FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Year-end Report 2016/17

2016.9.1–2017.8.31

Stock Code: 6288

Contents

Corporate Information

Board of Directors

Executive Director

Mr. Tadashi Yanai *(Chairman of the Board, President and Chief Executive Officer)*

Non-Executive Directors

Mr. Toru Murayama *(External Director)*

Independent Non-Executive Directors

Mr. Toru Hambayashi *(External Director)*
Mr. Nobumichi Hattori *(External Director)*
Mr. Masaaki Shintaku *(External Director)*
Mr. Takashi Nawa *(External Director)*

Statutory Auditors

Mr. Akira Tanaka (Kansayaku) *(Standing Statutory Auditor)*
Mr. Masaaki Shinjo (Kansayaku) *(Standing Statutory Auditor)*
Mr. Takaharu Yasumoto (Shagai Kansayaku) *(External Statutory Auditor)*
Mr. Akira Watanabe (Shagai Kansayaku) *(External Statutory Auditor)*
Ms. Keiko Kaneko (Shagai Kansayaku) *(External Statutory Auditor)*

Joint Company Secretaries

Japan: Mr. Mitsuru Ohki
Hong Kong: Ms. Choy Yee Man

Auditors

Ernst & Young ShinNihon LLC

Principal Banks

Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama
Yamaguchi City
Yamaguchi 754-0894
Japan

Principal Place of Business in Japan

Midtown Tower 9-7-1
Akasaka Minato-ku
Tokyo 107-6231
Japan

Principal Place of Business in Hong Kong

702-706, 7th Floor, Mira Place Tower A,
No. 132 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Stock Code

Hong Kong: 6288
Japan: 9983

Website Address

http://www.fastretailing.com

Financial Highlights

(1) Consolidated Financial Summary

Term	International Financial Reporting Standards ("IFRS")				
	52nd Year	53rd Year	54th Year	55th Year	56th Year
Accounting Period	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017
Revenue (Millions of yen)	1,142,971	1,382,935	1,681,781	1,786,473	1,861,917
Operating profit (Millions of yen)	134,101	130,402	164,463	127,292	176,414
Profit before income taxes (Millions of yen)	155,732	135,470	180,676	90,237	193,398
Profit attributable to owners of the parent (Millions of yen)	104,595	74,546	110,027	48,052	119,280
Comprehensive income attributable to owners of the parent (Millions of yen)	205,660	75,517	163,871	(141,345)	190,566
Equity attributable to owners of the parent (Millions of yen)	570,428	618,381	750,937	574,501	731,770
Total assets (Millions of yen)	901,208	992,307	1,163,706	1,238,119	1,388,486
Equity per share attributable to owners of the parent (Yen)	5,598.12	6,067.40	7,366.07	5,634.35	7,175.35
Basic earnings per share for the year (Yen)	1,026.68	731.51	1,079.42	471.31	1,169.70
Diluted earnings per share for the year (Yen)	1,025.75	730.81	1,078.08	470.69	1,168.00
Ratio of equity attributable to owners of the parent to total assets (%)	63.3	62.3	64.5	46.4	52.7
Ratio of profit to equity attributable to owners of the parent (%)	21.7	12.5	16.1	7.3	18.3
Price earnings ratio (times)	31.1	44.5	45.6	77.1	26.9
Net cash from operating activities (Millions of yen)	99,474	110,595	134,931	98,755	212,168
Net cash from/(used in) investing activities (Millions of yen)	(62,584)	(56,323)	(73,145)	(245,939)	122,790
Net cash from/(used in) in financing activities (Millions of yen)	(24,226)	(44,060)	(41,784)	201,428	(50,836)
Cash and cash equivalents at the end of year (Millions of yen)	296,708	314,049	355,212	385,431	683,802
Number of employees: (Separate, average number of temporary employees) (persons)	23,982 (23,535)	30,448 (25,705)	41,646 (27,219)	43,639 (26,282)	44,424 (31,719)

(Notes) 1. Revenue does not include consumption taxes, etc.

2. The Group started to prepare the consolidated financial statements for the year ended 31 August 2014 in accordance with IFRS.

Term	Generally Accepted Accounting Principles in Japan ("JGAAP")	
	52nd Year	53rd Year
Accounting period	Year ended 31 August 2013	Year ended 31 August 2014
Net sales (Millions of yen)	1,143,003	1,382,907
Ordinary income (Millions of yen)	148,979	156,828
Net income (Millions of yen)	90,377	78,118
Comprehensive income (Millions of yen)	205,329	82,066
Total net assets (Millions of yen)	579,591	626,581
Total assets (Millions of yen)	885,800	977,609
Equity per share (Yen)	5,489.86	5,958.54
Basic net income per share (Yen)	887.12	766.55
Diluted net income per share (Yen)	886.31	765.82
Equity ratio (%)	63.2	62.1
Earnings on equity (%)	19.1	13.4
Price earnings ratio (times)	36.0	42.5
Net cash from operating activities (Millions of yen)	99,439	111,399
Net cash used in investing activities (Millions of yen)	(63,901)	(63,574)
Net cash used in financing activities (Millions of yen)	(23,945)	(38,014)
Cash and cash equivalents at the end of year (Millions of yen)	295,622	313,746
Number of employees: (Separate, average number of temporary employees) (Persons)	23,982 (23,535)	30,448 (25,705)

(Notes) 1. Net sales do not include consumption taxes, etc.

2. The financial figures for the 53rd year prepared in accordance with JGAAP are not audited pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

(2) Non-Consolidated Financial Summary

Term	52nd Year	53rd Year	54th Year	55th Year	56th Year
Accounting period	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017
Operating revenue (Millions of yen)	91,570	77,438	119,071	99,289	139,871
Ordinary income (Millions of yen)	76,569	46,921	89,245	9,270	115,488
Net income (Millions of yen)	68,776	23,336	70,227	6,084	64,264
Capital stock (Millions of yen)	10,273	10,273	10,273	10,273	10,273
Total number of shares issued (shares)	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656
Total net assets (Millions of yen)	335,754	332,255	376,007	345,773	377,103
Total assets (Millions of yen)	370,110	385,113	410,009	631,086	670,111
Equity per share (Yen)	3,286.26	3,243.97	3,662.28	3,355.83	3,654.97
Dividends per share (Figures in parentheses indicate interim dividends) (Yen)	290.00 (140.00)	300.00 (150.00)	350.00 (175.00)	350.00 (185.00)	350.00 (175.00)
Basic net income per share (Yen)	675.09	228.99	688.96	59.68	630.20
Diluted net income per share (Yen)	674.48	228.77	688.11	59.60	629.28
Equity ratio (%)	90.5	85.9	91.1	54.2	55.6
Earnings on equity (%)	22.2	7.0	20.0	1.7	18.0
Price earnings ratio (times)	47.3	142.1	71.5	608.9	49.9
Dividend ratio (%)	43.0	131.0	50.8	586.5	55.5
Number of employees: (Separate, average number of temporary employees) (Persons)	924 (103)	1,088 (114)	1,234 (119)	1,131 (126)	1,166 (140)

(Note) Operating revenue does not include consumption taxes, etc.

Corporate Profile

1. History

In March 1949, Hitoshi Yanai, the father of our current Chairman, President and CEO Tadashi Yanai, founded Men's Shop Ogori Shoji in Ube City, Yamaguchi Prefecture. To solidify the management foundation, the business later became incorporated in May 1963 under the name Ogori Shoji Co., Ltd.

In June 1984, the Fukuromachi Store, a store specializing in casual clothing, opened its doors in Hiroshima City, Hiroshima Prefecture as the first UNIQLO.

The Company's history:

Date	Summary
May 1963	Tadashi Yanai takes over the family business and transforms it into Ogori Shoji Co., Ltd., capitalized at 6 million yen, with headquarters at 63-147 Ogushi Village, Ube City, Yamaguchi Prefecture (now 2-12-12 Chuo-cho, Ube City, Yamaguchi Prefecture).
June 1984	UNIQLO's first location, the Fukuromachi Store, opens in Hiroshima (closed in 1991), marking the move into casual wear retailing with stores named UNIQLO.
September 1991	Ogori Shoji Co., Ltd. changes its name to FAST RETAILING CO., LTD., to embody the guideline of conduct.
April 1992	The main OS store, selling men's wear, is converted to the UNIQLO Onda store (closed in 2001). All the stores are completely renovated as a casual wear store matching the UNIQLO brand.
April 1994	The number of UNIQLO stores in Japan rises above 100 (109 directly operated stores, 7 franchises).
July 1994	FAST RETAILING CO., LTD. lists its shares on the Hiroshima Stock Exchange.
April 1997	FAST RETAILING CO., LTD. lists its shares on the second section of the Tokyo Stock Exchange.
February 1998	Construction of the head office is finished (717-1 Sayama, Yamaguchi City, Yamaguchi Prefecture) to expand the company's headquarters capacity.
November 1998	The first urban UNIQLO store opens in Shibuya-ku, Tokyo (UNIQLO Harajuku store, closed in 2007).
February 1999	FAST RETAILING CO., LTD. lists its shares on the first section of the Tokyo Stock Exchange.
April 1999	UNIQLO Shanghai office opens to further enhance production management.
April 2000	Tokyo headquarter opens in Shibuya-ku, Tokyo.
June 2000	Ties up with East Japan Railway Company (JR East) and JR East Japan Kiosk to offer UNIQLO products through shops in JR East stations in Tokyo area, to raise consumer exposure to our products and make shopping more convenient for our customers.
October 2000	Online store opens for business to open a new sales channel and make shopping easier for our customers.
September 2001	FAST RETAILING (U.K) LTD. opens first four overseas UNIQLO stores in London.
September 2002	Fast Retailing (Jiangsu) Apparel Co., Ltd. opens first two UNIQLO China stores in Shanghai.
August 2003	UNIQLO (U.K.) LIMITED (now UNIQLO EUROPE LIMITED) establishes as successor to FAST RETAILING (U.K) LTD.
January 2004	FAST RETAILING CO., LTD. invests in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), the developer of Theory brand career apparel.
August 2004	Capital reserves of ¥7 billion integrated into capital, increasing total capital to ¥10.273 billion.
November 2004	Establishment of UNIQLO USA, Inc.
December 2004	Establishment of FRL Korea Co., Ltd., a business venture with South Korea's Lotte Shopping Co., Ltd.
March 2005	Establishment of UNIQLO HONG KONG, LIMITED.
April 2005	Establishment of FR FRANCE S.A.S. (now FAST RETAILING FRANCE S.A.S.) and GLOBAL RETAILING FRANCE S.A.S. (now UNIQLO EUROPE LIMITED).
May 2005	Acquires management control of Nelson Finance S.A.S. (now CRÉATIONS NELSON S.A.S.), the developer of the Comptoir des Cotonniers brand, and makes it a subsidiary.
November 2005	Adopts a holding company structure to reinforce the UNIQLO brand and develop new business opportunities.

Date	Summary
February 2006	Makes equity investment in, and makes a subsidiary of, PETIT VEHICULE S.A.S. (now PRINCESSE TAM. TAM S.A.S.), developer of PRINCESSE TAM.TAM, a well-known brand of lingerie in France.
March 2006	Establishes G.U. CO., LTD. to manage a new brand of less-expensive casual clothing to follow UNIQLO.
November 2006	UNIQLO Soho New York Store opens as the brand's first global flagship store, with over 3,300 square meters of floor space.
March 2007	UNIQLO opens the Kobe Harborland Store (closed in 2012), the first large-format store with over 3,300 square meters of floor space in Japan.
November 2007	UNIQLO 311 Oxford Street Store opens in London as the brand's first global flagship store in Europe.
December 2007	First UNIQLO France store opens in the Paris suburbs La Defense.
August 2008	UNIQLO establishes a business venture with Wing Tai Retail Pte. Ltd. to expand in Singapore.
March 2009	LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.) becomes a subsidiary through a takeover bid.
March 2009	UNIQLO signs a design consulting contract for its products with world-renowned fashion designer Jil Sander.
April 2009	First UNIQLO Singapore store opens in the Tampines 1 Mall.
October 2009	UNIQLO Paris Opera Store opens in France as a global flagship store.
March 2010	UNIQLO establishes a wholly owned subsidiary in Taiwan.
April 2010	First UNIQLO Russia store, UNIQLO Atrium, opens in Moscow.
May 2010	UNIQLO Shanghai West Nanjing Road Store opens in China as a global flagship store.
October 2010	UNIQLO Shinsaibashi Store in Osaka opens as the first UNIQLO global flagship store in Japan.
October 2010	First GU flagship store opens in Shinsaibashi, Osaka.
October 2010	First UNIQLO Taiwan store opens in Taipei.
November 2010	First UNIQLO Malaysia store opens in Kuala Lumpur.
February 2011	FAST RETAILING CO., LTD. launches a global partnership agreement with the United Nations High Commissioner for Refugees (UNHCR) to further reinforce ongoing company initiatives such as the All-Product Recycling Initiative.
March 2011	Donates UNIQLO and GU clothing to sufferers of the Great East Japan Earthquake.
September 2011	First UNIQLO Thailand store opens in Bangkok.
September 2011	UNIQLO Mingyao Department Store opens in Taipei, Taiwan as a global flagship store.
October 2011	UNIQLO Fifth Avenue Store opens in New York as a global flagship store.
November 2011	UNIQLO Myeongdong Central Store opens in Seoul, Korea as a global flagship store.
March 2012	UNIQLO Ginza Store opens in Tokyo as a global flagship store.
June 2012	First UNIQLO Philippines store opens in Manila.
September 2012	BICQLO Shinjuku East Exit Store opens in Tokyo as a global hotspot store.
October 2012	First UNIQLO store on the West Coast of the United States opens in San Francisco, Union Square.
December 2012	FAST RETAILING CO., LTD. acquires majority control of J Brand Holdings, LLC, a leading contemporary fashion brand based in Los Angeles, California.
April 2013	UNIQLO Lee Theatre opens in Hong Kong as a global flagship store.
June 2013	UNIQLO Lotte Shopping Avenue Store opens as the first UNIQLO Store in the Republic of Indonesia.
September 2013	UNIQLO global flagship store opens in Shanghai.
September 2013	First GU overseas store opens in Shanghai.
March 2014	HDRs (Hong Kong Depository Receipts) listed on the Main Board of The Stock Exchange of Hong Kong Limited.
March 2014	UNIQLO global hotspot store opens in Ikebukuro, Sunshine 60.
April 2014	First UNIQLO Australia store opens in Melbourne.

Date	Summary
April 2014	First UNIQLO Germany store opens in Berlin, Tauenzienstrasse as a global flagship store.
April 2014	UNIQLO global hotspot store opens in Tokyo, Okachimachi district.
October 2014	UNIQLO global hotspot store opens in Tokyo, Kichijoji.
October 2014	UNIQLO global flagship store, UNIQLO OSAKA, opens.
April 2015	Establishes ON HAND CO., LTD. to promote the next-generation logistics business.
October 2015	First UNIQLO Belgium store opens in Antwerp.
October 2015	UNIQLO USA opens its first Midwest store, the UNIQLO Michigan Avenue Store in Chicago.
December 2015	Fast Retailing issues ¥250 billion in unsecured straight bonds.
March 2016	The newly refurbished 311 Oxford Street global flagship store opens in London.
April 2016	Construction completed on state-of-the-art distribution center in Ariake, Tokyo.
September 2016	UNIQLO Orchard Road Store opens as the first UNIQLO global flagship store in Southeast Asia.
September 2016	The newly refurbished UNIQLO SoHo global flagship store opens in New York.
September 2016	First UNIQLO Canada store opens in Toronto.
February 2017	UNIQLO CITY TOKYO Ariake Office opens. UNIQLO product and commercial functions moved from Roppongi Office to Ariake Office.
March 2017	Bigger and better UNIQLO Online Store opens in Japan.
March 2017	First GU store opens in Hong Kong.

2. Our Business

The Group consists of FAST RETAILING CO., LTD. (the “Company”), 121 consolidated subsidiaries and 2 associates accounted for using the equity-method.

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.

The segment categories in this section of the report are the same as the segment categories in the section headed “FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements”.

