FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

(Incorporated in Japan with limited liability)

(Stock Code:6288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2015 AND RESUMPTION OF TRADING

The board (the "Board") of directors (the "Directors") of FAST RETAILING CO., LTD. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 August 2015 together with the comparative figures for the year ended 31 August 2014.

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 8 October 2015, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 9 October 2015.

(Amounts are rounded down to the nearest million Japanese Yen unless otherwise stated)

1. CONSOLIDATED FINANCIAL RESULTS

(1) Consolidated Operating Results (1 September 2014 to 31 August 2015)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2015	1,681,781	21.6	164,463	26.1	180,676	33.4	117,388	48.0
Year ended 31 August 2014	1,382,935	21.0	130,402	(2.8)	135,470	(13.0)	79,337	(26.2)

	Profit attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended 31 August 2015	110,027	47.6	171,124	108.6	1,079.42	1,078.08
Year ended 31 August 2014	74,546	(28.7)	82,033	(61.2)	731.51	730.81

	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended 31 August 2015	16.1	16.8	9.8
Year ended 31 August 2014	12.5	14.3	9.4

(Notes) Share of results of associates Year ended 31 August 2015: None
Year ended 31 August 2014: None

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As at 31 August 2015	1,163,706	774,804	750,937	64.5	7,366.07
As at 31 August 2014	992,307	636,041	618,381	62.3	6,067.40

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 31 August 2015	134,931	(73,145)	(41,784)	355,212
Year ended 31 August 2014	110,595	(56,323)	(44,060)	314,049

2. DIVIDENDS

(Declaration date)	Dividend per share							
	First quarter period end	Second quarter period end	Third quarter period end	Year-end	Full year	Total dividend (annual)	Payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent (consolidated)
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended 31 August 2014	–	150.0	–	150.0	300.0	30,574	41.0	5.1
Year ended 31 August 2015	–	175.0	–	175.0	350.0	35,678	32.4	5.2
Year ending 31 August 2016 (forecast)	–	185.0	–	185.0	370.0		32.8	

(Note) Please refer to 1. Business Results (3) Basic Policies on Distribution of Profits, and Dividends for the year ended 31 August 2015 and the year ending 31 August 2016 for detailed information.

3. CONSOLIDATED BUSINESS RESULTS PROJECTION FOR YEAR ENDING 31 AUGUST 2016 (1 SEPTEMBER 2015 TO 31 AUGUST 2016)

(% shows rate of increase/decrease from previous periods)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Basic earnings per share attributable to owners of the parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending 31 August 2016	1,900,000	13.0	200,000	21.6	200,000	10.7	115,000	4.5	1,128.05

* Notes

(1) Changes of principal subsidiaries (changes in specified subsidiaries): None

(2) Changes in accounting policies and changes in accounting estimates:

(i)	Changes in accounting policies to conform with IFRS:	None
(ii)	Other changes in accounting policies:	None
(iii)	Change in accounting estimates:	None

(3) Total number of shares outstanding (common stock)

(i)	Number of shares outstanding (including treasury stock)	As at 31 August 2015	106,073,656 shares	As at 31 August 2014	106,073,656 shares
(ii)	Number of treasury stock	As at 31 August 2015	4,128,255 shares	As at 31 August 2014	4,155,045 shares
(iii)	Average number of shares outstanding	For the year ended 31 August 2015	101,932,225 shares	For the year ended 31 August 2014	101,908,470 shares

(REFERENCE INFORMATION)

NON-CONSOLIDATED FINANCIAL RESULTS

The non-consolidated financial results were prepared in accordance with generally accepted accounting principles in Japan ("JGAAP").

(1) Non-consolidated Operating Results (1 September 2014 to 31 August 2015)

(Percentages represent year-on-year changes)

	Operating Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2015	119,071	53.8	77,844	79.0	89,245	90.2	70,227	200.9
Year ended 31 August 2014	77,438	(15.4)	43,477	(34.5)	46,921	(38.7)	23,336	(66.1)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended 31 August 2015	688.96	688.11
Year ended 31 August 2014	228.99	228.77

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at 31 August 2015	410,009	376,007	91.1	3,662.28
As at 31 August 2014	385,113	332,255	85.9	3,243.97

(Notes) Shareholders' equity *As at 31 August 2015: 373,352 million yen*
As at 31 August 2014: 330,620 million yen

* Indication concerning status of implementation of auditing procedures:
These financial results are not subject to auditing procedures pursuant to the Financial Instruments and Exchange Act of Japan. As of the date of this announcement, the results for the year ended 31 August 2015 are under audit by the independent auditors of the Company.

* Explanation and other notes concerning proper use of consolidated business results projection:
Statements made in these materials pertaining to future matters including business projections are based on information currently available to the Company and certain assumptions determined to be reasonable. Actual business results may vary substantially depending on a variety of factors.

1. Business Results

(1) Analysis of Business Results for the year ended 31 August 2015

The Group reported a record high performance in fiscal year 2015, the full financial year spanning 1 September 2014 to 31 August 2015. Consolidated revenue totaled ¥1.6817 trillion (+21.6% year-on-year), consolidated operating profit reached ¥164.4 billion (+26.1% year-on-year), consolidated profit before income taxes for the year stood at ¥117.3 billion (+48.0% year-on-year), and profit attributable to owners of the parent totaled ¥110.0 billion (+47.6% year-on-year). Under operating profit, we reported ¥16.1 billion impairment losses relating to the J Brand premium denim label, software, and property, plant and equipment of UNIQLO USA LLC stores, and a ¥1.8 billion loss on the retirement of property, plant and equipment relating to the refurbishment of global flagship stores in London and Shanghai. The depreciation of the Japanese yen boosted the carrying amount of foreign-currency denominated assets, generating a considerable increase in net finance income, from ¥5.0 billion in fiscal year 2014 to ¥16.2 billion in fiscal year 2015.

UNIQLO International proved the strongest among our three business segments, and the key driver of Group growth in fiscal year 2015. Operating profit generated by UNIQLO operations outside of Japan expanded 31.6% year-on-year to ¥43.3 billion. Meanwhile, UNIQLO Japan reported a steady rise in profit, with operating profit expanding 10.3% year-on-year to ¥117.2 billion. The Global Brands segment reported an operating profit of ¥14.4 billion. Our low-priced GU fashion casualwear brand, one of the labels of our Global Brands segment, performed extremely well in fiscal year 2015, generating an impressive 174.9% increase in operating profit year-on-year to ¥16.4 billion.

