruments classified as Level 3 consist mainly of unlisted shares. The fair values of unlisted shares are measured by the division responsible in the Group according to the Group's accounting policy, etc., using the immediately preceding figures available for each quarter.

There were no significant changes due to the purchase, sale, issuance and settlement of Level 3 financial instruments, and no transfers between Levels 1, 2 and 3.

31 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 2020	**Year ended 31 August 2021**
Short-term employee benefits	¥786	**¥837**
Share-based payments	13	**31**
Total	799	**869**

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

Year ended 31 August 2020 (from 1 September 2019 to 31 August 2020)

Type	Name of Company, etc., or personal name	Location	Capital Stock or Money Invested (Millions of yen)	Business Content or Occupation	Percentage of voting right, etc. held (being held)	Relation with Associated Party	Transaction Details	Transaction Amount (Millions of yen)	Item	Term-end Balance (Millions of yen)
Company in which officers and close relatives hold a majority of voting rights	TTY Management B.V.	Amsterdam, Netherlands	71,826	Assets holdings, managing, etc.	5.2% are directly held	Rent of store properties by our subsidiary Serves concurrently as an officer	Store renting	647	Lease liabilities	6,797

Notes: 1. Of the above-mentioned amounts, any trade amounts do not include consumption taxes and the like.
2. Trading conditions and policy for determining trading conditions, etc.
Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.
3. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights.

Current consolidated accounting year (From 1 September 2020, through 31 August 2021)

Type	Name of Company, etc., or personal name	Location	Capital Stock or Money Invested (Millions of yen)	Business Content or Occupation	Percentage of voting right, etc. held (being held)	Relation with Associated Party	Transaction Details	Transaction Amount (Millions of yen)	Item	Term-end Balance (Millions of yen)
Company in which officers and close relatives hold a majority of voting rights	TTY Management B.V.	Amsterdam, Netherlands	71,826	Assets holdings, managing, etc.	5.2% are directly held	Rent of store properties by our subsidiary Serves concurrently as an officer	Store renting	428	Lease liabilities	6,744
Company in which officers and close relatives hold a majority of voting rights	546 Broadway, LLC	New York	—	Assets holdings, managing, etc.	—	Rent of store properties by our subsidiary Serves concurrently as an officer	Store renting	109	Lease liabilities	3,971

Notes: 1. Of the above-mentioned amounts, any trade amounts do not include consumption taxes and the like.
2. Trading conditions and policy for determining trading conditions, etc.
Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.
3. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights of both companies.

32 Major Subsidiaries

The Group's major subsidiaries are as listed in "3. Significant Accounting Policies A. Basis of Consolidations (1) Subsidiaries." The liquidation of J Brand Inc., which was a major subsidiary at the end of the previous consolidated fiscal year, was completed in this current consolidated fiscal year.

33 Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2020	**As at 31 August 2021**
Commitment for the acquisition of property, plant and equipment	¥24,942	**¥21,492**
Commitment for acquisition of intangible assets	2,139	**1,487**
Total	27,081	**22,979**

34 Contingent Liabilities

Year ended 31 August 2020
Not applicable

Year ended 31 August 2021
Not applicable

35 Subsequent Events

Not applicable

Other

Quarterly information for the year ended 31 August 2021

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	¥619,797	¥1,202,864	¥1,698,082	¥2,132,992
Quarterly income before income taxes and non-controlling interests (Millions of yen)	107,164	171,482	245,654	265,872
Quarterly net income (Millions of yen)	70,381	105,868	151,351	169,847
Earnings per share (Yen)	689.29	1,036.76	1,482.08	1,663.12

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings/(losses) per share (Yen)	689.29	347.49	445.33	181.08

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 August 2021, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories at the lower of cost or net realizable value	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As disclosed in Note 10 to the consolidated financial statements, the Group's total inventories as at 31 August 2021 were comprised of JPY 374,595 million related to the UNIQLO Japan segment, the UNIQLO International segment and the GU segment, in the aggregate, representing 14.9% of the Group's total assets. In addition, the amount of write-down of inventories to net realizable value was JPY 13,038 million for these segments.	Our audit procedures related to this key audit matter included the following, among others: • Evaluation of the cost measurement techniques and inventory valuation approaches established by management, including compliance with IFRSs.