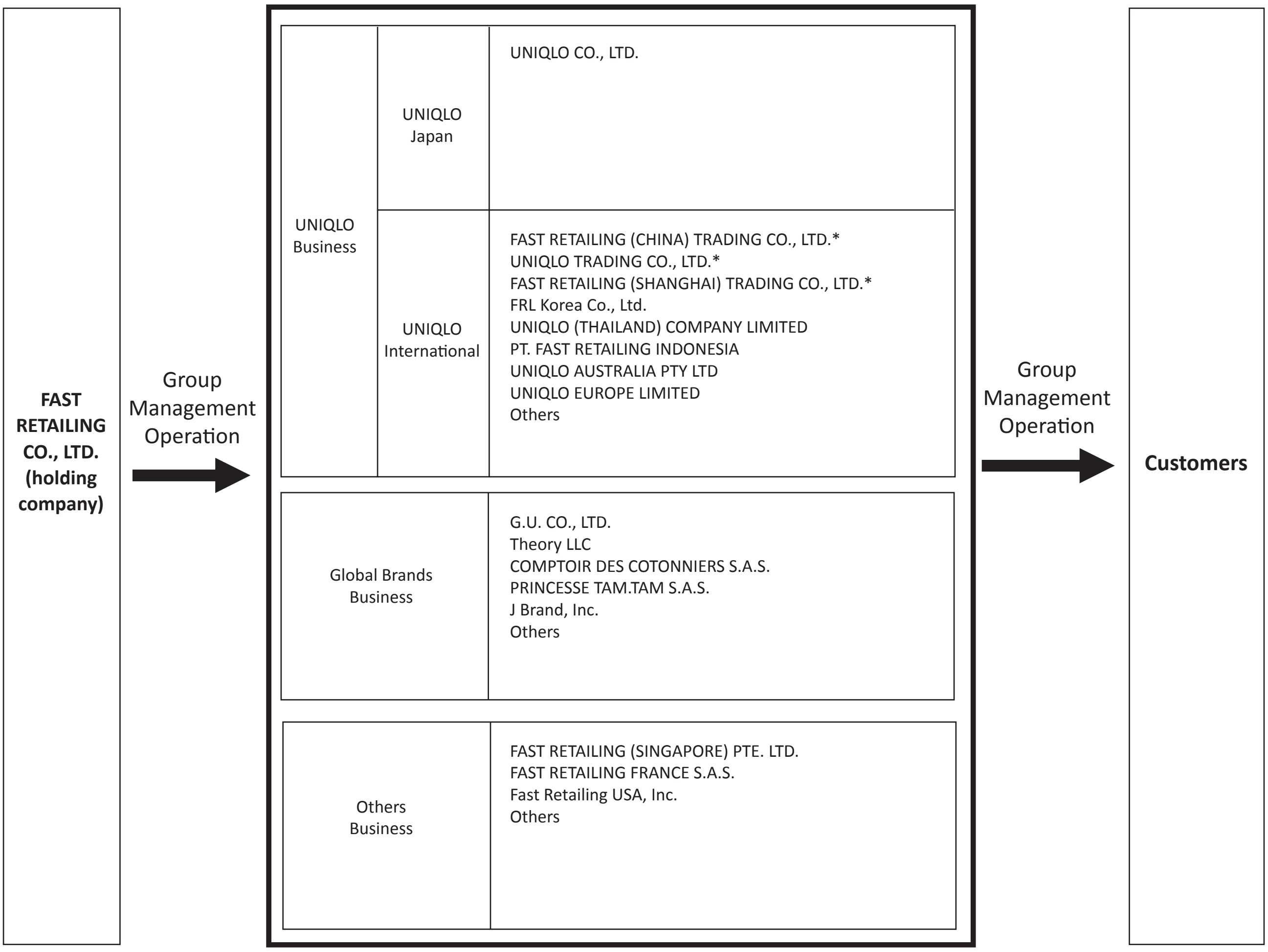
Category	**Company name**	**Reportable Segment**
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD. (consolidated subsidiary)	UNIQLO Japan
	FAST RETAILING (CHINA) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	UNIQLO TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FRL Korea 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 USA, Inc. (consolidated subsidiary)	UNIQLO International/ Global Brands
	UNIQLO EUROPE LIMITED (consolidated subsidiary)	UNIQLO International
	G.U. CO., LTD. (consolidated subsidiary)	Global Brands
	FAST RETAILING FRANCE S.A.S. (consolidated subsidiary)	Global Brands
	Theory LLC (consolidated subsidiary)	Global Brands
	J Brand, Inc. (consolidated subsidiary)	Global Brands
	Other consolidated subsidiaries (106 companies)	UNIQLO International/ Global Brands/Others
Associate accounted for using the equity-method	Other associate accounted for using the equity-method (2 companies)	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” includes real estate leasing businesses.
4. The Company corresponds to a specified listed company, etc. as stipulated in Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions. As a result, assessment of the minimal standard for material facts under the insider trading regulations is based on the consolidated numerical data.

Organizational structure is as follows:

Business Structure



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

3. Subsidiaries and Associates

Name	Location	Nominal value of issued ordinary/ registered share capital (Thousands)	Details of main businesses	Ownership Ratio of Voting Rights	Relationship	
					Common directors (Number of persons)	Capital/ operational ties
(Consolidated subsidiaries) UNIQLO CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY1,000,000	UNIQLO Japan	100.0%	3	—
FAST RETAILING (CHINA) TRADING CO., LTD*	Shanghai, PRC	USD20,000	UNIQLO International	100.0%	2	—
UNIQLO TRADING CO., LTD.*	Shanghai, PRC	USD30,000	UNIQLO International	100.0%	2	—
FAST RETAILING (SHANGHAI) TRADING CO., LTD.*	Shanghai, PRC	USD35,000	UNIQLO International	100.0%	2	—
FRL Korea Co., Ltd.	Seoul Special City, South Korea	KRW24,000,000	UNIQLO International	51.0%	1	—
FAST RETAILING (SINGAPORE) PTE. LTD.	Republic of Singapore	SGD86,000	UNIQLO International	100.0%	1	—
UNIQLO (THAILAND) COMPANY LIMITED	Bangkok, Kingdom of Thailand	THB800,000	UNIQLO International	75.0% (75.0%)	—	—
PT. FAST RETAILING INDONESIA	Jakarta, Republic of Indonesia	IDR115,236,000	UNIQLO International	75.0% (75.0%)	—	—
UNIQLO AUSTRALIA PTY LTD	Melbourne, Australia	AUD21,000	UNIQLO International	100.0% (100.0%)	—	Loans
Fast Retailing USA, Inc.	New York, United States of America	USD981,621	UNIQLO International/ Global Brands	100.0%	1	Bond guarantees Loans
UNIQLO EUROPE LIMITED	London, United Kingdom	GBP40,000	UNIQLO International	100.0%	1	Bond guarantees
G.U. CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	1	—
FAST RETAILING FRANCE S.A.S.	Paris, France	EUR169,525	Global Brands	100.0%	—	Loans
Theory LLC	New York, United States of America	USD116,275	Global brands	100.0% (100.0%)	—	—
J Brand, Inc.	California, United States of America	USD396,340	Global brands	100.0% (100.0%)	1	—
Other consolidated subsidiaries (106 companies)	—	—	—	—	—	—
Other associate accounted for using the equity-method (2 companies)	—	—	—	—	—	—

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

(Notes)
1. The information given in the "Details of main businesses" column is the name of the business segment.
2. UNIQLO CO., LTD., FAST RETAILING (CHINA) TRADING CO., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD., FRL Korea Co., Ltd., FAST RETAILING (SINGAPORE) PTE. LTD., UNIQLO (THAILAND) COMPANY LIMITED, PT. FAST RETAILING INDONESIA, UNIQLO AUSTRALIA PTY LTD, Fast Retailing USA, Inc., UNIQLO EUROPE LIMITED, FAST RETAILING FRANCE S.A.S., Theory LLC and J Brand, Inc. are specified subsidiaries.
3. Figures in parentheses in the "Ownership Ratio of Voting Rights" column indicate the ratio of voting rights held by the Group's subsidiary.

4. Net sales (excluding internal sales between other member companies of consolidated group) of UNIQLO CO., LTD., FAST RETAILING (CHINA) TRADING CO., LTD. and G.U. CO., LTD. are greater than 10% of consolidated revenue. Key elements of profit/loss for the year ended 31 August 2017 are as below.

UNIQLO CO., LTD.

(1)	Revenue	810,734 million yen
(2)	Profit before income taxes	100,754 million yen
(3)	Net profit	71,261 million yen
(4)	Net assets	178,432 million yen
(5)	Total assets	348,866 million yen

FAST RETAILING (CHINA) TRADING CO., LTD

(1)	Revenue	231,728 million yen
(2)	Profit before income taxes	34,976 million yen
(3)	Net profit	26,398 million yen
(4)	Net assets	84,417 million yen
(5)	Total assets	147,363 million yen

G.U. CO., LTD.

(1)	Revenue	191,444 million yen
(2)	Profit before income taxes	14,110 million yen
(3)	Net profit	10,433 million yen
(4)	Net assets	21,628 million yen
(5)	Total assets	72,189 million yen

4. Employees

(1) The Group

As at 31 August 2017

Name of segment	Number of employees (Persons)
UNIQLO Japan	13,046 (11,949)
UNIQLO International	23,191 (13,388)
Global brands	5,954 (6,175)
Total for reportable segments	42,191 (31,512)
Others	1,067 (67)
All companies (shared)	1,166 (140)
Total	44,424 (31,719)

(Notes)
1. The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
2. The number of junior employees and part-time workers is stated as a separate number in parentheses as the average number of people per year was calculated based on an eight-hour workday per person.
3. The number of employees given as “All companies (shared)” represents administrative employees who could not be categorized in a specific business segment.
4. Hiring of employees for new stores was the main reason for the increase in the number of employees during the year ended 31 August 2017.

(2) The Company

As at 31 August 2017

Number of employees (persons)	Average age (years, months)	Average number of years with the Company	Average annual wages (thousands of yen)
1,166 (140)	37 years and 5 months	4 years and 5 months	7,915

(Notes)
1. The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
2. The number of junior employees and part-time workers stated in parentheses represented the number of persons calculated based on an eight-hour workday per person.
3. Figures for average annual wages include bonuses and other non-standard payments.
4. All of the Company’s employees are categorized as “All companies (shared)”.

(3) Status of labor unions

There are no labor unions at the Company, but unions have been formed at some subsidiary companies. Management-labor relations have been smooth, and there are no items of note to report.

Management Discussion and Analysis

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) 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.

(3) Parallel Disclosure

Items concerning differences between the main items in consolidated financial statements prepared under IFRS and consolidated financial statements prepared under JGAAP.

Reclassification

Items stated under non-operating income, non-operating expenses, extraordinary gains, and extraordinary losses under JGAAP have been reclassified under IFRS; presented as finance income, finance costs, other expenses, other income, or selling, general and administrative expenses.

Adjustment to amortization of goodwill

Under JGAAP, goodwill was amortized over an estimated amortization period. Under IFRS, this amortization ceased on the transition date.

As a result, under IFRS, amortization of goodwill (selling, general and administrative expenses) decreased by 837 million yen in the year ended 31 August 2017 and 1,899 million yen in the year ended 31 August 2016, and impairment losses (other expenses) increased by 1,004 million yen in the year ended 31 August 2017 and 962 million yen in the year ended 31 August 2016, compared with those under JGAAP.

Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies

Under JGAAP, foreign exchange translation differences on monetary financial instruments denominated in foreign currencies are recorded as unrealized gains or losses on available-for-sale securities under net assets. Under IFRS, these exchange differences are treated as foreign exchange gains or losses.

As a result, under IFRS, foreign exchange translation differences (other income) increased by 725 million yen in the year ended 31 August 2017 and 1,678 million yen in the year ended 31 August 2016, compared with those under JGAAP.

Adjustment to impairment losses of non-current assets

Under JGAAP, when there are indications that asset impairment is required, an assessment is made of the extent of the asset impairment (by comparing book value with the value of future cash flows, before discounting). After that, a measurement is made of asset-impairment losses (by comparing book value with recoverable value). Under IFRS, when there are indications that asset impairment is required, the recoverable value of the fixed asset(s) is estimated, and if the estimated recoverable value is less than the book value, then a measurement is made of the asset impairment loss, either of the asset or the cash generating unit group.

As a result, under IFRS, impairment losses increased by 681 million yen in the year ended 31 August 2017 and 2,394 million yen in the year ended 31 August 2016, compared with those under JGAAP.

2. Summary of Revenue and Purchasing

(1) Revenue, by division

Division	Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)		Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)	
	Revenue (Millions of yen)	Percentage of total (%)	Revenue (Millions of yen)	Percentage 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 and royalty income. "Alteration charges" refers to income generated from embroidery prints and alterations to pants length.
2. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
3. "Global Brands Operations" consists of GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory and PLST brand clothing), Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing) and J Brand operation (selling of J BRAND brand clothing).
4. "Other Operations" includes real-estate leasing business, etc.
5. The above amounts do not include consumption taxes, etc.

(2) Revenue by region

Region		Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
UNIQLO Japan store sales of products	Hokkaido	26,204	101.7	1.4	29
	Aomori	5,638	98.8	0.3	9
	Iwate	4,982	98.9	0.3	8
	Miyagi	12,506	100.7	0.7	14
	Akita	3,922	99.7	0.2	7
	Yamagata	4,952	98.4	0.3	8
	Fukushima	8,461	98.2	0.5	10
	Ibaraki	13,147	89.6	0.7	15
	Tochigi	8,981	87.6	0.5	13
	Gunma	11,139	99.4	0.6	18
	Saitama	39,897	102.2	2.1	43
	Chiba	34,373	102.7	1.8	41
	Tokyo	124,541	100.0	6.7	96
	Kanagawa	61,037	100.6	3.3	56
	Niigata	11,696	99.7	0.6	12
	Toyama	4,467	97.8	0.2	6
	Ishikawa	6,020	100.5	0.3	7
	Fukui	4,027	97.5	0.2	5
	Yamanashi	4,597	97.9	0.2	5
	Nagano	10,488	100.3	0.6	12
	Gifu	10,070	100.0	0.5	11
	Shizuoka	20,832	100.0	1.1	23
	Aichi	42,304	101.3	2.3	44
	Mie	9,378	101.1	0.5	10
	Shiga	7,851	103.3	0.4	9
	Kyoto	17,922	101.1	1.0	21
	Osaka	65,063	99.6	3.5	72
	Hyogo	33,157	99.0	1.8	34
	Nara	7,082	100.4	0.4	9
	Wakayama	2,179	98.5	0.1	3
	Tottori	3,020	100.4	0.2	3
	Shimane	506	100.3	0.0	1
	Okayama	8,944	101.0	0.5	9
	Hiroshima	14,706	101.4	0.8	17
	Yamaguchi	3,552	96.9	0.2	5
	Tokushima	3,845	100.3	0.2	5
	Kagawa	4,957	100.7	0.3	6
	Ehime	5,251	102.4	0.3	7
	Kochi	3,562	98.8	0.2	4
	Fukuoka	29,501	102.6	1.6	31
	Saga	3,486	100.1	0.2	4
	Nagasaki	5,798	101.4	0.3	8
	Kumamoto	8,221	111.0	0.4	9

Region		Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
	Oita	6,520	102.6	0.4	8
	Miyazaki	3,931	97.8	0.2	6
	Kagoshima	7,323	100.8	0.4	10
	Okinawa	5,508	104.0	0.3	7
Total UNIQLO Japan stores		735,567	100.3	39.5	790
Internet and mail-order sales		48,753	115.6	2.6	—
Products supplied to franchise stores/ management and administrative fees		26,007	111.2	1.4	41
Alteration charges		405	61.8	0.0	—
Total UNIQLO Japan Operations		810,734	101.4	43.5	831
UNIQLO International Operations		708,171	108.1	38.0	1,089
Total UNIQLO Operations		1,518,905	109.8	81.5	1,920
Global Brands Operations		340,143	103.5	18.3	1,374
Other Operations		2,868	106.6	0.2	—
Total		1,861,917	104.2	100.0	3,294

(Notes) 1. "Products supplied to franchise stores" refers to sales of products to franchise stores. "Management and administrative fees" means royalty income from franchise stores. "Alteration charges" refers to income generated from embroidery prints and alteration to length of pants.
2. "UNIQLO operations" refers to the selling of UNIQLO brand casual clothing.
3. "Global Brands Operations" consists of Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
4. "Other Operations" includes real-estate leasing business, etc.
5. The above amounts do not include consumption taxes, etc.

(3) Sales per unit

Summary		Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)	Year-on-year change (%)
Revenue		1,443,738 million yen	103.9 %
Sales per m^2	Sales floor area (average)	1,623,407 m^2	103.0 %
	Sales per m^2 (yearly)	889 thousand yen	100.9 %
Sales per employee	Number of employees (average)	61,657 persons	110.8 %
	Sales per employee (yearly)	23,415 thousand yen	93.8 %

(Notes) 1. These figures are solely for UNIQLO Japan Operations and UNIQLO International Operations.
2. Sales figures indicate store sales, and do not include internet sales, products supplied to franchise stores, management and administrative fees or alteration charges.
3. "Sales floor area (average)" is calculated based on the number of months each store is in operation.
4. "Number of employees (average)" includes junior employees, part-time workers, contract workers, or temporary staff seconded from other companies, but does not include operating officers. Figures for junior employees and part-time workers are based on a weighted average (eight-hour workday) during the term.
5. The above figures do not include consumption tax, etc.