The Group’s medium-term vision is to become the world’s number one apparel manufacturer and retailer. To achieve this target, we have focused our efforts on expanding UNIQLO International operations by continuing to open new stores in each country where we operate. We are also opening global flagship stores in major cities around the world, to boost awareness and visibility of the UNIQLO brand and strengthen our global operational base. We also actively promote our GU brand by accelerating stores opening in Japan and launch the label in the Chinese market. We believe the GU operation has reached a key turning point in its growth and development into a second main stream brand for the Group.

UNIQLO Japan

UNIQLO Japan reported record high performance in fiscal year 2015, with revenue expanding to ¥780.1 billion (+9.0% year-on-year), and operating profit increasing to ¥117.2 billion (+10.3% year-on-year) on the back of a strong 6.2% year-on-year rise in same-store sales. However, the gross profit to revenue margin contracted by 0.2 point year-on-year in fiscal year 2015, and the selling, general and administrative expenses to revenue ratio rose 0.1 point on the back of higher personnel costs. During the Fall Winter season, sales of core winter ranges such as HEATTECH, Ultra Light Down and wool sweaters outstripped expectations. Our HEATTECH Extra Warm range, which was fully launched in fall 2014, is designed to offer 1.5 times the warmth of original HEATTECH fabrics, proved to be extremely popular among customers and generated strong sales. The launch of our spring ranges went well, but sales of summer items were dampened slightly by the unusually cold rainy season in June and early July. Our UNIQLO OSAKA global flagship store and UNIQLO Kichijoji global hotspot store have impressed customers with their community-based management style, and both stores have built a strong customer base since their opening in October 2014.

UNIQLO International

UNIQLO International also reported a record performance in fiscal year 2015, with revenue increasing to ¥603.6 billion (+45.9% year-on-year), and operating profit expanding to ¥43.3 billion (+31.6% year-on-year). Within the UNIQLO International framework, Greater China (Mainland China, Hong Kong and Taiwan) and South Korea proved to be the key drivers of growth by reporting significant increases in revenue and profit. Meanwhile, operating profit held steady at UNIQLO Southeast Asia. Operating profit at UNIQLO Europe contracted in fiscal year 2015 following the reporting of losses on the retirement of property, plant and equipment related to the renovation of our 311 Oxford Street global flagship store in London. Sales fell short of target and operating losses expanded at UNIQLO USA. This was partly due to the rapid expansion of the store network, with 17 new stores opening in fiscal year 2015, and due to the fact that the UNIQLO brand is still comparatively new to the US market and not yet widely recognized.

To give a few more details about those strong increases in revenue and profit at the standout UNIQLO Greater China operation: revenue increased 46.3% year-on-year to ¥304.4 billion and operating profit expanded by 66.1% year-on-year to ¥38.6 billion. The number of UNIQLO Greater China stores stood at 467 as of 31 August 2015. The total number of UNIQLO International stores expanded by 165 to 798 stores as of 31 August 2015.

Global Brands

Global Brands reported increases in revenue and profit in fiscal year 2015. Revenue increased to ¥295.3 billion (+17.6% year-on-year) and operating results shifted from an operating loss of ¥4.1 billion in fiscal year 2014 to an operating profit of ¥14.4 billion in fiscal year 2015. The segment reported a ¥5.1 billion impairment loss relating to recurring operating losses at J Brand.

Within the Global Brands segment, our low-priced GU fashion casualwear label performed especially well, generating significant increases in both revenue and profit. GU revenue reached ¥141.5 billion (+31.6% year-on-year) and operating profit totaled ¥16.4 billion (+174.9% year-on-year). This strong performance was underpinned by GU's ability to attract increasing numbers of customers of all ages by developing products that firmly capture the latest fashion trends, such as gaucho pants, and also the brand's capacity to flexibly increase production when required. The GU label boasted 314 stores in Japan and five stores outside of Japan as of 31 August 2015.

Meanwhile, our Theory fashion brand was adversely affected by the lackluster US market for luxury fashion, and reported a contraction in operating profit as a result. Our French fashion brand Comptoir des Cotonniers also reported a fall in operating profit. J Brand reported a higher operating loss after being hit hard by the downturn in the US premium denim market.

Corporate Social Responsibility ("CSR") Activities

The basic policy underlying the Group's CSR activities consists of fulfilling our social responsibility, contributing to communities and addressing social issues and creating new value, both globally and locally.

In our All-Product Recycling Initiative, we have donated a total of 16,320,000 items (as at 31 August 2015) of clothing collected in UNIQLO and GU stores to refugees and displaced persons, in partnership with the United Nations High Commissioner for Refugees (UNHCR). In fiscal year 2015, a total of 280,000 items have been delivered to refugees in Jordan, and 80,000 items mainly comprising children's clothing to refugees in Myanmar.

To improve the work environment throughout the entire supply chain, our Work Environment Monitoring program already in place for garment factories will be extended to monitor working conditions and environmental impacts at fabric manufacturers, which account for 70 percent of UNIQLO's production volume. In July 2015, we joined the Fair Labor Association, an international NPO promoting adherence to international and national labor laws. We are also committed to safeguarding the human rights of workers at our production partner sites.

We began selling a women's collection inspired by traditional Bangladeshi clothing in UNIQLO stores worldwide with the launch of the Factory Worker Empowerment Project in April 2015. Part of the proceeds from sales of items produced under this project will be used to fund education and awareness programs for approximately 20,000 women employed in partner garment factories working with UNIQLO and GU. In collaboration with NPOs, we promote health and nutritional knowledge, and offer support in areas such as pregnancy and childbirth care, and the management of personal health and finances.

Outlook for the Coming Year

The Group estimates it will achieve the following performance in the year ending 31 August 2016: consolidated revenue of ¥1.900 trillion (+13.0% year-on-year), consolidated operating profit of ¥200.0 billion (+21.6% year-on-year), profit before income taxes of ¥200.0 billion (+10.7% year-on-year) and profit attributable to owners of the parent of ¥115.0 billion (+4.5% year-on-year).

All three business segments are expected to achieve gains in both revenue and profit. The Group forecasts it will expand its total global store network to 3,173 stores by the end of August 2016. That estimate can be broken down into 846 UNIQLO Japan stores (including franchise outlets), 958 UNIQLO International stores and 1,369 stores for the Global Brands segment.