The sales pattern for inventories starts with establishing an initial price, and then subsequently adjusting the price based on the season, weather and customer tastes and demand. Inventories are valued at the lower of cost or net realizable value. Selling price, a component of net realizable value, is frequently adjusted in response to fast-changing market conditions, economic conditions and fashion trends. The adjusted selling price is reflected and maintained in IT systems. Given the nature of the Group's businesses, changes to inventory, such as adjustments to selling prices, are frequently made to large volumes of inventory at a Stock Keeping Units ("SKUs") level. Inventory management is therefore highly dependent on the IT systems. In addition, the accuracy of the inventory valuation reports is also dependent upon the IT system. As such, due to the potential impact it may have on the accounting for the write-down of inventories to net realizable value, there are increased risks around the appropriateness of the system configurations (e.g., calculation formula, report logic, parameters, etc.), in addition to the overall maintenance of the IT system. We identified this matter as a key audit matter given that the value of inventories is material and the valuation of inventories is highly IT system dependent.	• Assessment of the design and operating effectiveness of relevant controls in place to address the accuracy and completeness of inputs for selling price and cost of inventories. • Involvement of our professionals with expertise in information technology ("IT experts") to evaluate the accuracy and completeness of inventory valuation reports by testing the system interface controls, the report logic and input parameters, as well as general IT controls over the IT system, including testing of user access controls, change management controls and IT operations controls. • Evaluation of the determination of net realizable value, the judgment regarding whether a write-down is required and the amount of write-down of inventories to net realizable value calculated within the inventory valuation report on a representative sample basis.

Assessment of impairment indicators on store assets and assumptions used in business plan under COVID-19 pandemic	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As disclosed in Note 15 to the consolidated financial statements, the Group had store assets attributable to UNIQLO Japan, UNIQLO International and the GU segment amounting to JPY 129,814 million, JPY 205,036 million and JPY 31,599 million, respectively, in the aggregate representing 14.5% of the Group's total assets as at 31 August 2021. In addition, as disclosed in Note 6 and 15 to the consolidated financial statements, the Group's impairment losses attributable to store assets were JPY 15,723 million for the year ended 31 August 2021. Each segment operated 780, 1,502 and 439 stores as at 31 August 2021, respectively, and the performance results of each store are maintained in an IT system. In principle, each store is considered as an individual cash-generating unit ("CGU"). Management uses the performance results of stores (IT system-generated reports) as a key input when assessing whether there is any indication that store assets may be impaired ("Impairment Indicators"). As such, due to the potential impact it may have on the assessment of the Impairment Indicators, there are increased risks around the appropriateness of the system configurations (e.g., report logic, parameters, etc.), in addition to the overall maintenance of the IT system. In particular, stores were temporarily closed and the number of customer visits declined as people refrained from going out in response to the COVID-19 pandemic, which continuously worsened performance results of certain stores. As a result, there are potential risks around the existence of material impairment losses. In addition, there are risks that the assessments of the Impairment Indicator and the measurement or impairment losses may be misstated due to increased uncertainties on the recovery from COVID-19 pandemic in particular, with regards to business plans of each store used in management's assessment. We identified this matter as a key audit matter given that the value of store assets is material, the creation of information used in assessment of the impairment indicators is highly IT system dependent, there is the increased possibility that the impairment losses may be misstated due to COVID-19 and there is the increased inherent uncertainty in business plans of stores used in management's estimates and judgements.	Our audit procedures related to this key audit matter included the following, among others: • Evaluation of management's assessment of Impairment Indicators, identification of CGUs and allocation method of relevant headquarter costs to each CGU used by management, including compliance with IFRSs. • Involvement of our IT experts to evaluate the accuracy and completeness of the impairment indicators identification reports by testing source data of store performance results along with the report logic to allocate headquarter costs, report logic used to identify impairment indicators, and input parameters, as well as the general IT controls over the IT system, including testing of user access controls, change management controls and IT operations controls. • Examination of the Impairment Indicators identification report for the completeness of stores for proper inclusion. • Assessment of the design and operating effectiveness of the relevant controls in place to develop business plans of each store. • Evaluation of the reasonableness of assumptions used, in particular those relating to business plans of stores by performing inquiries with management, evaluating the historical accuracy of the management's estimates and comparing those assumptions with market forecasts and observable external information. • Involvement of our valuation experts to assess the discount rate used in management's impairment assessment. • Evaluation of the adequacy of disclosures relating to the uncertainties of COVID-19 impact under Note to the consolidated financial statements 2. (E) Use of Estimates and Judgments.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Statutory Auditors and the Board of Statutory Auditors for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that gives a true and fair view in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory Auditors and the Board of Statutory Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Statutory Auditors and the Board of Statutory Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Statutory Auditors and the Board of Statutory Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Statutory Auditors and the Board of Statutory Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

The engagement partners on the audit resulting in this independent auditor's report are Koichi Okubo and Hirofumi Otani.

Deloitte Touche Tohmatsu LLC

26 November 2021

MEMO