(4) Purchases

By product category	Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)		
	Purchases (Millions of yen)	Year-on-year change (%)	Percentage of total (%)
Men's clothing	175,342	102.9	18.7
Women's clothing	219,433	103.4	23.5
Children's & Baby's clothing	32,321	116.2	3.5
Goods and other items	12,651	111.7	1.3
Total UNIQLO Japan Operations	439,749	104.2	47.0
UNIQLO International Operations	336,195	99.8	35.9
Total UNIQLO Operations	775,944	102.3	82.9
Global Brands Operations	159,523	103.3	17.1
Total	935,468	102.4	100.0

(Notes)
1. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
2. "Global Brands Operations" consists of Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
3. There is business other than the above, mainly real estate leasing, but it does not involve purchasing due to the nature of the activity.
4. The above figures do not include consumption tax, etc.

3. Business Plan

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (30 November 2017).

i) Promote Global One Management Principles

We have been actively promoting Global One and Zen-in Keiei management principles to unify UNIQLO, GU, Theory and other Group brands worldwide, encouraging employees to use the best available global methods and pursue a self-motivated, united global approach to any challenge. Our deep-rooted management principles focus on introducing Groupwide, global business processes, while respecting local culture, values and history. Our FR Management Innovation Center (FR-MIC) is also working hard to nurture future managers and corporate leaders.

ii) Accelerate UNIQLO's Global Development

We are accelerating store openings and expanding operations in Greater China, South Korea, and Southeast Asia & Oceania as pillar regions within the UNIQLO International segment. We have reformed management at UNIQLO USA to help turn a profit as soon as possible. UNIQLO Europe is gradually expanding its store network across the region, and improving profitability. Strategically positioned global flagship stores are successfully increasing brand awareness worldwide as beacons for the transmission and collection of important clothing-related information.

iii) Strengthen Development of Superior World-class Products

Fully operational R&D centers in Tokyo, New York, London, Paris, Shanghai and Los Angeles are tasked with collecting clothing-relating information from around the world and creating world-class quality products. In its quest for ultimate everyday clothes, UNIQLO aims to perfect its products and create the perfect LifeWear to further enrich people's lives. UNIQLO constantly refreshes and refines itself through collaborative projects with leading global designers and creators.

iv) Major Supply Chain Reforms

We continue our drive to reform all processes, from materials procurement through planning, design, production, distribution and retail, and create a new supply chain for the digital era. We are transforming ourselves into a new digital consumer retail company format that is capable of immediately producing the products that customers want and proactively conveying information to customers. We are reforming all business processes to enable direct links between production and business partners and stores, and are actively investing in cutting-edge IT, logistics and digital marketing.

v) Promote Stable Growth at UNIQLO Japan

We continue our "scrap and build" policy designed to increase the average size of UNIQLO Japan store stock and maintain high levels of efficiency. We aim to achieve continued stable growth by implemented community-rooted local store management that can compile product mixes and services to best suit local needs. We are transforming UNIQLO Japan into a new unique retailing business by fusing our real (stores) and virtual (e-commerce) operations, and providing exciting services that enable customers to buy UNIQLO products anywhere, anytime, and have them delivered to a convenient location.

vi) Grow our Global Brands

We are strengthening business platforms for our low-priced GU casualwear brand by forming a new production framework to reduce production lead times and improving GU's product development capability. We will continue to open mass new GU stores in Japan and to develop the brand's international presence, focusing initially on Greater China, and then some other Asian countries further down the line. We are maximizing Group synergies to help grow other labels within the Global Brands segment, including Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand.

vii) Promoting sustainability-focused activities

Fast Retailing remains committed to helping realize a sustainable society through multiple clothing-manufacture related initiatives, including monitoring factory working environments, upholding human rights, and protecting the environment. The Company operates a wide range of socially responsible initiatives designed to help make the world a better place, including providing clothing aid to refugees and displaced persons through our All-Product Recycling Initiative, operating a social business in Bangladesh, supporting employees by promoting diversity, female participation in the workforce and a healthy work-life balance, and employing people with disabilities.

4. Risk

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

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (30 November 2017).

(1) Risks specific to management strategy

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

i) Management personnel risk

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

ii) Competitive risks

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

iii) Risk of dependency on production in specified geographic locations

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

iv) Risks of corporate acquisitions

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

v) Overseas business risks

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

vi) Currency risks

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

(2) General business risks

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

i) Manufactured product liability risk

The Group's business is subject to a variety of legal regulations in Japan and abroad such as product liability laws, pharmaceutical laws, consumer protection laws and labeling laws. The Group endeavors to establish product management systems for planning and production of products in accordance with the Groups own quality control standards covering the legal regulations of various countries, but if gross quality defects are found in products sold by the Group, such as contamination by hazardous materials or dyes containing toxins, this may require global product recalls, or compensation for harm to the health of customers, which may have a negative impact on earnings, as well as causing damage to customers' trust.

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

In the course of doing business such as mail order sales, the Group gathers information (including personal information) about customers, and it also handles trade secrets and other confidential information. We are fully aware of the impact of personal information leaks on the company's management and trust, and have established an Information Security Office to ensure management of confidential information held by the Group by working with the IT divisions and legal divisions in each country, while creating and strengthening appropriate management systems for trade secrets and information (particularly personal information) about customers, and periodically conducting activities to raise awareness, but in the event confidential information is lost, it may be necessary to take steps to recover the information, apologize to customers, and pay of compensation for damages, which may have a negative impact on earnings, as well as causing damage to customers' trust.

iii) Risk due to weather

Global warming may cause a trend toward warmer winter weather, which may result in being unable to procure materials such as cotton and cashmere in a timely and appropriate manner, and may also reduce sales of products sold by the group, which could have a negative impact on earnings.

iv) Risk due to natural disaster

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

v) Risks of disputes and litigation

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

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

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

5. Major Contracts

Not applicable.

6. Research and Development

Not applicable.

7. Financial Review

(1) Significant accounting policies and estimations

The Group's consolidated financial statements were prepared in accordance with IFRS. In preparing the consolidated financial statements, estimates were made on a reasonable basis as necessary.

Please see "FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements" for details.

(2) Analysis of management performance for the year ended 31 August 2017

i) Revenue and gross profit

Revenue grew to 1.8619 trillion yen, up 75.4 billion yen from the preceding consolidated fiscal year. For a detailed breakdown of revenue, see "1. Business Results (1) Analysis of Business Results for the year ended 31 August 2017" and "2. Summary of Revenue and Purchasing."

The main reason behind the growth in revenue was significant growth in a 52.7 billion yen increase for UNIQLO International. UNIQLO Southeast Asia, Oceania and Greater China generated an especially strong performance, especially 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.

Gross profit grew to 909.2 billion yen, up 44.2 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, gross profit was 48.8%, up 0.4 point from 48.4% the year before. One of the main reasons for this growth was, at UNIQLO International, a considerable improvement in the gross profit to net sales margin following the shift towards much tighter discounting in each individual operation.

ii) Selling, general and administrative expenses, other income, other expenses and operating income

Selling, general and administrative expenses grew to 725.2 billion yen, up 22.2 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, selling, general and administrative expenses was 38.9%, down 0.4% from 39.3% in the preceding consolidated fiscal year. The main reasons were cost-cutting efforts throughout the group company. Operating income was 176.4 billion yen, up 49.1 billion yen from the preceding consolidated fiscal year.

iii) Finance income, finance costs and profit before income taxes

Finance income was 19.9 billion yen, up 17.5 billion yen and Finance expense was 2.9 billion yen, down 36.4 billion yen from the preceding consolidated fiscal year. The main reasons for financial income increased and financial expense declined were that, whereas foreign exchange losses were 36.9 billion yen due to the sharp appreciation of the yen in the previous consolidated fiscal year, foreign exchange gains were 13.3 billion yen due to the depreciation of the yen in the current consolidated fiscal year.

As a result, profit before income taxes was 193.3 billion yen, up 103.1 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, profit before income taxes was 10.4%, up 5.3% from 5.1% the year before.

iv) Profit attributable to owners of the parent

Income taxes were 64.4 billion yen, or 28.3 billion yen higher than the preceding consolidated fiscal year. As a result, profit attributable to owners of the parent was 119.2 billion yen, which was 71.2 billion yen higher than the year before. Basic earnings per share for the year was 1,169.70 yen, up 698.39 yen.

(3) Sources of funding, and analysis of funds liquidity

i) Total assets

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

ii) Total liabilities

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

iii) Total net assets

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

iv) Status of funds

For a discussion of the status of the Group’s funds, see “Management Discussion and Analysis 1. Business Results (2) Cash Flow Information”.

CAPITAL EXPENDITURE

1. Capital expenditure

UNIQLO Japan opened 21 new stores. UNIQLO International opened 90 stores in the PRC, 3 in Taiwan, 13 in South Korea, 1 in Singapore, 6 in Malaysia, 2 in Thailand, 8 in the Philippines, 3 in Indonesia, 1 in Australia, 4 in USA, 2 in Canada, 9 in France, 9 in Russia and 2 in Germany. In addition, Global Brands opened 81 new stores.

As a result, the Group's capital expenditure amounted to 59.7 billion yen during the year ended 31 August 2017. Key components of this were 33.6 billion yen for buildings, 3.2 billion yen for lease deposits for stores, 1.0 billion yen for construction assistance funds, 12.2 billion yen for intangible assets and 9.6 billion yen for leased assets.

The above figures do not include consumption tax, etc.

2. Important Facilities

As at 31 August 2017, the Group's important facilities were shown as below:

(1) Information about the Reporting Entity

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total	
FAST RETAILING CO., LTD.	Head office	Yamaguchi City, Yamaguchi Prefecture	95,255.83	1,047	668	–	–	83	1,799	28
	Commercial establishments	Fukuoka City, Chuo-ku, etc.	–	–	167	1,309	–	0	1,478	–
	Others		29,308.87	76	6,401	3,756	–	1,331	11,565	1,138

(2) Subsidiaries in Japan

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total	
UNIQLO CO., LTD.	UNIQLO Japan Store	Hokkaido	–	–	420	523	473	268	1,686	415
		Aomori	–	–	53	106	151	67	378	122
		Iwate	–	–	56	108	48	32	245	119
		Miyagi	–	–	121	365	311	62	861	267
		Akita	–	–	153	130	139	66	490	71
		Yamagata	–	–	120	141	48	43	354	107
		Fukushima	–	–	74	130	391	47	642	166
		Ibaraki	–	–	183	476	241	80	981	190
		Tochigi	–	–	165	194	282	44	687	171
		Gunma	–	–	153	312	205	61	733	174
		Saitama	–	–	754	1,227	317	298	2,597	694
		Chiba	–	–	510	933	461	336	2,242	558
		Tokyo	–	–	3,271	11,015	182	807	15,277	1,565
		Kanagawa	–	–	1,536	2,176	377	767	4,858	882
		Niigata	–	–	141	302	441	110	995	214
		Toyama	–	–	32	55	71	20	179	69
		Ishikawa	–	–	49	92	214	33	389	145
		Fukui	–	–	6	65	49	10	131	67
		Yamanashi	–	–	29	87	151	16	286	65
		Nagano	–	–	198	157	538	182	1,077	183
		Gifu	–	–	142	224	257	56	682	134
		Shizuoka	–	–	372	440	341	141	1,295	348
		Aichi	–	–	712	992	569	318	2,592	602
		Mie	–	–	45	138	226	30	440	123

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees (Persons)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total	
UNIQLO CO., LTD.	UNIQLO Japan Store	Shiga	–	–	217	217	205	152	793	144
		Kyoto	–	–	208	489	215	117	1,031	279
		Osaka	–	–	1,176	3,147	314	532	5,171	975
		Hyogo	–	–	617	946	460	378	2,403	523
		Nara	–	–	99	187	128	64	480	105
		Wakayama	–	–	10	40	23	4	78	34
		Tottori	–	–	7	60	18	8	94	63
		Shimane	–	–	5	10	7	2	24	12
		Okayama	–	–	173	186	126	82	569	158
		Hiroshima	–	–	215	393	102	61	773	261
		Yamaguchi	2,591.06	450	145	40	32	19	686	58
		Tokushima	–	–	177	118	0	69	366	71
		Kagawa	–	–	43	212	0	14	270	90
		Ehime	–	–	104	145	134	54	438	104
		Kochi	–	–	44	85	16	15	160	71
		Fukuoka	–	–	810	817	343	220	2,192	546
		Saga	–	–	47	70	89	23	232	73
		Nagasaki	–	–	40	116	203	42	403	121
		Kumamoto	–	–	186	294	73	76	631	143
		Oita	–	–	213	181	152	140	688	113
		Miyazaki	–	–	6	82	29	14	133	82
		Kagoshima	–	–	145	185	205	164	701	166
		Okinawa	–	–	123	95	–	46	265	106
	UNIQLO Japan Stores		2,591.06	450	14,130	28,524	9,383	6,213	58,702	11,749
	UNIQLO Japan, other		19,960.76	353	404	2,921	1,615	521	5,816	1,297
	Total for UNIQLO Japan		22,551.82	803	14,534	31,446	10,999	6,735	64,518	13,046
G.U. CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	9,227	7,264	4,259	5,149	25,901	1,718
LINK THEORY JAPAN CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	192	1,364	–	1,053	2,611	1,579

(3) Overseas subsidiaries

Company name	Type of facility	Location	Area (m²)	Capital expenditure (Millions of yen)						Number of employees (Persons)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total	
UNIQLO EUROPE LIMITED	UNIQLO International Store	London, United Kingdom	–	–	9,892	510	–	4,117	14,519	1,617
FAST RETAILING (CHINA) TRADING CO., LTD	UNIQLO International Store	Shanghai, PRC	–	–	16,948	3,690	–	3,671	24,311	8,618
FRL Korea Co., Ltd.	UNIQLO International Store	Seoul Special City, South Korea	–	–	5,722	4,963	–	2,094	12,779	2,623
LLC UNIQLO (RUS)	UNIQLO International Store	Moscow, Russian Federation	–	–	1,474	327	–	1,640	3,443	403
UNIQLO TRADING CO., LTD.	UNIQLO International Store	Shanghai, PRC	–	–	1,814	421	–	304	2,540	673
FAST RETAILING (SINGAPORE) PTE. Ltd.	UNIQLO International Store	Republic of Singapore	–	–	5	30	–	1	37	31
UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International Store	Bangkok, Kingdom of Thailand	–	–	1,312	746	–	338	2,398	1,029
PT. Fast Retailing Indonesia	UNIQLO International Store	Jakarta, Indonesia	–	–	468	131	23	578	1,201	551
UNIQLO Australia Pty Ltd.	UNIQLO International Store	Melbourne, Australia	–	–	2,249	8	–	588	2,845	373
FAST RETAILING (Shanghai) TRADING CO., LTD	UNIQLO International Store	Shanghai, China	–	–	1,633	224	–	62	1,920	134
UNIQLO CANADA INC.	UNIQLO International Store	Toronto, Ontario, Canada	–	–	1,424	6	–	482	1,913	127
Fast Retailing France S.A.S.	International Stores, etc.	Paris, France	–	–	591	20	–	74	685	506
Fast Retailing USA, Inc.	International Stores, etc.	New York, U.S.A.	–	–	7,945	451	–	4,928	13,326	2,031
J Brand, Inc.	International Stores, etc.	California, U.S.A.	–	–	81	11	–	497	590	150

(Notes)
1. Most items in the "Others" category for the Reporting Entity are located at the Ariake head office (Koto-ku, Tokyo), Roppongi head office (Minato-ku, Tokyo) or at the old head office (Ube City, Yamaguchi).
2. Monetary amounts are given at book value, not including construction in progress accounts. Also, the figures do not include consumption tax, etc.
3. The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
4. Assets are not expressed as allocated among business segments.

3. Plans for new facility construction, old facility removal, etc.

The following are the planned important new facility construction and/or facility removal as at 31 August 2017.

(1) Important New Facilities

The capital investment plans (new facility construction, expansion) for each segment in the year ended 31 August 2018 (1 September 2017 – 31 August 2018) are as follows.

Segment	Capital investment (Millions of yen)	Details of investment
UNIQLO Japan	4,500	New store openings, etc. (approx. 30 stores)
UNIQLO International	28,100	New store openings, etc. (approx. 177 stores)
Global brand business	11,300	New store openings, etc. (approx. 81 stores)
Others	35,800	IT-related investments
Total	79,700	

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital, corporate bonds, borrowings, etc.
2. The above figures do not include consumption tax, etc.

Also, the main new facilities plans included in the plans described above are as follows.

Company name	Type of facility	Name of business	Location	Amount of planned investment		Construction start	Construction completion	Planned sales floor area (m^2)	Reference
				Total (Millions of yen)	Amount already disbursed (Millions of yen)				
UNIQLO EUROPE LIMITED	UNIQLO International Store	Paseo de Gracia 18	Barcelona, Spain	930	696	October 2016	September 2017	2,135	Lease hold
UNIQLO CANADA INC.	UNIQLO International Store	UNIQLO Metrotown	Vancouver, Canada	557	232	June 2017	October 2017	1,896	Lease hold

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital.
2. The above figures do not include consumption tax, etc.
3. Assets are not allocated among business segments.