(2) Financial Positions and Cash Flow Information

(i) Financial Positions

Total assets as at 31 August 2015 were ¥1,163.7 billion, which was an increase of ¥171.3 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥58.3 billion in derivative financial assets, an increase of ¥41.1 billion in cash and cash equivalents, and an increase of ¥36.7 billion in inventories.

Total liabilities as at 31 August 2015 were ¥388.9 billion, which was an increase of ¥32.6 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥9.8 billion in deferred tax liabilities, an increase of ¥8.9 billion in provisions, and an increase of ¥4.0 billion in income taxes payable.

Equity as at 31 August 2015 was ¥774.8 billion, which was an increase of ¥138.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥76.9 billion in retained earnings and an increase of ¥53.8 billion in other components of equity.

(ii) Cash Flows Information

Cash and cash equivalents (hereinafter referred to as "funds") as at 31 August 2015 were ¥355.2 billion, which was an increase of ¥41.1 billion from the end of the preceding consolidated fiscal year.

(Operating Cash Flows)
Net cash from operating activities for the year ended 31 August 2015 was ¥134.9 billion, which was an increase of ¥24.3 billion (+22.0% year-on-year) from the preceding consolidated fiscal year. The principal factors were ¥180.6 billion in profit before income taxes, ¥37.7 billion in depreciation and amortization, and ¥84.7 billion in income taxes paid.

(Investing Cash Flows)
Net cash used in investing activities for the year ended 31 August 2015 was ¥73.1 billion, which was an increase of ¥16.8 billion (+29.9% year-on-year) from the preceding consolidated fiscal year. The principal factors were ¥44.6 billion for acquisition of property, plant and equipment, ¥16.1 billion for increase in bank deposits with maturity over 3 months and ¥8.8 billion for payments for lease and guarantee deposits.

(Financing Cash Flows)
Net cash used in financing activities for the year ended 31 August 2015 was ¥41.7 billion, which was a decrease of ¥2.2 billion (-5.2% year-on-year) from the preceding consolidated fiscal year. The principal factor was ¥33.1 billion for cash dividends paid.

(3) Basic Policies on Distribution of Profits, and Dividends for the year ended 31 August 2015 and the year ending 31 August 2016

The Company regards the distribution of profits to shareholders as one of its most important considerations. Our basic policy is to constantly increase earnings and to provide ongoing, appropriate profit distribution based on performance. Our policy is to pay dividends that reflect business performance after taking into consideration funds needed to expand business and improve revenues, and ensure the financial soundness of the Group. The basic policy of the Group regarding the payment of dividends from surplus is to pay two dividends annually, an interim dividend and a year-end dividend. These dividends are decided by the Board, unless otherwise stipulated by laws and regulations.

Based on the policy outlined above and the earnings of the year ended 31 August 2015, we plan to pay a year-end dividend of ¥175 per share. Together with the ¥175 interim dividend per share, this will bring the total annual dividend for the current year to ¥350.

The Company plans to pay the year-end dividend following its approval at the meeting of the Board on 4 November 2015.

For the year ending 31 August 2016, the Company plans to pay a dividend of ¥370 per share.

It is our intention to effectively utilize retained earnings and free cash flow for mergers and acquisitions ("M&A"), investment, financial investment and loans to strengthen the operational base of the Group companies.

2. Status of Group Member Companies

The Group consists of the Company and 119 consolidated subsidiaries.

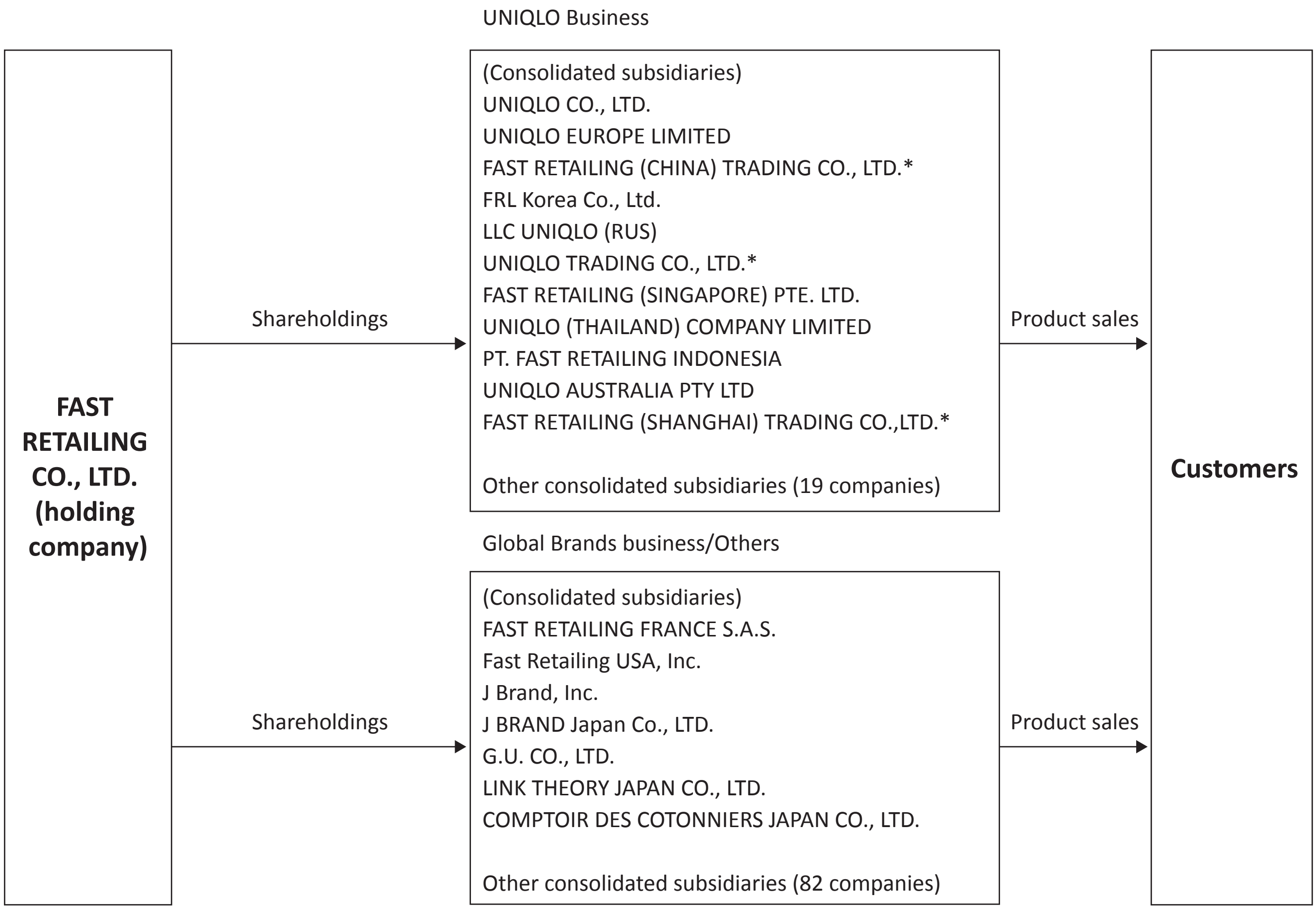
Details of the Group's businesses as well as the positioning of the Company and its main affiliates relative to the businesses are as follows:

Category	Company name	Reportable Segment
Holding company	FAST RETAILING CO., LTD.	Others
Principal consolidated subsidiaries	UNIQLO CO., LTD. (consolidated subsidiary)	UNIQLO Japan
	UNIQLO EUROPE LIMITED (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (CHINA) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FRL Korea Co., Ltd. (consolidated subsidiary)	UNIQLO International
	LLC UNIQLO (RUS) (consolidated subsidiary)	UNIQLO International
	UNIQLO TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SINGAPORE) PTE. LTD. (consolidated subsidiary)	UNIQLO International
	UNIQLO (THAILAND) COMPANY LIMITED (consolidated subsidiary)	UNIQLO International
	PT. FAST RETAILING INDONESIA (consolidated subsidiary)	UNIQLO International
	UNIQLO AUSTRALIA PTY LTD (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING FRANCE S.A.S. (consolidated subsidiary)	Global Brands
	Fast Retailing USA, Inc. (consolidated subsidiary)	UNIQLO International/ Global Brands
	J Brand, Inc. (consolidated subsidiary)	Global Brands
	J BRAND Japan Co., LTD. (consolidated subsidiary)	Global Brands
	G.U. CO., LTD. (consolidated subsidiary)	Global Brands
	LINK THEORY JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
	COMPTOIR DES COTONNIERS JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
	Other consolidated subsidiaries (101 companies)	UNIQLO International/ Global Brands/Others

* The English names of all subsidiaries established in the People's Republic of China ("PRC") are translated for identification only.

(Notes) 1. "UNIQLO" business means the retail business of UNIQLO brand casual apparel in Japan and overseas.
2. "Global Brands" business means the planning, retail and manufacturing of apparel in Japan and overseas.
3. "Others" include real estate leasing businesses.

Business Structure



* The English names of all subsidiaries established in PRC are translated for identification only.

3. Management Policy

(1) The Company's Basic Management Policy

The Company operates under the corporate statement: "Changing clothes. Changing conventional wisdom. Change the world." Based on our Group's corporate philosophy, the FAST RETAILING WAY ("FR WAY"), we aim to become the world's leading "SPA" (Specialty store retailer of Private label Apparel). We intend to do this by sharing the same values among all our Group companies and planning, producing and selling truly great products to enrich the lives of people all over the world. The Company's FR WAY Group Mission is "To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes, to enrich people's lives through our unique corporate activities, and to seek to grow and develop our Company in unity with society".

(2) Business Targets

We regard the ongoing growth of revenues as one of our top priorities in management.

(3) Medium — to Long-term Management Strategy

The Company's vision is to become the world's number one SPA. We plan to expand our UNIQLO business not only in Japan, but throughout the world, and develop our global brands, such as GU and Theory. In pursuit of this aim, we are committed to promoting globalization, strengthening our overall Group management and reigniting our entrepreneurial spirit, pursuing maximum group synergies in an effort to build a "Global One" management system. We are also actively engaged in CSR activities through our clothing business, in our efforts to be a corporation that makes a positive contribution to the lives of people around the world.

(4) Current Challenges Facing the Group

i) Promote Global One Management Principles

We are strengthening management functions and cooperation among our regional headquarters in Tokyo, New York, Paris, Shanghai and Singapore to help promote Global One management principles, and unify Group management across UNIQLO, GU, Theory and other operations. Global One encourages the use of best available global methods, and a self-motivated, united global approach to any challenge. Our FR Management Innovation Center (FR-MIC) is also working hard to nurture future global corporate leaders and managers.

ii) Accelerate UNIQLO's Global Development

We are promoting UNIQLO's global development by expanding store networks in Greater China, South Korea and other parts of Asia and Oceania, as well as Europe and the United States. We are boosting awareness of the UNIQLO brand by opening global flagship stores and regional flagship stores in major cities worldwide, and polishing our global marketing. Boosting visibility is a top priority in the United States to help turn a profit as soon as possible.

iii) Strengthen Development of Superior World-class Products

We are establishing dedicated R&D centers in Tokyo, New York, Shanghai, Paris, London and Los Angeles to pick up emerging global fashion trends early, and incorporate them swiftly into product development across our Group brands. UNIQLO's reputation is built upon its ability to offer the very best in basic casualwear, and we intend to continue providing perfectly finished world-class products that delight our customers and satisfy their casualwear needs.

iv) Build the Optimum Global Production Network

We are strengthening partnerships with materials manufacturers so we can make even better casualwear items with UNIQLO's unique highly functional materials. We are building an effective procurement system to help guarantee a stable, mass supply of high-quality natural materials. We are also creating an optimum global network of production bases to help strengthen our manufacturing capabilities, and reduce the lead time on supplementary production orders.

v) Promote Stable Growth at UNIQLO Japan

We continue to boost the efficiency of our 841-strong UNIQLO Japan store network as at 31 August 2015 through our "scrap and build" policy of replacing smaller stores with larger ones. Over the medium term, we will encourage 50% of store staff to become local store employees and take an active role in determining community-focused product mixes, services and marketing. Building a community-based store network is the best way to ensure stable, sustainable growth.

vi) Transform Industry through Digital Innovation

The spread of internet and mobile phones is fueling drastic changes in distribution. Our state-of-the-art Ariake distribution center will come on line in spring 2016. The center will serve as a base for our new "digital flagship store," which is designed to transform the way we shop and distribute products by seamlessly linking physical and virtual stores. We seek to revolutionize traditional planning, manufacturing, distribution, sales and services through digital innovation.

vii) Grow our Global Brands

Our GU fashion casualwear brand has helped carve a new business model for low-priced fashion. We are looking to expand GU in Japan and Asia, and target sales of ¥300 billion and operating profit of ¥40 billion in the medium term. We are expanding the Theory fashion label and other Global Brands by maximizing potential Group synergies, and will consider M&A of apparel brands that can boost Group growth.

viii) Pursue CSR to Make the World a Better Place

Our corporate social responsibility focuses on projects that enrich people's lives and society at large, such as the distribution of secondhand UNIQLO and GU clothing to refugee camps through our All-Product Recycling Initiative, social business in Bangladesh, monitoring working conditions and environmental impact at our partner factories and fabric manufacturers, promoting diversity in the workplace and a healthy work-life balance for employees, and the active employment of people with disabilities.

