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 2017 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 2017 together with the comparative figures for the year ended 31 August 2016.

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, 12 October 2017, 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, 13 October 2017.

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

1. CONSOLIDATED FINANCIAL RESULTS

(1) Consolidated Operating Results (1 September 2016 to 31 August 2017)

(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 2017	1,861,917	4.2	176,414	38.6	193,398	114.3	128,910	138.4
Year ended 31 August 2016	1,786,473	6.2	127,292	(22.6)	90,237	(50.1)	54,074	(53.9)

	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 2017	119,280	148.2	202,059	—	1,169.70	1,168.00
Year ended 31 August 2016	48,052	(56.3)	(139,372)	—	471.31	470.69

	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 2017	18.3	14.7	9.5
Year ended 31 August 2016	7.3	7.5	7.1

(Note) Share of profits and losses of associates Year ended 31 August 2017: 625 million yen
Year ended 31 August 2016: 132 million yen

(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 2017	1,388,486	762,043	731,770	52.7	7,175.35
As at 31 August 2016	1,238,119	597,661	574,501	46.4	5,634.35

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash from/(used in) investing activities	Net cash from/(used in) financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 31 August 2017	212,168	122,790	(50,836)	683,802
Year ended 31 August 2016	98,755	(245,939)	201,428	385,431

2. DIVIDENDS

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent (consolidated)
	First quarter period end	Second quarter period end	Third quarter period end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended 31 August 2016	—	185.0	—	165.0	350.0	35,685	74.3	5.4
Year ended 31 August 2017	—	175.0	—	175.0	350.0	35,693	29.9	5.5
Year ending 31 August 2018 (forecast)	—	175.0	—	175.0	350.0		29.7	

3. CONSOLIDATED BUSINESS RESULTS PROJECTION FOR YEAR ENDING 31 AUGUST 2018 (1 SEPTEMBER 2017 TO 31 AUGUST 2018)

(% 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 2018	2,050,000	10.1	200,000	13.4	200,000	3.4	120,000	0.6	1,176.66

* Notes

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

(2) Changes in accounting policies and 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 2017	106,073,656 shares	As at 31 August 2016	106,073,656 shares
(ii)	Number of treasury stock	As at 31 August 2017	4,089,664 shares	As at 31 August 2016	4,109,503 shares
(iii)	Average number of shares outstanding	For the year ended 31 August 2017	101,975,416 shares	For the year ended 31 August 2016	101,955,026 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 2016 to 31 August 2017)

(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 2017	139,871	40.9	93,934	68.8	115,488	—	64,264	956.3
Year ended 31 August 2016	99,289	(16.6)	55,637	(28.5)	9,270	(89.6)	6,084	(91.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended 31 August 2017	630.20	629.28
Year ended 31 August 2016	59.68	59.60

(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 2017	670,111	377,103	55.6	3,654.97
As at 31 August 2016	631,086	345,773	54.2	3,355.83

(Notes) Shareholders' equity As at 31 August 2017: 372,748 million yen
As at 31 August 2016: 342,174 million yen

* This annual results announcement is not subject to auditing procedures pursuant to the Financial Instruments and Exchange Act of Japan.

* 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 2017

The Fast Retailing Group generated a record performance in fiscal 2017, the financial year from 1 September 2016 to 31 August 2017. Consolidated revenue totaled ¥1.8619 trillion (+4.2% year-on-year), operating profit reached ¥176.4 billion (+38.6% year-on-year), profit before income taxes rose to ¥193.3 billion (+114.3% year-on-year) and profit attributable to owners of the parent increased to ¥119.2 billion (+148.2% year-on-year). The consolidated gross profit margin improved 0.4 point year-on-year and the selling, general and administrative expense ratio also improved by 0.4 point thanks to persistent Groupwide cost-cutting efforts. Under other income/ costs, we accounted a foreign exchange gain of ¥2.1 billion and an impairment loss of ¥9.3 billion. In addition, under finance income, we recorded a foreign exchange gain of ¥13.3 billion after the spot foreign exchange rate at the end of the term closed below the spot rate at the start of the business term, increasing the carrying amount of our long-term foreign-currency denominated assets in yen terms. UNIQLO International generated an especially strong increase in profit, which proved the key driver of overall Group performance.