(2) Planned Removals of Important Facilities

There were no planned removals of important facilities as at 31 August 2017.

Stock Information and Dividend Policy

1. Stock Information

(1) Number of Shares

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common stock	300,000,000
Total	300,000,000

(ii) Shares issued

Type	As at 31 August 2017	Numbers of shares issued as of submission date (Shares) (30 November 2017)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

(Note) Hong Kong Depositary Receipts ("HDRs") are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

(i) 1st Share subscription rights A type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	1,292	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	1,292	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 November 2013 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,624 Paid-in capital: 5,312	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(ii) 1st Share subscription rights B type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	11,853	11,734
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	11,853	11,734
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 December 2010 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,925 Paid-in capital: 5,463	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iii) 2nd Share subscription rights A type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	6,495	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	6,495	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 November 2014 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,499 Paid-in capital: 6,250	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iv) 2nd Share subscription rights B type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	9,748	9,599
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	9,748	9,599
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 December 2011 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,742 Paid-in capital: 6,371	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(v) 3rd Share subscription rights A type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	5,304	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,304	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 November 2015 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,222 Paid-in capital: 7,611	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(vi) 3rd Share subscription rights B type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	9,628	9,556
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	9,628	9,556
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 December 2012 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,569 Paid-in capital: 7,785	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(vii) 4th Share subscription rights A type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	5,367	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,367	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 December 2016 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,110 Paid-in capital: 18,555	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(viii) 4th Share subscription rights B type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	10,925	10,818
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	10,925	10,818
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 January 2014 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,515 Paid-in capital: 18,757	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(ix) 5th Share subscription rights A type

Decided by resolution of the board of directors on 9 October 2014.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	14,323	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	14,323	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 14 November 2017 to 13 November 2024	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 42,377 Paid-in capital: 21,188	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(x) 5th Share subscription rights B type

Decided by resolution of the board of directors on 9 October 2014.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	15,995	15,812
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	15,995	15,812
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 14 December 2014 to 13 November 2024	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 42,799 Paid-in capital: 21,399	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xi) 6th Share subscription rights A type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	2,468	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	2,468	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 November 2018 to 12 November 2025	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 45,658 Paid-in capital: 22,829	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xii) 6th Share subscription rights B type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	16,029	15,635
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	16,029	15,635
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 December 2015 to 12 November 2025	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 46,148 Paid-in capital: 23,074	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xiii) 6th Share subscription rights C type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	5,467	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,467	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	13 November 2018	Same as left
Fair value on the grant dte and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 46,841 Paid-in capital: 23,420	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xiv) 7th Share subscription rights A type

Decided by resolution of the board of directors on 13 October 2016.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	2,752	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	2,752	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 11 November 2019 to 10 November 2026	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 34,684 Paid-in capital: 17,342	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xv) 7th Share subscription rights B type

Decided by resolution of the board of directors on 13 October 2016.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	23,737	22,780
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	23,737	22,780
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 11 December 2016 to 10 November 2026	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 35,168 Paid-in capital: 17,584	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(xvi) 7th Share subscription rights C type

Decided by resolution of the board of directors on 13 October 2016.

	As at 31 August 2017	As at last day of month before the submission date (31 October 2017)
Number of stock options (Shares)	5,110	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,110	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	11 November 2019	Same as left
Fair value on the grant dte and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 35,855 Paid-in capital: 17,928	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(3) Exercise of convertible bonds with conditional permission for adjustment of exercise price

Not applicable.

(4) Content of Rights Plan

Not applicable.

(5) Change in Total Number of Shares Issued, Capital Stock, Etc.

Date	Increase/ decrease in total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase/ decrease in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase/ decrease in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
31 August 2004	—	106,073,656	7,000	10,273	(7,000)	4,578

(Note) This represents an addition to capital stock from capital reserve approved by resolution of a special meeting of the Board of Directors on 30 August 2004.

(6) Status by Type of Holder

As at 31 August 2017

Class	Shares (One unit = 100 shares)								Shares less than one unit (shares)
	Government, municipal entities	Financial institutions	Traders of financial products	Other corporations	Foreign corporations, etc.		Individuals & other	Total	
					Excl. individuals	Individuals			
Number of shareholders (persons)	—	82	71	189	644	20	10,747	11,753	—
Number of shares held (Trading units)	—	335,787	32,164	87,713	189,238	68	415,150	1,060,120	61,656
Percentage of shares held (%)	—	31.67	3.03	8.27	17.85	0.01	39.16	100.00	—

(Notes) 1. The 4,089,664 shares of treasury stock include 40,896 units of shares held by individuals and others and 64 shares held by individuals and others of less than one unit.

2. Figures shown in the columns “Other corporations” and “Shares less than one unit” include 27 units of shares and 84 shares, respectively, in the name of Japan Securities Depository Center, Inc.

(7) Major Shareholders

As at 31 August 2017

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,987	21.67
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	17,940	16.91
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	10,474	9.87
TTY Management B.V.	Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands	5,310	5.01
Kazumi Yanai	New York, U.S.A.	4,781	4.51
Koji Yanai	Shibuya-ku, Tokyo	4,780	4.51
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.48
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	4,269	4.02
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
Teruyo Yanai	Shibuya-ku, Tokyo	2,327	2.19
Total	—	81,231	76.58

(Notes) 1. "Number of shares held" is rounded down to the nearest unit of thousand shares.

2. The shares held by The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are all held in conjunction with trust business.

3. According to the report of large shareholdings (report of change of composition) submitted on 5 September 2017 by Nomura Securities Co., Ltd. and the three parties of Nomura International plc, Nomura Securities International,Inc. and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 29 August 2017. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	(23)	(0.02)
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	124	0.12
Nomura Securities International, Inc.	Worldwide Plaza 309 West 49th Street New York, New York 10019-7316	154	0.15
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	10,464	9.87

4. According to the report of large shareholdings (report of change of composition) submitted on 6 September 2017 by Sumitomo Mitsui Trust Bank, Limited and the two parties of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 31 August 2017. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,104	1.04
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1 Shiba, Minato-ku, Tokyo	178	0.17
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	5,860	5.52

5. In addition to the above, 4,089,664 shares of treasury stock are held by the Company (3.86% of the total number of authorized shares).

(8) Voting Rights

(i) Shares issued

As at 31 August 2017

Class	Number of shares (shares)	Number of voting rights (number)	Details
Non-voting shares	—	—	—
Shares subject to restrictions on voting rights (treasury stock)	—	—	—
Shares subject to restrictions on voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,089,600	—	—
Shares with full voting rights (others)	Common stock 101,922,400	1,019,224	(Note) 1
Shares less than one unit	Common stock 61,656	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,224	—

(Notes) 1. The columns for the number of shares of "Shares with full voting rights (others)" and "Shares less than one unit" include, respectively, 2,700 shares and 84 shares held in the name of Japan Securities Depository Center, Inc.

2. Common stock in the "Shares less than one unit" column includes 64 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 August 2017

Name or trade name of holder	Holder's address	Number of shares held in own name (Shares)	Number of shares held in other's name (Shares)	Total number of shares held (Shares)	Percentage of total number of shares issued (%)
(Shares held as treasury stock) FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-City, Yamaguchi	4,089,600	—	4,089,600	3.86
Total	—	4,089,600	—	4,089,600	3.86

(9) Stock Options Program

The Company has instituted a stock options program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

1st Share subscription rights A type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 7 Employees of the Group subsidiaries 3
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

1st Share subscription rights B type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 266 Employees of the Group subsidiaries 413
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights A type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 14 Employees of the Group subsidiaries 4
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights B type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 139 Employees of the Group subsidiaries 584
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights A type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 18 Employees of the Group subsidiaries 8
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights B type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 136 Employees of the Group subsidiaries 615
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights A type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 19 Employees of the Group subsidiaries 11
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights B type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 180 Employees of the Group subsidiaries 706
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

5th Share subscription rights A type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 36 Employees of the Group subsidiaries 16
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

5th Share subscription rights B type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 223 Employees of the Group subsidiaries 785
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights A type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 15 Employees of the Group subsidiaries 19
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights B type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 274 Employees of the Group subsidiaries 921
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights C type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 26
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

7th Share subscription rights A type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 16 Employees of the Group subsidiaries 23
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

7th Share subscription rights B type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 339 Employees of the Group subsidiaries 1,096
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

7th Share subscription rights C type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 30
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

8th Share subscription rights A type

Resolution date	12 October 2017
Class and number of recipients (persons)	Employees of the Company 19 Employees of the Group subsidiaries 27
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	5,454 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 10 November 2020 to 9 November 2027
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

8th Share subscription rights B type

Resolution date	12 October 2017
Class and number of recipients (persons)	Employees of the Company 395 Employees of the Group subsidiaries 1,152
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	48,178 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 10 December 2017 to 9 November 2027
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

8th Share subscription rights C type

Resolution date	12 October 2017
Class and number of recipients (persons)	Employees of the Company 29
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	5,929 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	10 November 2020
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
   Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

2. Treasury Stock Information

Types of Shares Buybacks of common stock under Companies Act of Japan, Article 155-7

(1) Purchases approved by General Meeting of Shareholders

Not applicable.

(2) Purchases approved by Board of Directors

Not applicable.

(3) Details of items not based on General Meeting of Shareholders or Board of Directors’ resolutions

Purchases of shares less than one unit pursuant to Companies Act of Japan, Article 192-1.

Class	Number of shares (shares)	Total paid (thousand yen)
Treasury stock purchased in the fiscal year ended 31 August 2017	155	6,138
Purchases of Treasury stock in current year	—	—

(Note) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2017 and the submission date of this report.

(4) Status of treasury stock purchased

Class	Fiscal year ended 31 August 2017		Current year	
	Number of shares (shares)	Total disposal value (thousands of yen)	Number of shares (shares)	Total disposal value (thousands of yen)
Treasury stock purchases for which subscribers were solicited	—	—	—	—
Treasury stock cancelled after purchase	—	—	—	—
Treasury stock transferred due to mergers, share exchange or company split	—	—	—	—
Other (Note)	19,994	75,543	1,759	6,694
Number of Treasury shares held	4,089,664	—	4,087,905	—

(Note) The breakdown of figures for the year ended 31 August 2017 reflects the exercise of 19,994 share subscription rights, a share disposal value of 75,543 thousand yen. The breakdown of figures for the current year reflects the exercise of share subscription rights, and does not include shares of less than one unit purchased between 1 November 2017 and the submission date of this report.

3. Dividend Policy

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 health 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 of Directors, unless otherwise stipulated by laws and regulations.

Based on the policy outlined above and the earnings of the consolidated fiscal year ended 31 August 2017, we decided 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 fiscal year to ¥350 per share. It is our intention to effectively utilize retained earnings and free cash flow for financial investment and loans to strengthen the operational base of the Group companies.

The payment of an interim dividend under Article 454-5 of the Companies Act of Japan is stipulated by the Company's Articles of Incorporation.

Dividends for the Company's 56th fiscal year are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors resolution of 13 April 2017	17,846	175
Board of Directors resolution of 2 November 2017	17,847	175

4. Share Price Trends

(1) Share price high/low in past 5 fiscal years

Term	52nd Year	53rd Year	54th Year	55th Year	56th Year
Accounting period	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017
High (Yen)	44,400	45,350	61,970	50,700	44,370
Low (Yen)	15,810	30,350	32,460	25,305	30,460

(Note) High/low share price data are from the first section of the Tokyo Stock Exchange.

(2) Share price high/low (monthly) in past 6 months

Month	March 2017	April	May	June	July	August
High (Yen)	37,540	36,940	38,820	38,710	38,230	33,750
Low (Yen)	34,390	34,210	35,550	36,380	32,840	30,460

(Note) High/low share price data are from the first section of the Tokyo Stock Exchange.

5. Waiver from compliance with Rule 19B.21

The Hong Kong Stock Exchange has granted us, subject to certain conditions, a waiver from Rule 19B.21 of the Hong Kong Listing Rules regarding certain requirements for cancellation of HDRs upon a share repurchase. The Company has complied with the relevant conditions in the year ended 31 August 2017.

Board of Directors

Male: 10 persons   Female: 1 person   (9.1% of officers are female)

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Representative director, chairman and president	CEO	Tadashi Yanai	Born 7 February on 1949	August 1972 September 1972 August 1973 September 1984 June 2001 November 2002 September 2005 November 2005 September 2008 June 2009 November 2011	Joined FAST RETAILING CO., LTD. Director, FAST RETAILING CO., LTD. Senior Managing Director, FAST RETAILING CO., LTD. President & CEO, FAST RETAILING CO., LTD. External Director, Softbank Corp. (currently SOFTBANK GROUP CORP.) (current) Chairman and CEO, FAST RETAILING CO., LTD. Chairman, President and CEO, FAST RETAILING CO., LTD. (current) Chairman, President and CEO, UNIQLO CO., LTD. (current) Director and Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (current) External Director, Nippon Venture Capital Co., Ltd. (current) Director, LINK THEORY JAPAN CO., LTD. (current)	Note 3	22,987
Director		Toru Hambayashi	Born 7 January on 1937	April 1959 October 2000 April 2003 June 2004 November 2005 June 2007 April 2009 June 2011 June 2015 June 2017	Joined Nichimen Company Limited (currently Sojitz Corporation) President, Nichimen Corporation (currently Sojitz Corporation) Chairman and Representative Director, Sojitz Holdings Corporation (currently Sojitz Corporation) External Auditor, UNITIKA LTD. External Director, FAST RETAILING CO., LTD. (current) External Director, MAEDA ORPORATION Advisor, The Association for the Promotion of International Trade, Japan (current) External Director, DAIKYO INCORPORATED (current) External Director, UNITIKA LTD. (current) Advisor, Maeda Corporation (current)	Note 3	–

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Nobumichi Hattori	Born 25 December on 1957	April 1981 June 1989 November 1998 October 2003 June 2005 November 2005 October 2006 April 2009 March 2015 June 2015 July 2016	Joined NISSAN MOTOR CO.,LTD. Joined Goldman Sachs and Company, Headquarters (New York) Managing Director of Goldman Sachs and Company, Headquarters (New York), and M&A Advisory of Goldman Sachs Japan Co., Ltd. Visiting Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University External Director, Miraca Holdings Inc. External Director, FAST RETAILING CO., LTD. (current) Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Visiting Professor, Waseda Graduate School of Finance, Accounting and Law (current) External Auditor, Frontier Management Inc. (current) External Director, Hakuhodo DY Holdings Inc. (current) Visiting Professor, Graduate School of Business Administration, Keio University (current)	Note 3	–
Director		Toru Murayama	Born 11 June on 1954	April 1980 April 2003 September 2007 November 2007 September 2009 April 2010 January 2013 April 2015 June 2016	Joined Arthur Andersen & Co. (currently Accenture Japan Ltd.) Representative Director and President, Accenture Japan Ltd. Director and Chairman, Accenture Japan Ltd. External Director, FAST RETAILING CO., LTD. (current) Corporate Advisor, Accenture Japan Ltd. Visiting Professor, Comprehensive Research Organization, Waseda University President, Office Murayama (current) Visiting Professor, Faculty of Science and Engineering, Waseda University (current) External Director, Meiji Holdings Co., Ltd. (current)	Note 3	0