(5) Other Important Matters Regarding Management

Not applicable.

4. Basic Concept Regarding Selection of Accounting Standard

The Group has adopted International Financial Reporting Standards (“ IFRS”) to the Group’s consolidated financial statements since the year ended 31 August 2014.

5. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
ASSETS		
Current assets		
Cash and cash equivalents	314,049	355,212
Trade and other receivables	47,428	44,777
Other current financial assets	9,119	22,593
Inventories	223,223	260,006
Derivative financial assets	99,125	157,490
Income taxes receivable	11,951	18,564
Others	12,139	15,748
Total current assets	717,037	874,394
Non-current assets		
Property, plant and equipment	114,398	129,340
Goodwill	26,715	27,165
Other intangible assets	46,968	40,991
Non-current financial assets	71,293	75,940
Deferred tax assets	11,257	11,107
Others	4,636	4,766
Total non-current assets	275,270	289,311
Total assets	992,307	1,163,706
Liabilities and equity		
LIABILITIES		
Current liabilities		
Trade and other payables	185,119	181,577
Derivative financial liabilities	1,012	100
Other current financial liabilities	12,696	15,471
Income taxes payable	32,750	36,763
Provisions	16,154	22,615
Others	25,462	35,714
Total current liabilities	273,196	292,242
Non-current liabilities		
Non-current financial liabilities	27,604	25,513
Provisions	7,694	10,203
Deferred tax liabilities	37,387	47,272
Others	10,383	13,668
Total non-current liabilities	83,069	96,658
Total liabilities	356,265	388,901
EQUITY		
Capital stock	10,273	10,273
Capital surplus	9,803	11,524
Retained earnings	525,722	602,623
Treasury stock, at cost	(15,790)	(15,699)
Other components of equity	88,371	142,214
Equity attributable to owners of the parent	618,381	750,937
Non-controlling interests	17,660	23,867
Total equity	636,041	774,804
Total liabilities and equity	992,307	1,163,706

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated statement of profit or loss

(Millions of yen)

	Notes	Year ended 31 August 2014	Year ended 31 August 2015
Revenue		1,382,935	1,681,781
Cost of sales		(683,161)	(833,243)
Gross profit		699,773	848,538
Selling, general and administrative expenses	5	(549,195)	(671,863)
Other income	6	7,025	8,782
Other expenses	6,8	(27,200)	(20,992)
Operating profit		130,402	164,463
Finance income	7	6,001	17,354
Finance costs	7	(933)	(1,141)
Profit before income taxes		135,470	180,676
Income taxes		(56,133)	(63,287)
Profit for the year		79,337	117,388
Attributable to:			
Owners of the parent		74,546	110,027
Non-controlling interests		4,790	7,360
Profit for the year		79,337	117,388
Earnings per share			
Basic (Yen)	9	731.51	1,079.42
Diluted (Yen)	9	730.81	1,078.08

Consolidated statement of comprehensive income

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Profit for the year	79,337	117,388
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net gain/(loss) on revaluation of available-for-sale investments	66	(655)
Exchange differences on translation of foreign operations	8,402	14,040
Cash flow hedges	(5,773)	40,350
Other comprehensive income, net of taxes	2,695	53,735
Total comprehensive income for the year	82,033	171,124
Attributable to:		
Owners of the parent	75,517	163,871
Non-controlling interests	6,515	7,253
Total comprehensive income for the year	82,033	171,124

(3) Consolidated Statement of Changes in Equity

For the year ended 31 August 2014

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2013	10,273	6,859	481,746	(15,851)	731	16,452	70,215	87,399	570,428	19,298	589,726
Net changes during the year											
Comprehensive income											
Profit for the year	—	—	74,546	—	—	—	—	—	74,546	4,790	79,337
Other comprehensive income	—	—	—	—	66	6,583	(5,679)	971	971	1,724	2,695
Total comprehensive income	—	—	74,546	—	66	6,583	(5,679)	971	75,517	6,515	82,033
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(25)	—	—	—	—	(25)	—	(25)
Disposal of treasury stock	—	471	—	86	—	—	—	—	558	—	558
Dividends	—	—	(30,571)	—	—	—	—	—	(30,571)	(633)	(31,204)
Share-based payments	—	746	—	—	—	—	—	—	746	—	746
Acquisition of non-controlling interests	—	1,726	—	—	—	—	—	—	1,726	(7,813)	(6,086)
Others	—	—	—	—	—	—	—	—	—	293	293
Total transactions with the owners	—	2,944	(30,571)	60	—	—	—	—	(27,565)	(8,152)	(35,718)
Total net changes during the year	—	2,944	43,975	60	66	6,583	(5,679)	971	47,952	(1,637)	46,314
As at 31 August 2014	10,273	9,803	525,722	(15,790)	798	23,035	64,536	88,371	618,381	17,660	636,041