The Group's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we are focusing our efforts on expanding UNIQLO International and our low-priced GU casual fashion brand. We continue to increase UNIQLO store numbers in each country where we operate, and open global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. Within the UNIQLO International segment, Southeast Asia in particular is entering a new stage of growth and is set to become the segment's second pillar region after Greater China (Mainland China, Hong Kong and Taiwan) and South Korea. In terms of the GU operation, in addition to opening more GU stores in Japan, we are also planning to expand GU's international presence by opening more stores in Mainland China, Hong Kong and Taiwan. In February 2017, we launched the UNIQLO CITY TOKYO Ariake Office as part of our strategy to pursue a new working style, to revolutionize all supply chain processes from planning and design through raw materials procurement, manufacturing, logistics and retail, and to transform ourselves into a digital consumer retail company. Another area of focus in our business expansion plans is e-commerce. We have been working to make our online shopping experience more convenient for customers by marking the March 2017 launch of our new mobile shopping site with a broader range of online sizes, exclusive online items and semi-order-made products, and the option to pick up online purchases at a local convenience store or UNIQLO store.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue but a fall in profit in fiscal 2017, with revenue totaling ¥810.7 billion (+1.4% year-on-year) and operating profit totaling ¥95.9 billion (-6.4% year-on-year). In the twelve months to 31 August 2017, same-store sales, including online sales, expanded by 1.1% year-on-year, thanks to an increase in customer visits. Warm weather during the most vigorous sales month of December resulted in a modest rise in same-store sales in the first half of only 0.1% year-on-year. However, same-store sales subsequently expanded by 2.4% year-on-year in the second half on buoyant sales of newsworthy products such as wireless bras, Dry Stretch Kando Pants, easy ankle pants and UT T-shirts. Meanwhile, e-commerce sales increased 15.6% in fiscal 2017 to constitute 6.0% of total sales. On the profit front, while the gross profit to net sales margin improved by a modest 0.3 point year-on-year, the selling, general and administrative expense to net sales ratio increased by 1.3 points year-on-year, resulting in a decline in operating profit. Looking at selling, general and administrative expenses in more detail, while advertising and promotion expenses were further reduced across the financial term as part of the overall cost-cutting drive, personnel costs increased over the financial year, and distribution expenses increased temporarily in relation to the complete transformation of our distribution system.

UNIQLO International

UNIQLO International revenue rose to ¥708.1 billion (+8.1% year-on-year) in fiscal 2017, while operating profit almost doubled to ¥73.1 billion (+95.4% year-on-year). Several factors contributed to this strong performance, including a considerable improvement in the gross profit to net sales margin following the shift towards much tighter discounting in each individual operation, the positive effects of cost-cutting efforts, and a halving of the operating loss at UNIQLO USA. UNIQLO Southeast Asia & Oceania generated an especially strong performance. The expanded range of polo shirts, DRY T-shirts and other core products in that region, and strong sales of products designed specifically to suit the region's climate and culture both helped generate a significantly higher gross profit margin. UNIQLO South Korea generated a considerable increase in operating profit for the full financial term as the operation's positive management reforms helped encourage a recovery in same-store sales in the second half. UNIQLO Greater China reported a significant rise in operating profit, with same-store sales in Mainland China continuing their rising trend on the back of successful sales campaigns timed to draw in customers at the right point of the season and over public holidays. UNIQLO USA reduced its operating loss by half in fiscal 2017 thanks to efforts to tailor product ranges to suit specific regions, some successful sales promotions, and continued business reforms. At UNIQLO Europe, operating profit dipped slightly after the opening of 20 new stores mainly in Russia and France resulted in increased costs. In September 2017, Fast Retailing opened its first UNIQLO store in Spain, Barcelona. The store got off to a strong start.