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Masaaki Shintaku	Born 10 September on 1954	April 1978 December 1991 August 2000 January 2001 April 2008 June 2008 May 2009 November 2009 July 2011 December 2015	Joined IBM Japan, Ltd. Joined Oracle Corporation Japan President & CEO, Oracle Corporation Japan Executive Vice President, Oracle Corporation Vice Chairman, Special Olympics Nippon (currently Special Olympics Nippon Foundation) (current) Chairman, Oracle Corporation Japan Advisory Board Member, NTT DOCOMO, INC. External Director, FAST RETAILING CO., LTD. (current) External Director, COOKPAD Inc. External Director, Works Applications CO., LTD. (current)	Note 3	—
Director		Takashi Nawa	Born 8 June on 1957	April 1980 April 1991 June 2010 June 2010 September 2010 June 2011 November 2012 June 2014 June 2015	Joined Mitsubishi Corporation Joined McKinsey & Company Professor, The Graduate School of International Corporate Strategy), Hitotsubashi University (current) President, Genesys Partners (current) Senior Advisor, Boston Consulting Group External Director, NEC Capital Solutions (current) External Director, FAST RETAILING CO., LTD. (current) External Director, DENSO CORPORATION (current) External Director, Ajinomoto Co., Inc. (current)	Note 3	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		Akira Tanaka	Born 26 June on 1942	April 1966	Joined The Taisei Fire and Marine Insurance Company Limited (currently Sompo Japan Nipponkoa Insurance Inc.)	Note 4	3
				September 1972	Joined McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)		
				March 1993	Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)		
				April 1997	Deputy President and Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)		
				August 2003	Advisor, FAST RETAILING CO., LTD.		
				November 2003	Managing Director, FAST RETAILING CO., LTD.		
				November 2005	Senior Vice President, UNIQLO CO., LTD.		
				March 2006	Senior Vice President, FAST RETAILING CO. LTD.		
				November 2006	Standing Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				April 2011	Representative Director of FR Health Insurance Organization (current)		
Standing Statutory Auditor		Masaaki Shinjo	Born 28 January on 1956	April 1983	Joined ASAHIPEN CORPORATION	Note 5	0
				February 1994	Joined FAST RETAILING CO., LTD.		
				September 1998	Entrusted operating officer, manager of administration, FAST RETAILING CO., LTD.		
				September 2005	General Manager, Group Auditing, FAST RETAILING CO., LTD.		
				January 2008	Director, Onezone Corp (currently G.U. CO., LTD.)		
				March 2009	General Manager, Corporate Administration, FAST RETAILING CO., LTD.		
				September 2009	Statutory Auditor, GOV Retailing Co., Ltd. (currently G.U. CO., LTD.)		
				March 2011	General Manager, Corporate Planning & Management, FAST RETAILING CO., LTD.		
				April 2011	Auditor, FAST RETAILING (CHINA) TRADING CO., LTD. (current)		
				November 2012	Standing Statutory Auditor, FAST RETAILING CO., LTD. (current)		

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Auditor		Takaharu Yasumoto	Born 10 March on 1954	November 1978	Joined Asahi & Co. (currently KPMG AZSA LLC)	Note 5	4
				August 1982	Registered as a member of Japanese Institute of Certified Public Accountants		
				April 1992	President, Yasumoto CPA Office (current)		
				November 1993	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				August 2001	External Statutory Auditor, ASKUL Corporation (current)		
				June 2003	Statutory Auditor, LINK INTERNATIONAL CO., LTD. (currently LINK THEORY JAPAN CO., LTD.) (current)		
				November 2005	External Statutory Auditor, UNIQLO CO., LTD. (current)		
				April 2007	Guest Professor, Chuo Graduate School of International Accounting		
				June 2010	External Statutory Auditor, UBIC Inc. (currently FRONTEO, Inc.) (current)		
Auditor		Akira Watanabe	Born 16 February on 1947	May 1991	Chairman, Legislative Council of the Ministry of Justice	Note 4	—
				April 1998	Chairman, Yamaichi Securities Co., Ltd. Legal Responsibility Judging Panel		
				June 2006	Non-Executive Director, JAPAN PILE CORPORATION		
				November 2006	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				June 2007	External Director, MAEDA CORPORATION (current)		
				April 2010	External Director, MS&AD Insurance Group Holdings, Inc. (current)		
				December 2011	Auditor of Olympus Corp., Chairman of Liability Investigation Committee		
				March 2013	External Director, DUNLOP SPORTS CO. LTD. (current)		
				October 2014	External Statutory Auditor, KADOKAWA DWANGO CORPORATION (currently KADOKAWA CORPORATION) (current)		
				October 2015	Non-Executive Director, ASIA PILE HOLDING CORPORATION (current)		

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Auditor		Keiko Kaneko	Born 11 November on 1967	April 1991	Joined Mitsubishi Corporation	Note 5	–
				April 1999	Registered as a member of Japan Federation of Bar Associations		
				April 1999	Joined Anderson, Mori & Tomotsune (AM&T) law firm		
				January 2007	Partner, AM&T (current)		
				April 2007	Guest associate professor, Tokyo University Graduate School of Law		
				November 2012	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				November 2012	External Statutory Auditor, UNIQLO CO., LTD. (current)		
				June 2013	External Statutory Auditor, The Asahi Shimbun Company (current)		
Total							22,994

(Notes) 1. Directors Toru Hambayashi, Nobumichi Hattori, Toru Murayama, Masaaki Shintaku and Takashi Nawa are External Directors as provided for in Article 2, Paragraph 15 of the Companies Act.

2. Takaharu Yasumoto, Akira Watanabe and Keiko Kaneko are External Statutory Auditors as provided for in Article 2, Paragraph 16 of the Companies Act.

3. For a one-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 30 November 2017.

4. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 20 November 2014.

5. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 24 November 2016.

Corporate Governance Report

1. Corporate Governance Practice

(1) Basic Thinking on Corporate Governance

To become the world's No.1 Digital Retailer, in harmony with society and the times, the Company strives to raise the level of its corporate governance to strengthen the independence and the degree of monitoring of the Board of Directors while achieving management that is efficient and transparent.

(2) Details of company organization and internal control systems

(i) Details of company organization

The Company has built a corporate governance system consisting of a Board of Directors, a Board of Corporate Auditors, and various committees. As a key element to strengthen our corporate governance systems, the Company has instituted a system to entrust operating officers (transferring some management authority away from the Board of Directors), to separate management decision-making from operations performance functions. In addition, the management committee (Monday meeting) meets weekly, to examine tasks assigned to it by the Board of Directors, for the speedy revision of management strategy and planning.

Also, to enhance the independence of the Board of Directors and strengthen the monitoring function, five of the six Directors are External Directors, with the CEO acting as chairman of the Board of Directors. The external directors have an abundance of knowledge and experience in corporate management. As the Company's main decision-making body for the performance of management and operations, the Board of Directors meets at least once a month to discuss and decide upon important management issues. The external directors all participate actively in Board of Directors discussions, and offer their opinions without reservations.

Three of the five members of the Board of Corporate Auditors are external statutory auditors. The Standing Statutory Auditor presides. The external auditors are fully independent, and they have ample knowledge and experience as attorneys and certified public accountants. Through their participation in the Board of Directors, the external auditors and other auditors are fully aware of the decision-making process of the Board of Directors, and able to fulfill their supervisory obligations. They also supervise the Directors' performance of their executive duties through regular conversations with the Directors, other executive officers, other employees, and auditors of subsidiary corporations. The board of auditors meets at least once a month to make decisions about audit policies and planning. It meets quarterly to receive briefings and reports from the accounting auditors.

The various committees complement the work of the Board of Directors. The external directors and external auditors also serve as members of these committees. The roles and activities of the committees are shown below.

Human Resources Committee

The Human Resources Committee, chaired by external director, discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board. The committee held 3 meetings during the 56th fiscal year.

Sustainability Committee

The Sustainability Committee discusses and directs Fast Retailing's overall sustainability strategy, from compiling and publishing the annual sustainability report to promoting environmental protection, social responsibility, compliance and diversity. The head of the Sustainability Department chairs the committee. Members include outside experts, external statutory auditors and Group officers. The committee held 2 meetings during the 56th fiscal year.

Disclosure Committee

The Disclosure committee, chaired by the company official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is tasked with boosting management transparency by "disclosing information that is timely, accurate, fair and easy to understand." The Committee is responsible for both timely and voluntary disclosures to the TSE and the Stock Exchange of Hong Kong regarding matters that may materially impact investor and shareholder investment decisions. The committee held 13 meetings during the 56th fiscal year.

IT Investment Committee

The IT Investment Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The IT Investment Committee is chaired by the President, and the members and observers include outside experts, external directors and executives. The committee held 10 meetings during the 56th fiscal year.

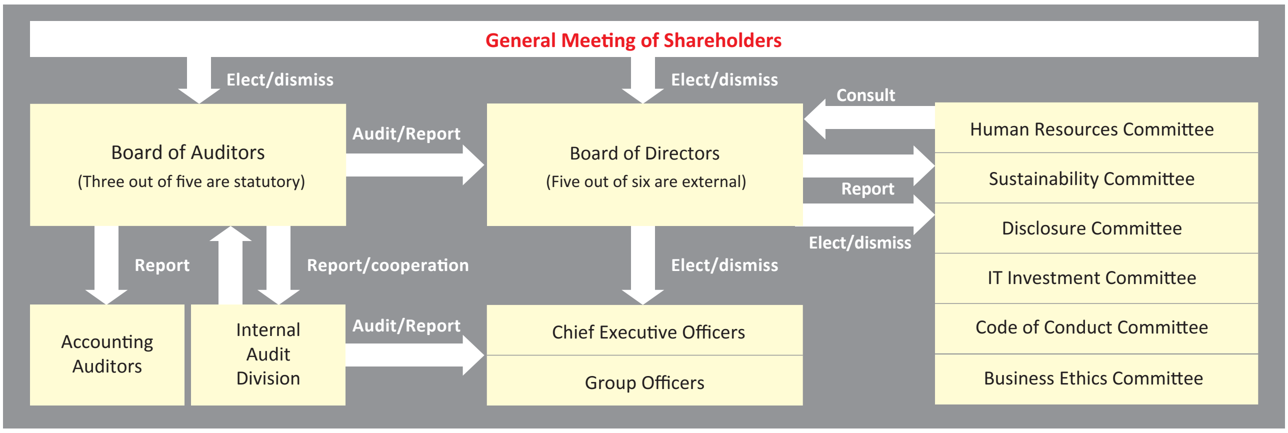
Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the Legal Department, and includes auditors (including external auditors), advisors and attorneys. The committee held 10 meetings during the 56th fiscal year.

Business Ethics Committee

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee is chaired by the head of the Sustainability Department, and includes auditors (including external auditors), advisors and attorneys. The committee held 12 meetings during the 56th fiscal year.

Below is a diagram of our corporate governance system



(ii) Establishing Internal Control Systems

The Company seeks to ensure its business operations are legitimate, fair and efficient by establishing a system of internal controls that cover the entire Fast Retailing Group (FR Group) and which adheres strictly to the Group's policies and rules, including the Group's management principles, the Fast Retailing Way (FR Way) and the Fast Retailing Group Code of Conduct (FR Code of Conduct).

A. Ensuring FR Group Directors' Duties Comply with Laws, Regulations and Articles of Incorporation

1. Directors and Group officers (collectively, Directors) of all FR Group companies comply faithfully with the Group's management principles, the FR Way, the FR Code of Conduct, and other internal company rules and regulations, and promote strict adherence to corporate ethics and compliance across the Group as a whole. The Directors also ensure the effectiveness of the Company's rules and principles by reviewing them regularly and revising them when necessary to reflect changes in society and company business activities, and the operation of the FR Code of Conduct.

2. The Company appoints either the Group officer overseeing the Legal Department or the head of the Legal Department as compliance officer, tasked with establishing Company and Group-wide compliance frameworks and resolving compliance-related issues.

3. The Company promotes fairness and transparency in senior management decision-making by appointing two or more External Directors to the Board of Directors. Statutory Auditors for the Company or Group subsidiaries may attend the Board meetings of companies they audit and express timely opinions. Company or Group subsidiary Directors may engage external lawyers, certified public accountants, etc. to avoid potential violation of laws and implement preventive measures. If Company or Group subsidiary Directors discover another Director has acted illegally, they must report immediately to the Statutory Auditors, the President, and the compliance officer.

B. Ensuring FR Group Employees' Duties Comply with Laws, Regulations and Articles of Incorporation

1. Company and Group subsidiary Directors are responsible for establishing a framework to ensure that all Group employees comply with the management principles, the FR Way, the FR Code of Conduct and other internal company rules. They are also responsible for training employees in compliance awareness.

2. The Company has an Internal Audit Department that supervises the FR Group's internal control systems, and a Legal Department that oversees compliance.

3. If Directors of the Company or Group subsidiaries discover a legal or compliance violation, they should report the matter immediately to other Directors. Any serious legal violation should be reported immediately to the Statutory Auditors, the President and the compliance officer.

4. The Company has set up an internal reporting system (hotline) for Directors and employees of the Company or Group subsidiaries to report illegal actions or compliance violations.

5. The Code of Conduct Committee, which includes external specialists such as lawyers and certified public accountants, conducts regular reviews of compliance maintenance and the hotline operation, and makes necessary improvements. If Directors of the Company or Group subsidiaries detect a problem with the hotline operation, they should apply to the Code of Conduct Committee and request improvements.

C. Data Storage and Management Relating to Execution of FR Group Directors' Duties

The documents listed below relating to Company and Group subsidiary Directors' duties are retained as proof of decision-making and business-execution processes, as stipulated by law, Articles of Incorporation, and Board of Directors and Company regulations and guidelines on document management and confidential information. These documents are stored and managed appropriately and can be easily retrieved for reference or inspection during the legally required storage period.

- Shareholders meeting minutes and relevant documentation
- Board meeting minutes and relevant documentation
- Minutes of important meetings held by Directors and relevant documentation
- Minutes of meetings held by other important employees and relevant documentation

D. Managing Risk of Losses to FR Group

1. The Company regularly analyzes risks relating to the Company and Group subsidiaries to identify risks that could, directly or indirectly, cause financial loss, interrupt or stop business, damage brand images or the credibility of the Company or FR Group, and manages any risks accordingly.

2. If unforeseen circumstances should arise, a task force headed by the President or a Director appointed by the President shall be established to prevent increased losses and minimize damage. For a faster response, the task force may organize an external advisory team including lawyers and certified public accountants.

E. Ensuring Efficient Execution of Director Duties

1. To ensure that the duties of Company and Group subsidiary Directors are performed efficiently, the Company holds regular monthly meetings of the Board of Directors, which includes a number of External Directors, and holds ad hoc meetings when necessary. Group subsidiaries which have their own Board of Directors also hold Board meetings as stipulated by law.

2. Important matters concerning Company and Group management policy and management strategy shall be discussed beforehand at the weekly management meeting (Monday Meeting) chaired by the President, and decisions taken after due deliberation.

3. The execution of decisions made by the Board of Directors shall be conducted efficiently and appropriately by the operating offers designated by the Board.

F. Ensuring Reliable FR Group Financial Reports

Systems have been established to ensure reliable financial reporting of Company and FR Group subsidiary activities, and the appropriate acquisition, holding and disposal of assets. These activities are closely monitored. The Company has also established a Disclosure Committee to ensure the Company and Group subsidiaries disclose information in a timely and appropriate fashion.

G. Ensuring Proper Execution of Corporate Groups Formed by Company and FR Group Subsidiaries

1. To ensure appropriate operations of FR Group companies, all Group companies are required to uphold the management principles, the FR Way and the FR Code of Conduct. These principles also underpin the rules and regulations used when establishing entrusted individual Group companies. While respecting their autonomy, the Company oversees affiliated companies by determining their rules of business and requiring them to refer important items to the Company for consultation or final determination. The Company monitors affiliates if necessary. If Directors of Group subsidiaries discover any legal violations or serious compliance breaches, they should report them to the Statutory Auditors, the President and compliance officer.

2. If Directors of Group subsidiaries consider the Company's management principles or guidelines violate the law, undermine corporate ethics in a specific country, or create a compliance problem, they shall report to the Internal Audit Department or the Legal Department. Those departments shall report swiftly to the Board of Statutory Auditors, the President and the compliance officer, and request appropriate improvements.

H. Employee Assistants Requested by Statutory Auditors, and ensuring Their Independence and Effectiveness of Statutory Auditors' Instruction Towards Employee Assistants

1. Upon receiving a request from the Board of Statutory Auditors, the Company shall establish rules to determine which employees assist the Statutory Auditors with their duties, and assign appropriate internal personnel to the Statutory Auditors or employ external lawyers or certified public accountants. To ensure assistants are independent of the Directors, their performance will be evaluated by Statutory Auditors, and the Board of Statutory Auditors will approve decisions made by the Board of Directors on their assignment, dismissal, transfer and wages, etc.

2. Assistants shall report directly to the Statutory Auditors and may not hold concurrent positions that involve the execution of Company business.

I. Director and Employee Reporting to Statutory Auditors, and Other Reports

1. Directors and employees of the Company and Group subsidiaries shall report any important matters that might impact the Company’s operations or corporate performance to the Statutory Auditors. Irrespective of these rules, the Statutory Auditors may request reports from Directors or employees of the Company, or Directors, employees and Statutory Auditors of Group subsidiaries if necessary.

2. The Company and Group subsidiaries shall uphold the Group’s management principles, the FR Way and the FR Code of Conduct, and maintain frameworks for reporting legal violations or breaches of compliance rules to the Statutory Auditors. If the Statutory Auditors judge there is a problem with this framework, they can inform the Directors and the Board of Directors and request improvements.

3. The Company has made it widely known to Directors and employees across the entire FR Group that using reports submitted to Statutory Auditors to penalize the submitter is forbidden. Submitted reports are protected by strict information management systems.

4. Statutory Auditors communicate closely with the accounting auditor, the Internal Audit Department, and Statutory Auditors at Group companies through regular meetings and information exchange.

J. Policy on Prepayment or Reimbursement of Expenses for Statutory Auditors

If Statutory Auditors submit requests for prepayment or reimbursement of expenses incurred during the course of their duties, the Company shall pay invoices or settle debts swiftly, unless it proves the requested expenses or debt were not necessary to the performance of the Statutory Auditor’s duties.