For the year ended 31 August 2015

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2014	10,273	9,803	525,722	(15,790)	798	23,035	64,536	88,371	618,381	17,660	636,041
Net changes during the year											
Comprehensive income											
Profit for the year	—	—	110,027	—	—	—	—	—	110,027	7,360	117,388
Other comprehensive income	—	—	—	—	(655)	14,815	39,683	53,843	53,843	(107)	53,735
Total comprehensive income	—	—	110,027	—	(655)	14,815	39,683	53,843	163,871	7,253	171,124
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(11)	—	—	—	—	(11)	—	(11)
Disposal of treasury stock	—	700	—	102	—	—	—	—	803	—	803
Dividends	—	—	(33,126)	—	—	—	—	—	(33,126)	(1,226)	(34,352)
Share-based payments	—	1,019	—	—	—	—	—	—	1,019	—	1,019
Others	—	—	—	—	—	—	—	—	—	180	180
Total transactions with the owners	—	1,720	(33,126)	90	—	—	—	—	(31,315)	(1,046)	(32,361)
Total net changes during the year	—	1,720	76,901	90	(655)	14,815	39,683	53,843	132,556	6,207	138,763
As at 31 August 2015	10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Profit before income taxes	135,470	180,676
Depreciation and amortization	30,808	37,758
Impairment losses	23,960	16,146
Increase/(decrease) in allowance for doubtful accounts	(24)	372
Increase/(decrease) in other provisions	2,703	5,096
Interest and dividend income	(897)	(1,477)
Interest expenses	933	1,137
Foreign exchange losses/(gains)	(5,104)	(15,084)
Losses on retirement of property, plant and equipment	391	2,479
Decrease/(increase) in trade and other receivables	(7,489)	3,977
Decrease/(increase) in inventories	(45,627)	(29,295)
Increase/(decrease) in trade and other payables	10,420	(18,611)
Decrease/(increase) in other assets	(6,552)	(1,900)
Increase/(decrease) in other liabilities	25,958	22,839
Others, net	1,265	1,339
Subtotal	166,216	205,456
Interest and dividend income received	896	1,477
Interest paid	(938)	(1,155)
Income taxes paid	(65,534)	(84,728)
Income taxes refund	9,954	13,881
Net cash from operating activities	110,595	134,931
Decrease/(increase) in bank deposits with maturity over 3 months	(2,156)	(16,173)
Purchases of property, plant and equipment	(41,414)	(44,663)
Proceeds from sales of property, plant and equipment	1,399	261
Purchases of intangible assets	(7,525)	(6,503)
Payments for lease and guarantee deposits	(6,982)	(8,849)
Proceeds from collection of lease and guarantee deposits	841	3,442
Increase in construction assistance fund receivables	(2,892)	(2,445)
Decrease in construction assistance fund receivables	1,895	1,895
Others, net	511	(109)
Net cash used in investing activities	(56,323)	(73,145)

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Net increase/(decrease) in short-term loans payable	862	1,814
Repayment of long-term loans payable	(3,826)	(5,090)
Cash dividends paid	(30,574)	(33,127)
Cash dividends paid to non-controlling interests	(633)	(1,226)
Repayments of lease obligations	(3,656)	(4,587)
Acquisition of non-controlling interests	(6,026)	—
Others, net	(205)	431
Net cash used in financing activities	(44,060)	(41,784)
Effect of exchange rate changes on cash and cash equivalents	7,129	21,162
Net increase/(decrease) in cash and cash equivalents	17,340	41,162
Cash and cash equivalents at beginning of year	296,708	314,049
CASH AND CASH EQUIVALENTS AT END OF YEAR	314,049	355,212

(5) Notes regarding Going Concern Assumptions

Not applicable.

(6) Notes to the Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Preparation

(1) Compliance with IFRS

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

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

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Use of Estimates and Judgments

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

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

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

- Useful lives of property, plant and equipment, and intangible assets
- Recoverable amounts from cash-generating units for impairment test
- Recoverability of deferred tax assets
- Valuation of inventories
- Recoverability of trade and other receivables
- Accounting treatment and valuation of provisions

- Fair value measurement of financial instruments
- Fair value unit price for share-based payments
- Probability of outflow of future economic benefits from contingent liabilities

3. Significant Accounting Policies

(1) Basis of Consolidation

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

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

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

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

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

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

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

(2) Business combinations

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

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

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

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

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

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

(3) Foreign Currencies

(i) Transactions and balances

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

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

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

(ii) Foreign Operations

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

(4) Financial Instruments

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

Non-derivative financial instruments

(i) Initial recognition and measurement

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

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

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

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

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

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

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

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

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

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

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

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

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

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

(v) Impairment of financial assets

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

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

(a) Significant deterioration in the financial condition of the issuer or counterparty;

(b) Default or delinquency in interest or principal payments; or

(c) Probability that the issuer will enter bankruptcy or financial reorganization.

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

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

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

(vi) Derecognition of financial assets

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

Non-derivative equity instruments and financial liabilities

(i) Equity instruments (stocks)

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

(ii) Financial liabilities

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

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

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

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

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

(c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets and liabilities) to be designated as “financial liabilities at fair value through profit or loss”).

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

(iv) Other financial liabilities

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

(v) Derecognition of financial liabilities

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

(vi) Fair value of financial instruments

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

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

(vii) Offsetting financial instruments

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

(i) Recognition and measurement

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

(ii) Depreciation

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

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

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

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

(i) Goodwill

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

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

(ii) Intangible assets

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

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

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

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

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

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

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

(9) Leases

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

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

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

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. Operating lease payments as lessee are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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

(10) Impairment

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

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

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

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

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

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

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

(11) Provisions

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

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

Each provision is described below:

(i) Allowance for bonuses

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

(ii) Asset retirement obligations

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

(12) Share-based payments

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

Stock options are measured at fair value based on the price of the Company's shares on the grant date.

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

(13) Revenue recognition

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

(i) Revenue recognition standards

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

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

(ii) Method of presentation for revenue

If the Group is acting as a principal in a transaction, revenue is stated as the total amount of consideration received from the customer.

(14) Income taxes

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

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

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

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

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

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

(15) Earnings per share

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

4. Segment Information

(1) Description of reportable segments

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

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

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

UNIQLO Japan: UNIQLO clothing business within Japan
UNIQLO International: UNIQLO clothing business outside of Japan
Global Brands: GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand clothing operations

(2) Method of calculating segment revenue and results

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

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

(3) Segment information

Year ended 31 August 2014

(Millions of yen)

	Reportable segments			Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	715,643	413,655	251,225	1,380,524	2,410	—	1,382,935
Operating profit/(losses)	106,304	32,956	(4,195)	135,064	83	(4,745)	130,402
Segment income/(losses) (profit before income taxes)	106,650	32,552	(3,661)	135,541	82	(152)	135,470
Other disclosure:							
Depreciation and amortization	8,712	11,712	5,519	25,945	174	4,688	30,808
Impairment losses	3,258	849	19,852	23,960	—	—	23,960

(Note1) "Others" include real estate leasing business, etc.
(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

Year ended 31 August 2015

(Millions of yen)