Global Brands

The Global Brands segment generated increases in both revenue and profit in fiscal 2017, with revenue rising to ¥340.1 billion (+3.5% year-on-year) and operating income expanding to ¥14.0 billion (+47.5% year-on-year). Considerably higher profits from the Theory fashion label and shrinking impairment losses from the J Brand premium denim label contributed to the rise in Global Brands operating profit.

GU reported a rise in revenue but a decline in profit in fiscal 2017, with revenue rising to ¥199.1 billion (+6.0% year-on-year) and operating profit contracting to ¥13.5 billion (-39.0% year-on-year). Same-store sales declined 3.0% year-on-year on lost sales opportunities resulting from shortages in some strong-selling items such as design blouses, big silhouette tops, design bottoms, pajamas and shoes, and the fact that some products did not become the hot-selling items we originally expected. The fall in operating profit was caused by a number of factors: the shortfall in sales, which weighed on the gross profit margin; a rising costs of sales caused by a weaker yen, and; a rising business expense to net sales ratio. In international markets, after the first GU store opened in Hong Kong in March 2017, GU Hong Kong business continues to be a success.

Looking finally at other labels in the Global Brands segment, Theory generated a significant increase in operating profit in fiscal 2017 on the back of strong sales from the US Theory brand and improved profitability from Theory's PLST brand operation. Revenue from our France-based Comptoir des Cotonniers operation declined but the label's cost-cutting drive helped successfully reduce operating losses. The France-based Princesse tam.tam label generated a further operating loss, while US-based J Brand accounted a ¥3.6 billion impairment loss.

Sustainability

While globalization and development of the economy bring various benefits to the everyday lives of people, the world today also faces serious challenges including growing environmental concerns, a worsening refugee crisis, and human rights issues.

Society expects companies to behave ethically and Fast Retailing Co., Ltd. is committed to addressing social and environmental challenges to help create a sustainable society.

In February 2017, we established a set of sustainability policies which cover four priority areas: supply chain, products, stores and communities, and employees.

In the area of "supply chain," we will reform our production, logistics and sales processes in efforts to drastically reduce waste, and we will pay greater attention to human rights and working conditions. Moreover, to enhance transparency, UNIQLO made public a list of its core partner garment factories in February 2017.

In the area of "products," our aim is to create products that are simple, high in quality, and can enrich the lives of people, and we are focusing on the traceability of raw materials to ensure our products are safe and secure. Furthermore, when our products are no longer worn by customers, we will collect and reuse or recycle them to help those in need and help protect the environment.

In the area of "stores and communities," we will step up our efforts to assist refugees through donations of clothing, engage in community activities, and create stores that are more environmentally conscious.

Finally, in the area of "employees," we will promote diversity, female advancement, more flexible working schemes, and the hiring of people with disabilities and refugees. We aim to realize a workplace where each and every employee take pride in their work, and support the development of professional skills through training and education.

In the Sustainability Committee, which consists of outside experts, outside auditors, the president and executive officers, we are currently discussing strategies and goals for these four priority areas to be achieved by the year 2020. In the near future, we intend to formulate and implement a detailed plan for these areas.

(2) Financial Positions

Total assets as at 31 August 2017 were ¥1,388.4 billion, which was an increase of ¥150.3 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥298.3 billion in cash and cash equivalents, a decrease of ¥153.8 billion in other current financial assets, an increase of ¥19.6 billion in inventories, and a decrease of ¥20.1 billion in income taxes receivable.

Total liabilities as at 31 August 2017 were ¥626.4 billion, which was a decrease of ¥14.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥14.5 billion in trade and other payables, a decrease of ¥66.3 billion in derivative financial liabilities, an increase of ¥16.2 billion in income taxes payable, an increase of ¥5.6 billion in current provisions and an increase of ¥6.1 billion in deferred tax liabilities.

Total net assets as at 31 August 2017 were ¥762.0 billion, which was an increase of ¥164.3 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥84.6 billion in retained earnings and an increase of ¥71.2 billion in other components of equity.

(3) Cash Flows Information

Cash and cash equivalents as at 31 August 2017 were ¥683.8 billion, which was an increase of ¥298.3 billion from the end of the preceding consolidated fiscal year.