K. Other Matters Ensuring Efficient Audits by Statutory Auditors

1. Statutory Auditors attend Board of Directors meetings and other important meetings to observe the reporting and discussion of significant issues. They may voice opinions if necessary.

2. The President meets regularly with Statutory Auditors to consult on pressing issues, ensure appropriate auditing environments, and exchange views on significant issues highlighted in the auditing process.

L. Eliminating Anti-social Forces

The Company works to extinguish anti-social forces by incorporating the following content in the FR Code of Conduct, and informing all executives and employees of its uncompromising stance:

1. The Company adopts a firm stand against and refuses to engage with anti-social forces. The Company forbids the use of financial payments to resolve unreasonable claims from anti-social forces.

2. The Company forbids the use of anti-social forces for Company or individual gain.

(iii) Internal audits and audits by auditors

The Company has an Internal Audit Department that is completely independent from business operations departments. 6 specialists are employed as of 31 August 2017. A regular review of this internal administrative system is conducted to ensure it remains suitable and effective and the audit of operations performance is also conducted.

In addition, Statutory Auditors are members of the Board of Directors, and they also audit the status of management performance. The Board of Statutory Auditors described above consists of 2 Full-time Corporate Auditor and 3 external Statutory Auditors. Its purpose is to receive reports on important matters regarding the Company’s internal audit department as well as audits by the accounting auditors, discuss these reports, and to cooperate as needed.

Moreover, Auditor Takaharu Yasumoto is a certified public accountant with substantial expertise in the areas of finance and accounting.

(iv) Accounting audits

Name of audit firm	Name of CPA, etc.		Number of years of continuing auditing
Ernst & Young ShinNihon LLC	Designated limited liability partner and engagement partner	Masayuki Miyairi	— (Note)
	Designated limited liability partner and engagement partner	Tomo Ito	— (Note)

Based on the audit plan formulated by Ernst & Young ShinNihon LLC, the group of assistants to the auditors consists of 23 CPAs and 25 others.

(Note) Omitted because the number of years of continuing auditing is less than 7 years.

(v) Functions, roles and selection of external directors and external statutory auditors
The Company has 5 external directors and 3 external statutory auditors.

It is the Company's expectation that the external directors will keep an eye on the management monitoring function. From a business perspective, the advice of these individuals, with their abundance of experience and expertise, makes a major contribution to enhance the value of our enterprise.

It is also expected that external statutory auditors will monitor the performance of the Board of Directors. The Company receives valuable advice based on their rich experience in a wide variety of fields.

External director Toru Murayama is the president of Office Murayama. The Company currently has a consulting subcontract with Office Murayama relating to the training of management personnel.

Aside from the above, there are no distinctive interests between the Company and other external directors or external statutory auditors.

The external directors and external statutory auditors receive reports at the Board of Directors meeting regarding internal audits, the operation of internal controls, audits by statutory auditors and the results of accounting audits. In addition, the external statutory auditors have mutual alliances with Internal Audit Department and Accounting Auditors as detailed in (iii) Internal audits and audits by auditors.

With regard to the selection of external directors and external statutory auditors, the Company has no specific standards on independence from the Company, but it is the Company's responsibility to reflect their advice and counsel in its decision-making processes in an objective and independent fashion. For many years now, the Company has chosen many external directors with rich experience as corporate managers in industry, with broad-ranging expertise and discerning views. In addition, to incorporate wide range of stakeholders' view in the audits of our business activities, we value both the independence and the diversity of our external statutory auditors in various fields.

(vi) Items regarding independent directors

Five of the six members of the Fast Retailing Board are external directors, and four of those five are recognized as independent directors in accordance with the rules of the Tokyo Stock Exchange. The majority of the directors on the Board are external in order to heighten the Board's independence and strengthen its supervisory function.

In addition to the independence criteria set by the Tokyo Stock Exchange, Fast Retailing has set the following independence standards and qualifications for external directors and auditors:

A person shall not qualify as an independent director or auditor of Fast Retailing, if:

(1) he/she is, or has been within the past three years, a Business Partner*1 or an Executive Officer*2 of a Business Partner*2 of the Fast Retailing Group, whose annual business dealings with Fast Retailing Group during the most recent business year constituted 2% or more of the Fast Retailing Group's consolidated revenue;

(2) he/she is, or has been within the past three years, a Business Partner*1 of the Fast Retailing Group or an Executive Officer of a Business Partner*2 of Fast Retailing, whose annual business dealings with the Fast Retailing Group during the most recent business year constituted 2% or more of the Business Partner's consolidated revenue;

(3) he/she is a consultant, an accountant or an attorney who receives, or has received over the past three years, any monies or property equivalent to 10 million yen or more from the Fast Retailing Group, except for remuneration for a director or an auditor; or

(4) he/she is, or has been over the past three years, a partner, an associate or an employee of an accounting auditor of Fast Retailing or its subsidiaries.

*1 "Business Partner" includes law firms, auditing firms, tax accounting firms, consultants and any other organizations.

*2 "Executive Officer" means (i) for corporations, Executive Directors (as defined in the Companies Act of Japan), Executive Officers (shikko-yaku, as defined in the Companies Act of Japan), corporate officers and employees, and (ii) for non-corporate entities (including general incorporated associations (shadan-hojin), general incorporated foundations (zaidan-hojin), and partnerships), directors with executive functions, officers, partners, associates, staff and other employees.

(vii) Outline of External Directors' limited liability agreement

The Company has concluded agreements with the external directors, external statutory auditors and Ernst & Young ShinNihon LLC, limiting their liabilities based on provisions in Article 427, Paragraph 1 of the Companies Act, which limits the liabilities for damages as provided for in Article 423, Paragraph 1 of the Companies Act.

These agreements state that liabilities for damages shall be limited to the higher amount of either 5 million yen or the amount stipulated by law. For Ernst & Young ShinNihon LLC, the limit of liabilities in damages shall be limited to the highest of the following amounts multiplied by two: the total economic benefits received or to be received from the Company as remuneration and payment received for performance of duties in each business year during its service as the Accounting Auditor.

(viii) Limitation of liabilities for directors and statutory auditors

Under the stipulations of the Company's articles of incorporation (Article 426-1 of the Companies Act), the Company may exempt, by decision of the Board of Directors, directors (including former directors), and statutory auditors (including former statutory auditors) from liabilities for actions described in Article 423-1 of the Companies Act, to the extent allowed by law. The purpose of this is to create an environment where directors and statutory auditors can perform their duties and pursue their expected roles to the full extent of their abilities.

(3) Details of executive remuneration

Details of remuneration of the Company's executives are as follows:

Executive category	Total amount of remuneration (million yen)	Total amount of remuneration, by type (million yen)		Number of executives (# of persons)
		Basic Compensation	Bonuses	
Directors (excluding external directors)	240	240	—	1
Statutory Auditors (excluding external statutory auditors)	35	35	—	2
External Directors and External Statutory Auditors	80	80	—	8

(i) Directors' remuneration 290 million yen (of which, external directors 50 million yen)

(ii) Statutory Auditors' remuneration 65 million yen (of which, external statutory auditors 29 million yen)

(iii) Total consolidated executive remuneration, by executive, but only for those whose total consolidated executive remuneration is at least 1 million yen

Representative director Tadashi Yanai 240 million yen

Policies for determining executive compensation

Directors' compensation is calculated based on various factors including areas of responsibility, liability, earnings performance. Directors' compensation has to be approved by the Board of Directors, in accordance with the guidelines for executive compensation set by the General Meeting of Shareholders. Regarding compensation for statutory auditors, this is fixed in consultation with the statutory auditors, following the guidelines for statutory auditor compensation set by the General Meeting of Shareholders.

(4) Other stipulation in the Company's articles of incorporation

(i) Number of directors

The Company's articles of incorporation stipulate that the number of directors shall be at least 3 but not more than 10.

(ii) Election criteria for directors

The Company's articles of incorporation stipulates that the election of directors shall not be based on cumulative voting. Also, the articles of incorporation stipulates that elections shall be based on a majority vote by shareholders, with at least one-third of eligible shareholders participating.

(iii) Procedure for deciding dividends from surplus

Regarding the payment of dividends from surplus pursuant to the Companies Act, Article 459-1, the Company's articles of incorporation stipulates that dividends are decided by a resolution of the Board of Directors, and not by a resolution of the General Meeting of Shareholders, unless otherwise stipulated by law. The authority to decide payments of dividends from surplus is granted to the Board of Directors to give flexibility in the return of cash to shareholders.

(iv) Interim dividend

As part of the Company's efforts to be flexible in the return of cash to shareholders, and pursuant to the stipulations of Companies Act Article 454-5, and under the Company's articles of incorporation, an interim dividend may be paid at the end of February every year by a resolution of the Board of Directors.

(v) Special resolutions of the General Meeting of Shareholders

Regarding extraordinary resolutions of the General Meeting of Shareholders based on the Companies Act, Article 309-2, the Company's articles of incorporation stipulates that these resolutions shall be passed by two-thirds vote of the shareholders, in which at least one-third of the eligible shareholders participate. This easing of the quorum rules for extraordinary resolutions by the General Meeting of Shareholders is meant to ensure the smooth functioning of the General Meeting of Shareholders.

(5) Status of shareholding

The information about shareholding for the Company, which has held the largest investment shares in the Group, is as follows:

(i) Investment shares held for purposes other than long-term holding: issues, number of issues and balance sheet total

Number of issues	Balance sheet total
4 issues	284 million yen

(ii) Investment shares held for purposes other than long-term holding: class, issues, number of shares, balance sheet total and purpose of investment

Year ended 31 August 2016

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Sojitz Corporation	1,342,540	332 million yen	To maintain business relationship
Nameson Holdings Ltd	57,970,000	1,079 million yen	To maintain business relationship

Year ended 31 August 2017

Special investment shares

Not applicable.

(iii) Investment shares held for purpose of long-term holding

Not applicable.

(2) Details of accounting auditors' remuneration

(i) Details of remuneration for CPAs, etc.

Class	Year ended 31 August 2016		Year ended 31 August 2017	
	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen))
Reporting Entity	147	4	161	57
Consolidated subsidiaries	17	—	30	—
Total	165	4	191	57

(ii) Other important details regarding remuneration

Year ended 31 August 2016 (1 September 2015 – 31 August 2016)

The Company's consolidated subsidiaries paid 325 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

Year ended 31 August 2017 (1 September 2016 – 31 August 2017)

The Company's consolidated subsidiaries paid 322 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

(iii) Non-auditing services provided by the CPA firm to the reporting entity

Year ended 31 August 2016 (1 September 2015 – 31 August 2016)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

Year ended 31 August 2017 (1 September 2016 – 31 August 2017)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

(iv) Policies for determination of accounting audit remuneration

The Company's articles of incorporation stipulates that remuneration to accounting auditors for audit services is determined by the representative director, with the consent of the Board of Statutory Auditors.

FINANCIAL INFORMATION

1. Preparation of consolidated financial statements

(1) Since the Company meets all criteria of a "specific company" defined in Articles 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976) (hereinafter referred to as the "Rules on Consolidated Financial Statements"), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.

(2) The financial statements of the Company were prepared in accordance with the Rules Governing Term, Form and Presentation of non-consolidated Financial Statements (Financial Ministerial Order the 59th, 1963) (hereinafter referred to as the "Rules on non-consolidated Financial Statements").
The non-consolidated financial statements are prepared in accordance with the provisions set out in Article 127 of the Rules on Non-Consolidated Financial Statements, etc., as the Company is categorized as a company that may be allowed to prepare its financial statements according to special provisions.

(3) In this report, amounts are rounded down to the nearest million Japanese yen.

2. Audits

The Company's consolidated and non-consolidated financial statements for the fiscal year from 1 September 2016 – 31 August 2017 have been audited by Ernst & Young ShinNihon LLC in accordance with auditing standards generally accepted in Japan pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act. Ernst & Young ShinNihon LLC also conducted the audit of consolidated financial statements of the Company in accordance with International Standards on Auditing (ISAs).

3. Special measures for ensuring the accuracy of our consolidated financial statements and a framework for ensuring consolidated financial statements are appropriately prepared in accordance with IFRS

The Company has taken special measures to ensure the appropriateness of our consolidated financial statements and has established a framework to ensure our consolidated financial statements are appropriately prepared in accordance with IFRS. Details of these are given below.

(1) To establish a framework capable of adapting appropriately to changes in accounting standards, the Company has put efforts to build up our specialist knowledge by appointing employees who are well versed in IFRS, joining the Accounting Standards Board of Japan and similar organizations, and participating in training programs.

(2) To ensure that we appropriately prepared consolidated financial statements in accordance with IFRS, we drafted group guidelines for accounting practices based on IFRS, and have been conducting accounting procedures based on these guidelines. We regularly obtain standards and press releases published by the International Accounting Standards Board, study the latest standards and their potential impact on our Company, and update our group guidelines for accounting practices accordingly.

4. Consolidated Financial Statements

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	Notes	As at 31 August 2016	As at 31 August 2017
ASSETS			
Current assets			
Cash and cash equivalents	8,30	385,431	683,802
Trade and other receivables	9,30	45,178	48,598
Other current financial assets	11,30	184,239	30,426
Inventories	10	270,004	289,675
Derivative financial assets	30	569	6,269
Income taxes receivable		21,626	1,518
Others	12	17,534	17,307
Total current assets		924,583	1,077,598
Non-current assets			
Property, plant and equipment	13	121,853	136,979
Goodwill	14	17,908	15,885
Other intangible assets	14	34,205	36,895
Non-current financial assets	11,30	77,553	77,608
Investments in associates	16	13,132	13,473
Deferred tax assets	19	44,428	25,303
Others	12	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	20,30	189,501	204,008
Derivative financial liabilities	30	72,388	6,083
Other current financial liabilities	11,17,30	12,581	11,844
Income taxes payable		9,602	25,864
Provisions	21	22,284	27,889
Others	12	31,689	35,731
Total current liabilities		338,046	311,421
Non-current liabilities			
Non-current financial liabilities	11,17,30	274,090	273,467
Provisions	21	10,645	15,409
Deferred tax liabilities	19	3,809	10,000
Others	12	13,865	16,144
Total non-current liabilities		302,411	315,022
Total liabilities		640,458	626,443
EQUITY			
Capital stock	22	10,273	10,273
Capital surplus	22	13,070	14,373
Retained earnings	22	613,974	698,584
Treasury stock, at cost	22	(15,633)	(15,563)
Other components of equity	22	(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	23	1,786,473	1,861,917
Cost of sales		(921,475)	(952,667)
Gross profit		864,998	909,249
Selling, general and administrative expenses	24	(702,956)	(725,215)
Other income	15,16,25	2,363	6,947
Other expenses	15,25	(37,112)	(14,567)
Operating profit		127,292	176,414
Finance income	26	2,364	19,917
Finance costs	26	(39,420)	(2,932)
Profit before income taxes		90,237	193,398
Income taxes	19	(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)	28	471.31	1,169.70
Diluted (Yen)	28	470.69	1,168.00

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	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	27	105	(245)
Exchange differences on translation of foreign operations	27	(43,312)	26,285
Cash flow hedges	27	(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)

	Notes	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 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	27	—	—	—	—	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	22	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	22	—	546	—	72	—	—	—	—	619	—	619
Dividends	22	—	—	(36,702)	—	—	—	—	—	(36,702)	(3,268)	(39,970)
Share-based payments	22	—	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)

	Notes	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 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	27	—	—	—	—	(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	22	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	22	—	642	—	75	—	—	—	—	718	—	718
Dividends	22	—	—	(34,670)	—	—	—	—	—	(34,670)	(3,994)	(38,664)
Share-based payments	22	—	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)

	Notes	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 bonds		249,369	—
Cash dividends paid	22	(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	8	355,212	385,431
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	8	385,431	683,802

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 the Group's 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 retail business in Japan and overseas), etc.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with 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) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 30 November 2017 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

(3) Basis of Measurement

The consolidated financial statements have been prepared on 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".

(4) 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.

(5) Use of Estimates and Judgments

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

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

Information about important 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 (Notes 13, 14)
- Recoverable amounts from cash-generating units for impairment test (Note 15)
- Recoverability of deferred tax assets (Note 19)
- Valuation of inventories (Note 10)
- Recoverability of trade and other receivables (Notes 9, 30)
- Accounting treatment and valuation of provisions (Note 21)
- Fair value measurement of financial instruments (Note 30)
- Fair value unit price for share-based payments (Note 29)
- Probability of outflow of future economic benefits from contingent liabilities (Note 34)

3. Significant Accounting Policies

(1) Basis of Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. The Group controls enterprises where it is exposed, or has rights, to variable returns arising from its involvement in those enterprises or when the Group has rights to variable returns in those enterprises and is able to have an impact on 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 the Group obtains control until the date that control ceases.

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 2017 is 121.