	Reportable segments			Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	780,139	603,684	295,316	1,679,140	2,641	—	1,681,781
Operating profit/(losses)	117,249	43,376	14,418	175,045	114	(10,695)	164,463
Segment income (profit before income taxes)	119,651	42,914	14,362	176,928	114	3,633	180,676
Other disclosure:							
Depreciation and amortization	7,475	16,865	6,682	31,024	181	6,552	37,758
Impairment losses	106	3,426	6,083	9,616	—	6,530	16,146

(Note1) "Others" include real estate leasing business, etc.
(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

(4) Geographic Information

Year ended 31 August 2014

1. External Revenue

(Millions of yen)

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

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

(Millions of yen)

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

Year ended 31 August 2015

1. External Revenue

(Millions of yen)

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

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

(Millions of yen)

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

5. 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 2014	Year ended 31 August 2015
Selling, general and administrative expenses		
Advertising and promotion	60,941	68,474
Rental expenses	138,652	166,437
Depreciation and amortization	30,808	37,758
Outsourcing	22,953	29,324
Salaries	184,864	230,815
Others	110,975	139,053
Total	549,195	671,863

6. Other income and other expenses

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

(Millions of yen)

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

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

(Millions of yen)

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

7. Finance income and finance costs

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

(Millions of yen)

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

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

(Millions of yen)

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

8. Impairment losses

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

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

(Millions of yen)

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

(Note) Leased assets include furniture and equipment.

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

Year ended 31 August 2014

(1) Property, plant and equipment

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

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

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

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

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

(2) Goodwill and intangible assets, etc.

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

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

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

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

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

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

Year ended 31 August 2015

(1) Property, plant and equipment

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

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

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

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

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

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to J Brand business

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

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

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

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

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

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

(ii) Impairment losses related to IT system investment

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

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

9. Earnings per share

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

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

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

10. Subsequent Events

Year ended 31 August 2014

At the board meeting of the Company held on 9 October 2014, the Board resolved to issue share subscription rights as share-based compensation stock options to some employees of the Company and its subsidiaries based on Articles 236, 238 and 240 of the Companies Act of Japan.

Please refer to "Notice of FAST RETAILING CO., LTD. related to the issuance of share-based compensation stock option (share subscription rights)" which the Company announced on 9 October 2014 for the details of this issuance.

Year ended 31 August 2015

At the board meeting of the Company held on 8 October 2015, the Board resolved to issue share subscription rights as share-based compensation stock options to some employees of the Company and its subsidiaries based on Articles 236, 238 and 240 of the Companies Act of Japan.

Please refer to "Notice of FAST RETAILING CO., LTD. related to the issuance of share-based compensation stock option (share subscription rights)" which the Company announced on 8 October 2015 for the details of this issuance.

Sales breakdown by product category/operation

Segment	Year ended 31 August 2014		Year ended 31 August 2015	
	Revenue (Millions of yen)	Percent of Total (%)	Revenue (Millions of yen)	Percent of Total (%)
Men's clothing	292,574	21.2	314,587	18.7
Women's clothing	354,721	25.6	371,127	22.1
Children's & Baby's clothing	40,052	2.9	56,526	3.4
Goods and other items	16,700	1.2	19,429	1.1
Total sales of UNIQLO Japan	704,049	50.9	761,671	45.3
Franchise-related income & alteration charges	11,594	0.8	18,467	1.1
Total UNIQLO Japan Operations	715,643	51.7	780,139	46.4
UNIQLO International Operations	413,655	29.9	603,684	35.9
Total UNIQLO Operations	1,129,299	81.6	1,383,824	82.3
Global Brands Operations	251,225	18.2	295,316	17.6
Other Operations	2,410	0.2	2,641	0.1
Total	1,382,935	100.0	1,681,781	100.0

(Notes) 1. Franchise-related income refers to the proceeds from garment sales to franchise stores, plus royalty income. Alteration charges refer to income generated from embroidery prints and alterations to pants length.

2. UNIQLO operations cover the selling of UNIQLO brand casual clothing.

3. Global Brands Operations consist of GU operations (selling of GU brand casual clothing), Theory operations (selling of Theory, Helmut Lang and PLST brand clothing), COMPTOIR DES COTONNIERS operations (selling of COMPTOIR DES COTONNIERS brand clothing), PRINCESSE TAM. TAM operations (selling of PRINCESSE TAM. TAM brand clothing), and J Brand operations (selling of J BRAND brand clothing).

4. Other operations include real-estate leasing business.

5. Direct business revenue from UNIQLO Japan (internet and other direct sales channels)
Fiscal year ended 31 August 2014: 25,333 million yen;
Fiscal year ended 31 August 2015: 32,409 million yen.

6. The above amounts do not include consumption taxes, etc.

6. Non-consolidated Financial Statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
ASSETS		
Current assets		
Cash and deposits	46,673	145,192
Trade accounts receivable	12,679	11,818
Short-term investment securities	131,622	39,943
Short-term loans receivable from subsidiaries and affiliates	34,275	49,226
Income taxes receivable	11,481	17,979
Accounts receivable from subsidiaries and affiliates	8,962	3,036
Deferred tax assets	—	867
Others	1,877	1,821
Allowance for doubtful accounts	(1)	(0)
Total current assets	247,570	269,886
Non-current assets		
Property, plant and equipment		
Buildings	5,736	5,860
Accumulated depreciation	(3,990)	(4,412)
Buildings, net	1,745	1,448
Structures	298	298
Accumulated depreciation	(207)	(212)
Structures, net	91	86
Tools, furniture and equipment	1,406	1,475
Accumulated depreciation	(1,290)	(1,355)
Tools, furniture and equipment, net	116	119
Land	1,158	1,158
Leased assets	20	135
Accumulated depreciation	(15)	(133)
Leased assets, net	4	2
Total property, plant and equipment	3,116	2,815
Intangible assets		
Software	11,849	10,179
Software in progress	5,403	1,124
Others	80	73
Total intangible assets	17,333	11,377
Investments and other assets		
Investment securities	439	553
Investments in subsidiaries and affiliates	74,922	75,810
Investments in capital of subsidiaries and affiliates	11,069	12,629
Long-term loans receivable from subsidiaries and affiliates	24,034	29,898
Leases and guarantee deposits	5,314	5,986
Others	1,310	1,051
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	117,092	125,930
Total non-current assets	137,542	140,122
Total assets	385,113	410,009

(Millions of yen)