(Operating Cash Flows)

Net cash from operating activities for the year ended 31 August 2017 was ¥212.1 billion, which was an increase of ¥113.4 billion (+114.8 % year-on-year) from the year ended 31 August 2016. The principal factors were ¥193.3 billion in profit before income taxes (an increase of ¥103.1 billion from the year ended 31 August 2016), ¥13.3 billion in foreign exchange gains (an increase of ¥50.2 billion from the year ended 31 August 2016), ¥5.9 billion in increase in inventories (an increase of ¥28.9 billion from the year ended 31 August 2016) and ¥47.6 billion in income taxes paid (a decrease of ¥40.8 billion from the year ended 31 August 2016).

(Investing Cash Flows)

Net cash from investing activities for the year ended 31 August 2017 was ¥122.7 billion, which was an increase of ¥368.7 billion from the year ended 31 August 2016. The principal factors were ¥168.3 billion for decrease in bank deposits with maturity over 3 months (an increase of ¥354.8 billion from the year ended 31 August 2016).

(Financing Cash Flows)

Net cash used in financing activities for the year ended 31 August 2017 was ¥50.8 billion, which was an increase of ¥252.2 billion from the year ended 31 August 2016. The principal factor was the proceeds of ¥249.3 billion arising from issuance of corporate bonds during the year ended 31 August 2016.

(4) Outlook for the Coming Year

In fiscal 2018, Fast Retailing expects to achieve consolidated revenue of ¥2.05 trillion (+10.1% year-on-year), operating profit of ¥200.0 billion (+13.4% year-on-year), profit before income taxes of ¥200.0 billion (+3.4% year-on-year) and profit attributable to owners of the parent of ¥120.0 billion (+0.6% year-on-year).

All three Fast Retailing business segments are expected to generate increases in both revenue and profit in fiscal 2018. We forecast the overall Fast Retailing Group network will expand to a total of 3,502 stores by the end of August 2018: 831 stores (including franchise stores) at UNIQLO Japan, 1,246 stores at UNIQLO International and 1,425 stores at Global Brands.

2. Basic Concept Regarding Selection of Accounting Standards

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

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
ASSETS		
Current assets		
Cash and cash equivalents	385,431	683,802
Trade and other receivables	45,178	48,598
Other current financial assets	184,239	30,426
Inventories	270,004	289,675
Derivative financial assets	569	6,269
Income taxes receivable	21,626	1,518
Others	17,534	17,307
Total current assets	924,583	1,077,598
Non-current assets		
Property, plant and equipment	121,853	136,979
Goodwill	17,908	15,885
Other intangible assets	34,205	36,895
Non-current financial assets	77,553	77,608
Investments in associates	13,132	13,473
Deferred tax assets	44,428	25,303
Others	4,453	4,742
Total non-current assets	313,535	310,888
Total assets	1,238,119	1,388,486
Liabilities and equity		
LIABILITIES		
Current liabilities		
Trade and other payables	189,501	204,008
Derivative financial liabilities	72,388	6,083
Other current financial liabilities	12,581	11,844
Income taxes payable	9,602	25,864
Provisions	22,284	27,889
Others	31,689	35,731
Total current liabilities	338,046	311,421
Non-current liabilities		
Non-current financial liabilities	274,090	273,467
Provisions	10,645	15,409
Deferred tax liabilities	3,809	10,000
Others	13,865	16,144
Total non-current liabilities	302,411	315,022
Total liabilities	640,458	626,443
EQUITY		
Capital stock	10,273	10,273
Capital surplus	13,070	14,373
Retained earnings	613,974	698,584
Treasury stock, at cost	(15,633)	(15,563)
Other components of equity	(47,183)	24,102
Equity attributable to owners of the parent	574,501	731,770
Non-controlling interests	23,159	30,272
Total equity	597,661	762,043
Total liabilities and equity	1,238,119	1,388,486