(ii) Investments in associates

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

Thereafter the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associates since acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The numbers of associates as at 31 August 2017 are 2.

(2) Business combinations

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

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

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

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

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

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

(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 the 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 statements of profit or loss are translated at average exchange rates during the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

(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 subtracted from "other comprehensive income" on the consolidated statement of comprehensive income for the same period when the hedged cash flows would affect 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. Fair value is determined using the method described in “30. Financial Instruments”.

(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. Fair value is determined using the method described in “30. Financial Instruments”. 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 to 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", pursuant to IAS 39, are evaluated at each reporting date 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. Fair value is determined using the method described in “30. Financial Instruments”.

(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 consolidated 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 consolidated statement of profit or loss on a straight-line basis over the lease term.

Operating lease income as lessor is recognized as an operating revenue in the consolidated 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 periods. 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 discount rates ranging between 0.00–0.99% are generally used 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. Fair value of stock options is further disclosed in "29. Share-based Payments".

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

(13) Revenue recognition

Revenue is measured at the fair value of the 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 measured at the fair value of the consideration received or receivable 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 generates taxable income, with adjustments to tax payments in past periods.

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

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

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

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

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

(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. Application of new and amended standards and interpretations

The Group adopted the following standards and amendments from the beginning of the current fiscal year.

IFRS	Title	Summary
IAS 1 (Amendments)	Presentation of Financial Statements	Clarification of methods of presentation of financial statements and disclosures
IAS16 (Amendments)	Property, Plant and Equipment	Clarification of Acceptable Methods of Depreciation
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	Clarification of items requested regarding accounting treatment of investment entities
IAS 34 (Amendments)	Interim Financial Reporting	Clarifying the handling of information required by IAS 34, when given in the “Other” section of the financial reports for the term.
IAS 38 (Amendments)	Intangible Assets	Clarification of Acceptable Methods of Amortization
IFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations	Clarification of accounting treatment of non-current assets, when the categorization requirements regarding “holding for purpose of allocation to owner” are no longer met, or when the category is changed from “holding for purpose of sale” to “holding for purpose of allocation to owner.”
IFRS 7 (Amendments)	Financial Instruments: Disclosures	Clarification of standards for determination of continuing involvement in financial assets to be transferred. Clarification of scope of applicable range for offsetting financial assets and financial liabilities in financial reports.
IFRS 10 (Amendments)	Consolidated Financial Statements	Clarification of items requested regarding accounting treatment of investment entities
IFRS 12 (Amendments)	Disclosures of Interests in Other Entities	Sets out the disclosure requirements for investment entities.

The effect of adopting the above standards and amendments on the consolidated financial statements of the Group is immaterial.

5. Issued but not yet effective IFRS

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards were issued but not yet effective and have not been early adopted by the Group.

The Company is in the process of assessing the impact of the adoption of these standards and interpretations, but is not yet in a position to state whether these new and revised IFRS would have a significant impact on the Group’s results of operation and financial position.

IFRS	Title	Mandatory adoption date (year beginning on)	The Group’s adoption date	Summary
IFRS 16 (Amendments)	Leases	1 January 2019	Year ending 31 August 2020	Amendments to accounting treatment for lease arrangements

IFRS 16 does not require that a lessee classifies the leases into financial lease or operating lease, and introduces a single lessee accounting model. A lessee recognizes, for all leases, a right-of-use asset representing its right of use the underlying leased asset and a lease liability representing its obligation to make lease payments. However a lessee may elect not to apply the above requirement to short term (12 months or less) and low value lease. After the initial recognition of a right-of-use asset and a lease liability, an entity recognizes depreciation cost of the right-of-use asset and interest expense of the lease liability.

Apart from the aforementioned IFRS 16, the standards, interpretations and amendments that are issued but not yet effective are as follows:

There are the new standards, amendments and interpretations other than the above, it is as follows:

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IAS 7 (Amendments)	Statement of Cash Flows	1 January 2017	Year ending 31 August 2018	Request for disclosure of changes in liabilities related to financing activities
IAS12 (Amendments)	Income Taxes	1 January 2017	Year ending 31 August 2018	Recognition of deferred tax assets for unrealized losses
IFRS 2 (Amendments)	Share-based Payment	1 January 2018	Year ending 31 August 2019	Classification and measurement of share-based payment transactions
IFRS 9 (2014)	Financial Instruments	1 January 2018	Year ending 31 August 2019	Replaces IAS39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. Amendments for the classification and measurement of financial instruments, adoption of expected credit loss impairment model for financial assets and hedge accounting
IFRS 15 (Amendments)	Revenue from Contracts with Customers	1 January 2018	Year ending 31 August 2019	Revised accounting standard for revenue recognition and disclosures
IFRIC 22	Foreign Currency Transaction and Advance Consideration	1 January 2018	Year ending 31 August 2019	Clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
IFRIC 23	Uncertainty over income Tax Treatments	1 January 2019	Year ending 31 August 2020	Clarifies the accounting for uncertainties in income taxes.
IFRS 10 (Amendments)	Consolidated Financial Statements	※	—	Sale or contribution of assets between an investor and its associate or joint venture
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	※	—	Sale or contribution of assets between an investor and its associate or joint venture

※ The IASB announced in December 2015 that it will defer the effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method.

6. 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 "3. Significant Accounting Policies".

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

(3) Segment information

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

(Note 1) "Others" include real estate leasing business, etc.

(Note 2) "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

(Note 1) "Others" include real estate leasing business, etc.

(Note 2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments. Please refer to "15. Impairment losses" for details of impairment loss on IT system investments, which is allocated to "Adjustments".

(4) Geographic Information

Year ended 31 August 2016

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
1,033,058	239,720	513,694	1,786,473

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

(Millions of yen)

Japan	PRC	United States of America (“U.S.A.”)	Overseas (Others)	Total
63,945	22,194	31,044	61,236	178,421

Year ended 31 August 2017

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
1,053,970	260,039	547,908	1,861,917

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

(Millions of yen)

Japan	PRC	U.S.A.	Overseas (Others)	Total
73,133	25,258	27,565	68,544	194,502

(Note) Geographic information on non-current assets in the U.S.A. as at 31 August 2016 and 2017 have been separately disclosed due to their increased significance, which individually represent a material amount of the Group’s total non-current assets.

7. Business Combination

Year ended 31 August 2016

Not applicable.

Year ended 31 August 2017

Not applicable.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents as at each year end is as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Cash and bank balances	270,051	562,656
Money market funds (MMF), cash funds, negotiable certificates of deposits	115,379	121,146
Total	385,431	683,802

9. Trade and other receivables

The breakdown of trade and other receivables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Accounts receivable — trade	40,509	43,096
Notes receivable	45	154
Other accounts receivable	5,290	6,009
Allowance for doubtful accounts	(667)	(661)
Total	45,178	48,598

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

10. Inventories

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

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Products	265,831	286,499
Supplies	4,172	3,176
Total	270,004	289,675

No inventories were pledged as collateral to secure debt.

Write-down of inventories to net realizable value is as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Write-down of inventories to net realizable value	3,866	3,433

11. Other financial assets and other financial liabilities

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

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Other financial assets:		
Available-for-sale financial assets	1,636	303
Loans and receivables		
Loans and receivables	260,373	107,998
Allowance for doubtful accounts	(218)	(267)
Total loans and receivables	260,155	107,731
Total	261,792	108,034
Other current financial assets total	184,239	30,426
Other non-current financial assets total	77,553	77,608

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing bank and other borrowings	283,465	281,512
Deposits	1,805	2,176
Deposits/guarantees received	1,400	1,623
Total	286,672	285,312
Other current financial liabilities total	12,581	11,844
Other non-current financial liabilities total	274,090	273,467

12. Other assets and other liabilities

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

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Other assets:		
Prepayments	11,954	13,084
Long-term prepayments	4,453	4,742
Others	5,580	4,223
Total	21,987	22,050
Current	17,534	17,307
Non-current	4,453	4,742

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Other liabilities:		
Accruals	24,484	28,181
Employee benefits accruals	4,494	5,931
Others	16,575	17,763
Total	45,554	51,875
Current	31,689	35,731
Non-current	13,865	16,144

13. Property, plant and equipment

Increase/(decrease) in acquisition costs, accumulated depreciation and impairment of property, plant and equipment are as follows:

(Millions of yen)

Acquisition costs	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2015	195,764	38,362	3,345	7,284	21,369	266,126
Additions	17,646	5,342	—	16,584	6,529	46,103
Disposals	(8,941)	(1,148)	(1,383)	—	(3,141)	(14,614)
Transfers	11,092	—	—	(11,092)	—	—
Exchange realignment	(19,574)	(3,303)	—	(1,746)	—	(24,624)
At 31 August 2016	195,986	39,253	1,962	11,029	24,757	272,990
Additions	13,009	5,144	—	13,437	9,631	41,223
Disposals	(9,718)	(1,391)	—	—	(2,942)	(14,051)
Transfers	18,404	—	—	(18,404)	—	—
Exchange realignment	13,929	3,132	—	761	9	17,832
At 31 August 2017	231,612	46,139	1,962	6,824	31,455	317,994

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2015	(104,129)	(21,537)	(702)	—	(10,416)	(136,785)
Depreciation provided during the year	(19,953)	(7,149)	—	—	(3,939)	(31,041)
Impairment losses	(6,150)	(1,387)	—	—	(384)	(7,922)
Disposals	6,902	769	702	—	3,351	11,726
Exchange realignment	9,102	3,783	—	—	—	12,886
At 31 August 2016	(114,226)	(25,520)	—	—	(11,389)	(151,136)
Depreciation provided during the year	(22,766)	(5,748)	—	—	(5,143)	(33,658)
Impairment losses	(1,491)	(571)	(34)	—	(55)	(2,153)
Reversal of impairment losses	695	—	—	—	—	695
Disposals	7,635	1,003	—	—	2,824	11,464
Exchange realignment	(4,680)	(1,545)	—	—	(1)	(6,226)
At 31 August 2017	(134,833)	(32,381)	(34)	—	(13,765)	(181,015)

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 31 August 2016	81,759	13,733	1,962	11,029	13,368	121,853
At 31 August 2017	96,778	13,757	1,927	6,824	17,690	136,979

(Note) As at 31 August 2017, the Group had store assets attributable to UNIQLO Japan and UNIQLO International business amounting to 96,998 million yen.

Net carrying amounts of finance-leased assets are as follows:

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Others	Total
At 31 August 2016	1,223	12,144	—	13,368
At 31 August 2017	3,333	14,356	—	17,690

There are no restrictions on ownership rights and no pledges on the Group’s property, plant and equipment.

14. Goodwill and intangible assets

(1) The increase/(decrease) in acquisition costs, accumulated amortization and impairment of goodwill and intangible assets are as follows:

(Millions of yen)

Acquisition costs	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2015	42,098	38,227	23,450	25,119	86,797	128,896
External purchases	—	10,164	6	131	10,302	10,302
Disposals	—	(7,233)	—	(324)	(7,558)	(7,558)
Exchange realignment	(3,952)	(286)	(3,398)	(3,851)	(7,535)	(11,487)
At 31 August 2016	38,146	40,871	20,058	21,075	82,006	120,152
External purchases	—	11,511	—	924	12,435	12,435
Disposals	—	(436)	—	(535)	(972)	(972)
Exchange realignment	5,023	513	1,366	884	2,764	7,788
At 31 August 2017	43,170	52,460	21,425	22,348	96,234	139,404

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2015	(14,933)	(26,005)	(7,571)	(12,229)	(45,806)	(60,739)
Amortization provided during the year	—	(4,735)	—	(1,019)	(5,755)	(5,755)
Impairment losses	(7,565)	—	(3,902)	(2,995)	(6,897)	(14,463)
Disposals	—	7,213	—	324	7,538	7,538
Exchange realignment	2,260	207	984	1,928	3,120	5,381
At 31 August 2016	(20,237)	(23,319)	(10,488)	(13,992)	(47,800)	(68,038)
Amortization provided during the year	—	(5,899)	—	(130)	(6,029)	(6,029)
Impairment losses	(2,196)	(2,912)	(772)	(681)	(4,366)	(6,562)
Disposals	—	44	—	535	579	579
Exchange realignment	(4,850)	(32)	(644)	(1,044)	(1,722)	(6,573)
At 31 August 2017	(27,285)	(32,118)	(11,906)	(15,314)	(59,339)	(86,624)

(Note) Amortization of intangible assets is included in “selling, general and administrative expenses” on the consolidated statement of profit or loss.

(Millions of yen)

Net carrying amount	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 31 August 2016	17,908	17,552	9,570	7,083	34,205	52,114
At 31 August 2017	15,885	20,341	9,519	7,034	36,895	52,780

(2) Significant goodwill and intangible assets

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

Certain trademarks will continue to be used as long as the business remains viable; therefore, management estimated the useful lives as indefinite.

The carrying amount of the goodwill and intangible assets with indefinite useful lives by cash-generating unit ("CGU") is as follows:

(Millions of yen)

Net carrying amount	Goodwill			Intangible assets with indefinite useful lives		
	UNIQLO Japan	UNIQLO International	Global Brands	UNIQLO Japan	UNIQLO International	Global Brands
At 31 August 2016	—	—	17,908	—	—	15,244
At 31 August 2017	—	—	15,885	—	—	15,797

15. 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 reductions in profitability of the 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 downs 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 measurement 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 used in 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 downs 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	PRINCESSE TAM. TAM 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, and 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 measurement 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.

See note “14. Goodwill and intangible assets” for accumulated impairment include of accumulated impairment of J Brand business.

(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 current assets which amounted to 608 million yen.

These impairment losses represented write downs of the carrying amounts of the aforementioned assets to the recoverable amounts in order to reflect the decreased profitability that resulted from replacing the system. The 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 whereof impairment losses were recorded in the past (mainly buildings and structures), the total reversal of impairment losses amounted to 695 million yen was 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 the 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.

16. Investments in associates

(1) Information of associates accounted for using the equity-method

The information of associates accounted for using the equity-method is as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Share of profits and losses of associates	132	625
Share of other comprehensive income of investments in associates	—	—
Share of comprehensive income of investments in associates	132	625
Carrying amount of investments in associates	13,132	13,473

(2) Determination regarding significant influence and financial information on important associates

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

The Company’s maximum exposure to losses due to its investments in the associates is limited to the amount of the investments by the Company and is included in the consolidated statement of financial position as “Investments in associates”, which amounted to 13,298 million yen. The Group’s share of profit and comprehensive income of the associates was 646 million yen and was included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively.

Total assets of the associates amounted to 71,139 million yen, which mainly comprised non-current assets such as warehouse, etc. The Company invested in the associates at the time of incorporation and no goodwill is recognized.

The Company received dividends amounting to 480 million yen from the associates during the year ended 31 August 2017.

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

17. Finance lease obligations

The breakdown of finance lease obligations is as follows:

(Millions of yen)

	Future minimum lease payments		Present value of future minimum lease payments	
	As at 31 August 2016	As at 31 August 2017	As at 31 August 2016	As at 31 August 2017
Finance lease obligations				
Due within one year	4,954	5,820	4,821	5,596
Due after one year through five years	9,956	12,474	9,679	12,068
Due after five years	1,568	1,410	1,567	1,358
Total	16,479	19,706	16,069	19,023
Deductions — future finance costs	(410)	(682)	—	—
Total net finance lease payables	16,069	19,023	16,069	19,023
Current portion	—	—	4,821	5,596
Non-current portion	—	—	11,247	13,427

The Group has no sublease contracts, accrued variable lease fees or escalation clauses (clauses enabling upward revision of rental charges), and no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

18. Operating lease commitments

(1) As Lessee

The Group's total future minimum lease payments on non-cancellable operating leases as at each year end are as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Due within one year	37,956	47,901
Due after one year through five years	104,234	138,904
Due after five years	126,506	132,439
Total	268,696	319,246

The total minimum lease payments and contingent rents for operating lease contracts recognized as expenses during the year are as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Total minimum lease payments	90,544	94,258
Contingent rents	80,811	79,776
Total	171,356	174,034

Contingent rents, renewal options, and escalation clauses (clauses enabling upward revision of rental charges) are included in the operating lease agreements.

There are no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

(2) As lessor

The Company sub-leases some of the properties it leased through operating leases, and so while it pays rent to the property owner, it also receives rent from the sub-tenant.