	As at 31 August 2014	As at 31 August 2015
LIABILITIES		
Current liabilities		
Accounts payable	3,178	4,251
Accruals	1,173	715
Deposits received	42,435	23,939
Allowance for bonuses	1,283	1,614
Others	160	521
Total current liabilities	48,231	31,043
Non-current liabilities		
Guarantee deposits received	1,127	1,126
Deferred tax liabilities	3,012	1,072
Others	486	759
Total non-current liabilities	4,625	2,959
Total liabilities	52,857	34,002
NET ASSETS		
Shareholders' equity		
Capital stock	10,273	10,273
Capital surplus		
Capital reserve	4,578	4,578
Other capital surplus	1,856	2,550
Total capital surplus	6,435	7,129
Retained earnings		
Legal reserve	818	818
Other retained earnings		
Special reserve fund	185,100	185,100
Retained earnings carried forward	148,299	185,400
Total retained earnings	334,217	371,318
Treasury stock	(15,790)	(15,699)
Total shareholders' equity	335,136	373,023
Valuation and translation adjustments		
Unrealized gains/(losses) on available-for-sale securities	(4,515)	329
Total valuation and translation adjustments	(4,515)	329
Share subscription rights	1,634	2,654
Total net assets	332,255	376,007
Total liabilities and net assets	385,113	410,009

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2014	Year ended 31 August 2015
Operating revenue		
Management income from operating companies	26,481	30,265
Dividends income from subsidiaries and affiliates	50,957	88,805
Total operating revenue	77,438	119,071
Operating expenses		
Selling, general and administrative expenses		
Salaries	3,240	4,280
Bonuses	533	396
Allowance for bonuses	862	1,106
Rental expenses	3,881	4,419
Depreciation	4,908	6,438
Outsourcing expenses	10,620	13,923
Others	9,914	10,662
Total operating expenses	33,961	41,227
Operating income	43,477	77,844
Non-operating income		
Interest income	62	292
Interest income from investment securities	86	39
Foreign exchange gains	3,508	11,218
Others	96	132
Total non-operating income	3,753	11,683
Non-operating expenses		
Interest expenses	14	42
Others	294	239
Total non-operating expenses	308	282
Ordinary income	46,921	89,245
Extraordinary income		
Gain on sales of investments in short-term investment securities	—	1,773
Gain from discharge of indebtedness	427	—
Others	—	1
Total extraordinary income	427	1,775
Extraordinary losses		
Losses on retirement of non-current assets	—	9
Losses on sales of investments in short-term investment securities	—	1,081
Impairment losses of investments in investment securities	23,499	15,591
Impairment losses	—	6,530
Total extraordinary losses	23,499	23,212
Income before income taxes	23,849	67,808
Income taxes – current	(91)	586
Income taxes – deferred	605	(3,005)
Total income taxes	513	(2,418)
Net income	23,336	70,227

(3) Statement of Changes in Net Assets

Year ended 31 August 2014

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Special reserve fund	Retained earnings carried forward	Total retained earnings
Balance at the beginning of year	10,273	4,578	1,384	5,963	818	185,100	155,534	341,452
Changes during the year								
Exercise of share subscription rights			471	471				
Dividends							(30,571)	(30,571)
Net income							23,336	23,336
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	471	471	—	—	(7,234)	(7,234)
Balance at the end of year	10,273	4,578	1,856	6,435	818	185,100	148,299	334,217

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,851)	341,838	(6,980)	(6,980)	896	335,754
Changes during the year						
Exercise of share subscription rights		471				471
Dividends		(30,571)				(30,571)
Net income		23,336				23,336
Acquisition of treasury stock	(25)	(25)				(25)
Disposal of treasury stock	86	86				86
Net changes of items other than those in shareholders' equity			2,464	2,464	738	3,203
Net changes during the year	60	(6,701)	2,464	2,464	738	(3,498)
Balance at the end of year	(15,790)	335,136	(4,515)	(4,515)	1,634	332,255

Year ended 31 August 2015

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings
						Special reserve fund	Retained earnings carried forward	
Balance at the beginning of year	10,273	4,578	1,856	6,435	818	185,100	148,299	334,217
Changes during the year								
Exercise of share subscription rights			694	694				
Dividends							(33,126)	(33,126)
Net income							70,227	70,227
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	694	694	—	—	37,101	37,101
Balance at the end of year	10,273	4,578	2,550	7,129	818	185,100	185,400	371,318

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,790)	335,136	(4,515)	(4,515)	1,634	332,255
Changes during the year						
Exercise of share subscription rights		694				694
Dividends		(33,126)				(33,126)
Net income		70,227				70,227
Acquisition of treasury stock	(11)	(11)				(11)
Disposal of treasury stock	102	102				102
Net changes of items other than those in shareholders' equity			4,845	4,845	1,019	5,865
Net changes during the year	90	37,886	4,845	4,845	1,019	43,751
Balance at the end of year	(15,699)	373,023	329	329	2,654	376,007

7. Others

Changes in Officers

(1) Change in representative

Not applicable.

(2) Other changes in executives scheduled for 26 November 2015

Changes in directors assume approval by the Shareholders General Meeting for the 54th fiscal term, scheduled to be held on 26 November 2015.

(i) Candidates for reappointment as directors

Director	Tadashi Yanai	(current Chairman, President and CEO)
Director	Toru Hambayashi	(current Director)
Director	Nobumichi Hattori	(current Director)
Director	Toru Murayama	(current Director)
Director	Masaaki Shintaku	(current Director)
Director	Takashi Nawa	(current Director)

(Note) Tadashi Yanai is expected to be reappointed Chairman, President and CEO after re-election by the Ordinary General Meeting of Shareholders scheduled for 26 November 2015.
Toru Hambayashi, Nobumichi Hattori, Toru Murayama, Masaaki Shintaku and Takashi Nawa are External Directors as stipulated in Article 2-15 of the Companies Act.

4. Resumption of Trading

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 8 October 2015 pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 9 October 2015.

On Behalf of the Board
FAST RETAILING CO., LTD.
Tadashi Yanai
Chairman, President and Chief Executive Officer

Japan, 8 October 2015

As of the date of this announcement, the Executive Director is Mr. Tadashi Yanai, the Independent Non-executive Directors are Mr. Toru Hambayashi, Mr. Nobumichi Hattori and Mr. Masaaki Shintaku, and the Non-executive Directors are Mr. Toru Murayama and Mr. Takashi Nawa.