(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 2016	Year ended 31 August 2017
Revenue		1,786,473	1,861,917
Cost of sales		(921,475)	(952,667)
Gross profit		864,998	909,249
Selling, general and administrative expenses	2	(702,956)	(725,215)
Other income	3	2,363	6,947
Other expenses	3,5	(37,112)	(14,567)
Operating profit		127,292	176,414
Finance income	4	2,364	19,917
Finance costs	4	(39,420)	(2,932)
Profit before income taxes		90,237	193,398
Income taxes		(36,162)	(64,488)
Profit for the year		54,074	128,910
Attributable to:			
Owners of the parent		48,052	119,280
Non-controlling interests		6,021	9,630
Profit for the year		54,074	128,910
Earnings per share			
Basic (Yen)	6	471.31	1,169.70
Diluted (Yen)	6	470.69	1,168.00

Consolidated statement of comprehensive income

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Profit for the year	54,074	128,910
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	105	(245)
Exchange differences on translation of foreign operations	(43,312)	26,285
Cash flow hedges	(150,239)	47,109
Other comprehensive (loss)/income, net of taxes	(193,447)	73,148
Total comprehensive (loss)/income for the year	(139,372)	202,059
Attributable to:		
Owners of the parent	(141,345)	190,566
Non-controlling interests	1,972	11,493
Total comprehensive (loss)/income for the year	(139,372)	202,059

(3) Consolidated Statement of Changes in Equity

For the year ended 31 August 2016

(Millions of yen)

					Other components of equity						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2015	10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804
Net changes during the year											
Comprehensive income											
Profit for the year	—	—	48,052	—	—	—	—	—	48,052	6,021	54,074
Other comprehensive (loss)/income	—	—	—	—	105	(40,663)	(148,839)	(189,397)	(189,397)	(4,049)	(193,447)
Total comprehensive (loss)/income	—	—	48,052	—	105	(40,663)	(148,839)	(189,397)	(141,345)	1,972	(139,372)
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	—	546	—	72	—	—	—	—	619	—	619
Dividends	—	—	(36,702)	—	—	—	—	—	(36,702)	(3,268)	(39,970)
Share-based payments	—	945	—	—	—	—	—	—	945	—	945
Others	—	53	—	—	—	—	—	—	53	587	641
Total transactions with the owners	—	1,546	(36,702)	66	—	—	—	—	(35,090)	(2,680)	(37,770)
Total net changes during the year	—	1,546	11,350	66	105	(40,663)	(148,839)	(189,397)	(176,435)	(708)	(177,143)
As at 31 August 2016	10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661

For the year ended 31 August 2017

(Millions of yen)

					Other components of equity						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2016	10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the year											
Comprehensive income											
Profit for the year	—	—	119,280	—	—	—	—	—	119,280	9,630	128,910
Other comprehensive (loss)/income	—	—	—	—	(245)	24,618	46,913	71,285	71,285	1,862	73,148
Total comprehensive (loss)/income	—	—	119,280	—	(245)	24,618	46,913	71,285	190,566	11,493	202,059
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	—	642	—	75	—	—	—	—	718	—	718
Dividends	—	—	(34,670)	—	—	—	—	—	(34,670)	(3,994)	(38,664)
Share-based payments	—	754	—	—	—	—	—	—	754	—	754
Others	—	(94)	—	—	—	—	—	—	(94)	(385)	(480)
Total transactions with the owners	—	1,303	(34,670)	69	—	—	—	—	(33,297)	(4,379)	(37,677)
Total net changes during the year	—	1,303	84,610	69	(245)	24,618	46,913	71,285	157,268	7,113	164,381
As at 31 August 2017	10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Profit before income taxes	90,237	193,398
Depreciation and amortization	36,797	39,688
Impairment losses	22,397	9,324
Increase/(decrease) in allowance for doubtful accounts	46	(19)
Increase/(decrease) in other provisions	328	1,674
Interest and dividend income	(2,364)	(6,124)
Interest expenses	2,402	2,932
Foreign exchange losses/(gains)	36,955	(13,318)
Share of losses/(profits) of associates	(132)	(625)
Losses on retirement of property, plant and equipment	1,052	1,915
Decrease/(increase) in trade and other receivables	(2,364)	(1,422)
Decrease/(increase) in inventories	(34,908)	(5,955)
Increase/(decrease) in trade and other payables	18,598	9,949
Decrease/(increase) in other assets	1,868	(290)
Increase/(decrease) in other liabilities	(1,356)	6,417
Others, net	(476)	(1,682)
Subtotal	169,079	235,861
Interest and dividend income received	2,364	6,124
Interest paid	(2,163)	(2,966)
Income taxes paid	(88,512)	(47,691)
Income taxes refund	17,987	20,840
Net cash from operating activities	98,755	212,168
Decrease/(increase) in bank deposits with maturity over 3 months	(186,536)	168,337
Purchases of property, plant and equipment	(34,158)	(33,600)
Proceeds from sales of property, plant and equipment	1,137	36
Purchases of intangible assets	(9,470)	(12,266)
Payments for lease and guarantee deposits	(7,434)	(3,211)
Proceeds from collection of lease and guarantee deposits	3,983	1,789
Investments in associates	(13,000)	(196)
Increase in construction assistance fund receivables	(1,323)	(1,045)
Decrease in construction assistance fund receivables	1,909	1,713
Others, net	(1,045)	1,232
Net cash from/(used in) investing activities	(245,939)	122,790

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Net increase/(decrease) in short-term loans payable	(243)	(3,223)
Repayments of long-term loans payable	(4,937)	(2,915)
Proceeds from issuance of corporate bonds	249,369	—
Cash dividends paid	(36,700)	(34,671)
Cash dividends paid to non-controlling interests	(3,076)	(3,965)
Repayments of lease obligations	(4,313)	(6,052)
Others, net	1,330	(8)
Net cash from/(used in) financing activities	201,428	(50,836)
Effect of exchange rate changes on cash and cash equivalents	(24,025)	14,248
Net increase/(decrease) in cash and cash equivalents	30,218	298,371
Cash and cash equivalents at the beginning of year	355,212	385,431
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	385,431	683,802

(5) Notes regarding Going Concern Assumptions

Not applicable.

(6) Notes to the Consolidated Financial Statements

1. 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) Segment revenue and results
Year ended 31 August 2016

(Millions of yen)

	Reportable segments			Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	799,817	655,406	328,557	1,783,782	2,691	—	1,786,473
Operating profit/(losses)	102,462	37,438	9,520	149,421	235	(22,364)	127,292
Segment income/(losses) (profit before income taxes)	100,456	37,138	9,297	146,892	235	(56,890)	90,237
Other disclosure:							
Depreciation and amortization	7,190	17,623	6,605	31,419	156	5,221	36,797
Impairment losses	1,747	5,833	14,816	22,397	—	—	22,397

(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 2017

(Millions of yen)

	Reportable segments			Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	810,734	708,171	340,143	1,859,048	2,868	—	1,861,917
Operating profit/(losses)	95,914	73,143	14,043	183,101	285	(6,972)	176,414
Segment income/(losses) (profit before income taxes)	97,868	72,814	13,924	184,608	285	8,504	193,398
Other disclosure:							
Depreciation and amortization	8,966	17,214	6,478	32,659	153	6,875	39,688
Impairment losses	284	1,603	3,854	5,741	—	3,583	9,324

(Note1) "Others" include real estate leasing business, etc.
(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments. Please refer to "5. Impairment losses" for details of impairment loss on IT system investments, which is allocated to "Adjustments".

2. 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 2016	Year ended 31 August 2017
Selling, general and administrative expenses		
Advertising and promotion	71,611	70,937
Rental expenses	171,356	174,034
Depreciation and amortization	36,797	39,688
Outsourcing	33,602	33,244
Salaries	242,033	252,520
Others	147,555	154,790
Total	702,956	725,215

3. Other income and other expenses

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

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Other income		
Foreign exchange gains*	—	2,137
Gains on sales of property, plant and equipment	135	18
Share of profits and losses of associates	132	625
Reversal of impairment losses	—	695
Others	2,095	3,469
Total	2,363	6,947

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Other expenses		
Foreign exchange losses*	11,095	—
Losses on retirement of property, plant and equipment	1,052	1,915
Impairment losses	22,397	9,324
Others	2,567	3,327
Total	37,112	14,567

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

4. Finance income and finance costs

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

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Finance income		
Foreign exchange gains*	—	13,318
Interest income	2,349	6,110
Dividend income	14	14
Others	—	474
Total	2,364	19,917

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Finance costs		
Foreign exchange losses*	36,955	—
Interest expenses	2,402	2,932
Others	62	—
Total	39,420	2,932

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

5. Impairment losses

During the year ended 31 August 2017, the Group recognized impairment losses on certain store assets, goodwill and intangible assets owned by J Brand business and software relating to IT system investments, due to reduction in profitability of respective cash-generating units, etc.

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

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Buildings and structures	6,150	1,491
Furniture and equipment	1,387	571
Land	—	34
Leased assets	384	55
Subtotal impairment losses on property, plant and equipment	7,922	2,153
Software	—	2,912
Goodwill	7,565	2,196
Trademark	3,902	772
Other intangible assets	2,995	681
Subtotal impairment losses on intangible assets	14,463	6,562
Other current assets (short-term prepayments)	—	608
Other non-current assets (long-term prepayments)	11	—
Total impairment losses	22,397	9,324

(Note) Leased assets include furniture and equipment.

The Group’s impairment losses during the year ended 31 August 2017 amounted to 9,324 million yen, compared with 22,397 million yen during the year ended 31 August 2016, and are included in “other expenses” on the consolidated statement of profit or loss.

Year ended 31 August 2016

(1) Property, plant and equipment

Out of the total impairment losses amounted to 22,397 million yen, 7,934 million yen represented write down of the carrying amounts of the store assets to the recoverable amounts, mainly due to a reduction in profitability of certain stores, including flagship stores.

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

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 13.9%. Theoretically, the projected cash flows cover a 5-year period, and do not use a growth rate that exceeds the long term average market growth rate. The pre-tax discount rate calculation is based on the weighted average cost of capital.

The main 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	UNIQLO USA LLC etc. 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 22,397 million yen, 13,861 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 consisted of 2,018 million yen of goodwill, 1,987 million yen of trademarks and 731 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 applied to the 10-year discounted cash flow based on plans projected and approved by management. The fair value measurements is calculated based on post-tax discount rate. The post-tax discount rate is calculated at 22.0% based on the weighted average cost of capital of the cash-generating units (Income approach).

In addition, deviation from the amount of future cash flows or the predictions about the implementation timing is reflected mainly in the discount rate.

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 on leasehold rights and key money, etc.

Out of the total impairment losses amounted to 22,397 million yen, 601 million yen represented the impairment losses on leasehold rights and key money, etc., which are included in other intangible assets.

The leasehold rights and key money, etc., are intangible assets with indefinite useful lives. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any impairment indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The recoverable amount of such store rental agreement related rights is measured at the higher of value in use and fair value less disposal costs, which is calculated based on the evaluation carried out by accredited independent expert.

Year ended 31 August 2017

(1) Property, plant and equipment

Out of the total impairment losses amounted to 9,324 million yen, 2,153 million yen represented write down of the carrying amounts of the store assets to the recoverable amounts, mainly due to a reduction in profitability of certain stores, including flagship stores.

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

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 14.6%. Theoretically, the projected cash flows cover a 5-year period, and do not use a growth rate that exceeds the long term average market growth rate. The pre-tax discount rate calculation is based on the weighted average cost of capital.

The main 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	UNIQLO USA LLC etc. stores	Buildings and structures
Global brands	PETIT VEHICULE S.A.S etc. 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 9,324 million yen, 3,650 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 consisted of zero yen of goodwill and customer relationships, 1,388 million yen of trademarks.

The recoverable amounts from goodwill and intangible assets relating to trademarks and customer relationships, related to the J Brand business are calculated based on fair value less cost 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 fair value measurements is calculated based on post-tax discount rate. The post-tax discount rate is calculated at 20.5% based on the weighted average cost of capital of the cash-generating units (Income approach).

In addition, deviation from the amount of future cash flows or the predictions about the implementation timing is reflected mainly in the discount rate. Furthermore, the cash flows beyond the 10-year period are extrapolated using a 3% growth rate by taking into account the long-term average market growth rate.

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

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

(ii) Impairment losses related to IT system investment

Out of the total impairment losses amounted to 9,324 million yen, 3,521 million yen is related to IT system investment for luxury brands. 3,521 million yen is comprised of impairment losses for software assets which amounted to 2,912 million yen and impairment losses for IT system assets which are included in other non-current assets which amounted to 608 million yen.

This impairment losses represented write down of the carrying amount of the aforementioned assets to the recoverable value in order to reflect the decreased profitability resulted from replacing the system. Our company allocates the software, as corporate assets, to each luxury brands, whereby representing individual cash-generating units.

The recoverable amounts of each cash-generating units, related to the luxury brands are calculated based on value in use. As a result, the carrying amounts of software after recognition of impairment losses amounted to zero yen.

(3) Reversal of impairment losses

Since recovery in profitability were identified in certain stores in the UNIQLO Japan business where of impairment losses were recorded in the past (mainly buildings and structures), total reversal of impairment losses amounted to 695 million yen are included in “Other income” in the consolidated statement of profit or loss. The recoverable amounts are based on value in use.

The calculation basis of value in use is the cash flow projections based on estimates and growth rates compiled by management at discount rates ranging from 16.3% to 19.3%. Theoretically, the projected cash flows are based on the remaining estimated useful lives of respective property, plant and equipment, and do not use a growth rate that exceeds the long term average market growth rate. The pre-tax discount rate calculation is based on the weighted average cost of capital.

6. Earnings per share

Year ended 31 August 2016		Year ended 31 August 2017	
Equity per share attributable to owners of the parent (Yen)	5,634.35	Equity per share attributable to owners of the parent (Yen)	7,175.35
Basic earnings per share for the year (Yen)	471.31	Basic earnings per share for the year (Yen)	1,169.70
Diluted earnings per share for the year (Yen)	470.69	Diluted earnings per share for the year (Yen)	1,168.00

(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 2016	Year ended 31 August 2017
Basic earnings per share for the year		
Profit attributable to owners of the parent for the year (Millions of yen)	48,052	119,280
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	48,052	119,280
Average number of common stock during the year (Shares)	101,955,026	101,975,416
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	134,476	148,207
(share subscription rights)	(134,476)	(148,207)

7. Subsequent Events

Year ended 31 August 2016

At the board meeting of the Company held on 13 October 2016, 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 13 October 2016 for the details of this issuance.

Year ended 31 August 2017

At the board meeting of the Company held on 12 October 2017, 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 12 October 2017 for the details of this issuance.

4. Supplementary Information

Sales breakdown by product category/operation

Division	Year ended 31 August 2016		Year ended 31 August 2017	
	Revenue (Millions of yen)	Percent of Total (%)	Revenue (Millions of yen)	Percent of Total (%)
Men's clothing	319,995	17.9	316,601	17.0
Women's clothing	379,837	21.3	386,075	20.7
Children's & Baby's clothing	55,005	3.1	60,497	3.2
Goods and other items	20,935	1.2	21,145	1.2
Total sales of UNIQLO Japan	775,773	43.5	784,320	42.1
Franchise-related income & alteration charges	24,044	1.3	26,413	1.4
Total UNIQLO Japan Operations	799,817	44.8	810,734	43.5
UNIQLO International Operations	655,406	36.7	708,171	38.0
Total UNIQLO Operations	1,455,224	81.5	1,518,905	81.5
Global Brands Operations	328,557	18.4	340,143	18.3
Other Operations	2,691	0.1	2,868	0.2
Total	1,786,473	100.0	1,861,917	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. E-commerce revenue from UNIQLO Japan
Fiscal year ended 31 August 2016: 42,167 million yen;
Fiscal year ended 31 August 2017: 48,753 million yen.

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

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, 12 October 2017 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, 13 October 2017.

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

Japan, 12 October 2017

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.