A breakdown of the future minimum rental receivables under non-cancellable leases is as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Due within one year	3	3
Due after one year through five years	14	14
Due after five years	3	—
Total	21	18

The total of contingent rents recorded as revenue during each reporting period is as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Contingent rents	1,136	1,116

19. Deferred taxes and income taxes

(1) Deferred taxes

The main factors in the increase/(decrease) of deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	As at 1 September 2015	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As at 31 August 2016
Temporary differences				
Accrued business tax	2,378	(1,249)	—	1,129
Allowance for bonuses	3,293	91	—	3,385
Provision of allowance for doubtful accounts	199	(12)	—	186
Impairment losses on non-current assets	3,243	310	—	3,553
Unrealized gains/(losses) on available-for-sale securities	(70)	—	33	(36)
Depreciation	5,886	533	—	6,419
Net gains/(losses) on revaluation of cash flow hedges	(52,042)	—	74,659	22,617
Temporary differences on shares of subsidiaries	(1,994)	101	—	(1,893)
Accelerated depreciation	(5,256)	(240)	—	(5,496)
Intangible assets	(3,940)	3,293	—	(647)
Others	5,515	(371)	—	5,143
Subtotal	(42,788)	2,456	74,693	34,361
Tax losses carried forward	6,623	(366)	—	6,257
Net deferred tax assets/(liabilities)	(36,165)	2,090	74,693	40,618

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

(Millions of yen)

	As at 1 September 2016	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As at 31 August 2017
Temporary differences				
Accrued business tax	1,129	99	—	1,228
Allowance for bonuses	3,385	299	—	3,685
Provision of allowance for doubtful accounts	186	(23)	—	163
Impairment losses on non-current assets	3,553	(4)	—	3,549
Unrealized gains/(losses) on available-for-sale securities	(36)	—	35	(1)
Depreciation	6,419	1,212	—	7,632
Net gains/(losses) on revaluation of cash flow hedges	22,617	—	(22,981)	(364)
Temporary differences on shares of subsidiaries	(1,893)	—	—	(1,893)
Accelerated depreciation	(5,496)	(1,030)	—	(6,527)
Intangible assets	(647)	647	—	—
Others	5,143	(4,225)	—	917
Subtotal	34,361	(3,024)	(22,946)	8,391
Tax losses carried forward	6,257	654	—	6,911
Net deferred tax assets/(liabilities)	40,618	(2,369)	(22,946)	15,303

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

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

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Unrecognized tax losses carried forward	15,488	18,844
Deductible temporary differences	14,607	15,798
Total	30,095	34,642

Tax effects of unrecognized tax losses carried forward of which no deferred tax asset is recognized in the consolidated statement of financial position, if unutilized, will expire as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year and thereafter	15,488	18,844
Total	15,488	18,844

Temporary differences on shares of subsidiaries for which deferred tax liabilities were not recognized

The aggregate amounts of temporary differences associated with undistributed retained earnings of subsidiaries for which deferred tax liabilities have not been recognized as at 31 August 2016 and 31 August 2017 were 284,455 million yen and 296,630 million yen, respectively.

No liability has been recognized with respect to these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

(2) Income taxes

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Current tax	40,772	61,136
Deferred tax	(4,609)	3,351
Total	36,162	64,488

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

For the Company and its Japanese subsidiaries, the timing for the proposed increase of consumption tax rate to 10% was postponed from 1 April 2017 to 1 October 2019 when the "Act to Partially Amend the Consumption Tax Act to Fundamentally Reform the Tax System for Securing a Stable Revenue Source for Social Security" (Act No. 85 of 2016) and the "Act to Partially Amend the Local Tax Act and the Local Allocation Tax Act to Fundamentally Reform the Tax System for Securing a Stable Revenue Source for Social Security" (Act No. 86 of 2016) were approved by the Diet on 18 November 2016.

Accordingly, the timing of the abolition of local special corporate tax and associated restoration of corporate enterprise tax, the revision of the local corporate tax rate, and the revision of the corporate inhabitant tax rate are therefore postponed from the fiscal year commencing on or after 1 April 2017 until the fiscal year beginning on or after 1 October 2019.

The statutory income tax rates used to calculate deferred tax assets and deferred tax liabilities have not changed, but the amounts of deferred tax assets and deferred tax liabilities have been revised due to the occurrence of reclassification of tax rates between national tax and local tax.

The impact of these tax rate amendments on the consolidated financial statements is immaterial.

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Statutory income tax rate	33.0%	30.8%
Unrecognized deferred tax assets	8.9%	2.4%
Difference in statutory income tax rates of subsidiaries	(7.9%)	(3.9%)
Impairment loss of goodwill	3.2%	0.4%
Undistributed earnings of foreign subsidiaries	0.4%	3.1%
Inhabitant tax on per capita basis	1.0%	0.1%
Others	1.2%	0.3%
Effective tax rate	40.0%	33.3%

20. Trade and other payables

The breakdown of trade and other payables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Trade payables	130,745	137,325
Other payables	58,756	66,683
Total	189,501	204,008

21. Provisions

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

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Allowance for bonuses	16,802	19,108
Asset retirement obligations	16,126	24,189
Total	32,929	43,298
Current liabilities	22,284	27,889
Non-current liabilities	10,645	15,409

The main factors for the increase / (decrease) in provisions are as follows:

(Millions of yen)

	Allowance for bonuses	Asset retirement obligations	Total
Balances as at 1 September 2015	17,735	15,083	32,819
Additional provisions	21,088	1,800	22,888
Amounts utilized	(20,759)	(356)	(21,116)
Increase in discounted amounts arising from passage of time	—	243	243
Others	(1,261)	(644)	(1,905)
Balances as at 31 August 2016	16,802	16,126	32,929
Additional provisions	24,896	8,146	33,043
Amounts utilized	(23,222)	(664)	(23,886)
Increase in discounted amounts arising from passage of time	—	168	168
Others	631	411	1,043
Balances as at 31 August 2017	19,108	24,189	43,298

Please refer to “3. Significant Accounting Policies (11) Provisions” for an explanation of respective provisions.

22. Equity and other equity Items

(1) Share Capital

	Number of authorized shares (Common stock with no par-value) (shares)	Number of issued shares (Common stock with no par-value) (shares)	Number of outstanding shares (Common stock with no par-value) (shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
Balances as at 1 September 2015	300,000,000	106,073,656	101,945,401	10,273	11,524
Increase/(decrease) (Note)	—	—	18,752	—	1,546
Balances as at 31 August 2016	300,000,000	106,073,656	101,964,153	10,273	13,070
Increase/(decrease) (Note)	—	—	19,839	—	1,303
Balances as at 31 August 2017	300,000,000	106,073,656	101,983,992	10,273	14,373

(Note) The main factor for the increase/(decrease) in the number of shares in circulation was the increase/(decrease) in the number of treasury stock as indicated below.

(2) Treasury Stock and Capital Surplus

① Treasury Stock

	Number of shares (shares)	Amount (Millions of yen)
Balances as at 1 September 2015	4,128,255	15,699
Acquisition of treasury stock less than one unit	149	6
Exercise of stock options	(18,901)	(72)
Balances as at 31 August 2016	4,109,503	15,633
Acquisition of treasury stock less than one unit	155	6
Exercise of stock options	(19,994)	(75)
Balances as at 31 August 2017	4,089,664	15,563

② Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 2015	4,578	2,556	2,662	1,726	11,524
Disposal of treasury stock	—	546	—	—	546
Share-based payments	—	—	945	—	945
Others	—	8	(8)	53	53
Balances as at 31 August 2016	4,578	3,112	3,599	1,779	13,070
Disposal of treasury stock	—	642	—	—	642
Share-based payments	—	—	754	—	754
Others	—	—	—	(94)	(94)
Balances as at 31 August 2017	4,578	3,754	4,354	1,685	14,373

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

(3) Other components of equity

The breakdown of other comprehensive income included in non-controlling interests is as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Exchange differences on translation of foreign operations	(2,648)	1,666
Cash flow hedges	(1,400)	196
Other comprehensive income	(4,049)	1,862

(4) Dividends

The Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend. These dividends are decided by resolution of the Board, unless otherwise stipulated by laws and regulations.

The total amount of dividends paid was as follows:

Year ended 31 August 2016

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 4 November 2015	17,840	175
Board of Directors' meeting held on 7 April 2016	18,861	185

Year ended 31 August 2017

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 4 November 2016	16,824	165
Board of Directors' meeting held on 13 April 2017	17,846	175

Proposed dividends on common stock are as follows:

	Year ended 31 August 2016	Year ended 31 August 2017
Total amount of dividends (millions of yen)	16,824	17,847
Dividends per share (yen)	165	175

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

23. Revenue

The breakdown of revenue for each year is as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Revenue		
Sales of goods	1,782,033	1,857,065
Service revenue	4,440	4,852
Total	1,786,473	1,861,917

24. 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

25. Other income and other expenses

The breakdowns of other income and other expenses for the 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”.

26. 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".

27. Other comprehensive income

The breakdown of amounts recorded during the year, reclassification adjustments and income tax effect generated by individual comprehensive income items included in "other comprehensive income" for each year are as follows:

Year ended 31 August 2016

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	71	—	71	33	105
Exchange differences on translation of foreign operations	(43,312)	—	(43,312)	—	(43,312)
Cash flow hedges	(168,603)	(56,295)	(224,899)	74,659	(150,239)
Total	(211,844)	(56,295)	(268,140)	74,693	(193,447)

Year ended 31 August 2017

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	193	(474)	(280)	35	(245)
Exchange differences on translation of foreign operations	26,285	—	26,285	—	26,285
Cash flow hedges	92,496	(22,405)	70,091	(22,981)	47,109
Total	118,974	(22,879)	96,095	(22,946)	73,148

28. 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 for the year attributable to owners of the parent (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)

29. Share-based Payments

The Group has a program for issuing share subscription rights as share-based compensation stock options for employees of the Company and its subsidiaries as a means of recognizing their contribution to the Group's profit. By linking the Company's stock price to the benefits received by personnel, this program aims to boost staff morale and motivation, improve Group performance and enhance shareholder value by strengthening business development with a focus on shareholder return.

1. Details, scale and changes in stock options

(1) Description of stock options

	1st Share subscription rights A type	1st Share subscription rights B type
Category and number of grantee	Employees of the Company: 7 Employees of the Group subsidiaries: 3	Employees of the Company: 266 Employees of the Group subsidiaries: 413
Number of stock options by type of shares (Note)	Common stock: maximum 3,370 shares	Common stock: maximum 77,542 shares
Grant date	8 November 2010	8 November 2010
Vesting conditions	To serve continuously until the vesting date (7 November 2013) after the grant date (8 November 2010)	To serve continuously until the vesting date (7 December 2010) after the grant date (8 November 2010)
Eligible service period	From 8 November 2010 to 7 November 2013	From 8 November 2010 to 7 December 2010
Exercise period	From 8 November 2013 to 7 November 2020	From 8 December 2010 to 7 November 2020
Settlement	Equity settlement	Equity settlement

	2nd share subscription rights A type	2nd share subscription rights B type
Category and number of grantee	Employees of the Company: 14 Employees of the Group subsidiaries: 4	Employees of the Company: 139 Employees of the Group subsidiaries: 584
Number of stock options by type of shares (Note)	Common stock: maximum 13,894 shares	Common stock: maximum 51,422 shares
Grant date	15 November 2011	15 November 2011
Vesting conditions	To serve continuously until the vesting date (14 November 2014) after the grant date (15 November 2011)	To serve continuously until the vesting date (14 December 2011) after the grant date (15 November 2011)
Eligible service period	From 15 November 2011 to 14 November 2014	From 15 November 2011 to 14 December 2011
Exercise period	From 15 November 2014 to 14 November 2021	From 15 December 2011 to 14 November 2021
Settlement	Equity settlement	Equity settlement

	3rd share subscription rights A type	3rd share subscription rights B type
Category and number of grantee	Employees of the Company: 18 Employees of the Group subsidiaries: 8	Employees of the Company: 136 Employees of the Group subsidiaries: 615
Number of stock options by type of shares (Note)	Common stock: maximum 10,793 shares	Common stock: maximum 39,673 shares
Grant date	13 November 2012	13 November 2012
Vesting conditions	To serve continuously until the vesting date (12 November 2015) after the grant date (13 November 2012)	To serve continuously until the vesting date (12 December 2012) after the grant date (13 November 2012)
Eligible service period	From 13 November 2012 to 12 November 2015	From 13 November 2012 to 12 December 2012
Exercise period	From 13 November 2015 to 12 November 2022	From 13 December 2012 to 12 November 2022
Settlement	Equity settlement	Equity settlement

	4th share subscription rights A type	4th share subscription rights B type
Category and number of grantee	Employees of the Company: 19 Employees of the Group subsidiaries: 11	Employees of the Company: 180 Employees of the Group subsidiaries: 706
Number of stock options by type of shares (Note)	Common stock: maximum 7,564 shares	Common stock: maximum 29,803 shares
Grant date	3 December 2013	3 December 2013
Vesting conditions	To serve continuously until the vesting date (2 December 2016) after the grant date (3 December 2013)	To serve continuously until the vesting date (2 January 2014) after the grant date (3 December 2013)
Eligible service period	From 3 December 2013 to 2 December 2016	From 3 December 2013 to 2 January 2014
Exercise period	From 3 December 2016 to 2 December 2023	From 3 January 2014 to 2 December 2023
Settlement	Equity settlement	Equity settlement

	5th share subscription rights A type	5th share subscription rights B type
Category and number of grantee	Employees of the Company: 36 Employees of the Group subsidiaries: 16	Employees of the Company: 223 Employees of the Group subsidiaries: 785
Number of stock options by type of shares (Note)	Common stock: maximum 21,732 shares	Common stock: maximum 33,062 shares
Grant date	14 November 2014	14 November 2014
Vesting conditions	To serve continuously until the vesting date (13 November 2017) after the grant date (14 November 2014)	To serve continuously until the vesting date (13 December 2014) after the grant date (14 November 2014)
Eligible service period	From 14 November 2014 to 13 November 2017	From 14 November 2014 to 13 December 2014
Exercise period	From 14 November 2017 to 13 November 2024	From 14 December 2014 to 13 November 2024
Settlement	Equity settlement	Equity settlement

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

	6th share subscription rights C type	7th share subscription rights A type
Category and number of grantee	Employees of the Company: 26	Employees of the Company: 16 Employees of the Group subsidiaries: 23
Number of stock options by type of shares (Note)	Common stock: maximum 6,072 shares	Common stock: maximum 2,821 shares
Grant date	13 November 2015	11 November 2016
Vesting conditions	To serve continuously until the vesting date (12 November 2018) after the grant date (13 November 2015)	To serve continuously until the vesting date (10 November 2019) after the grant date (11 November 2016)
Eligible service period	From 13 November 2015 to 12 November 2018	From 11 November 2016 to 10 November 2019
Exercise period	13 November 2018	From 11 November 2019 to 10 November 2026
Settlement	Equity settlement	Equity settlement

	7th share subscription rights B type	7th share subscription rights C type
Category and number of grantee	Employees of the Company: 339 Employees of the Group subsidiaries: 1,096	Employees of the Company: 30
Number of stock options by type of shares (Note)	Common stock: maximum 31,726 shares	Common stock: maximum 5,205 shares
Grant date	11 November 2016	11 November 2016
Vesting conditions	To serve continuously until the vesting date (10 December 2016) after the grant date (11 November 2016)	To serve continuously until the vesting date (10 November 2019) after the grant date (11 November 2016)
Eligible service period	From 11 November 2016 to 10 December 2016	From 11 November 2016 to 10 November 2019
Exercise period	From 11 December 2016 to 10 November 2026	11 November 2019
Settlement	Equity settlement	Equity settlement

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

Expenses recognized as share-based payments are as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Expenses recognized		
Share-based payments	1,539	1,425

(2) Scale of stock options program and changes

Outstanding balance of stock options as at 31 August 2017 are converted into equivalent number of shares.

① Number and weighted average exercise prices of stock options

Stock options

	Year ended 31 August 2016	Year ended 31 August 2017
	Number of shares (shares)	Number of shares (shares)
Non-vested		
Non-vested at beginning of the year	34,172	32,434
Granted	34,308	39,752
Forfeited	(957)	(4,275)
Vested	(35,089)	(37,791)
Non-vested at end of the year	32,434	30,120

	Year ended 31 August 2016	Year ended 31 August 2017
	Number of shares (shares)	Number of shares (shares)
Vested		
Outstanding at beginning of the year	83,147	98,881
Vested	35,089	37,791
Exercised	(18,940)	(19,994)
Forfeited	(415)	(305)
Outstanding at end of the year	98,881	116,373

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

② Stock price on exercise date

Stock options exercised during the year ended 31 August 2017 are as follows:

Type	Number of shares (shares)	Weighted average stock price on exercise date (Yen)
Stock options	19,994	37,648

③ Expected life of stock options

The weighted average expected life of outstanding stock options as at 31 August 2017 was 6.29 years.

In addition, the weighted average expected life of outstanding stock options as at 31 August 2016 was 6.87 years.

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

The methods of estimating fair value of 7th share subscription rights A type, B type and C type, granted during the year ended 31 August 2017, were as follows:

① Valuation model: Black-Scholes model

② The following table lists the inputs to the model used:

	7th share subscription rights A type	7th share subscription rights B type
Fair value	34,683 yen	35,167 yen
Share price	36,890 yen	36,890 yen
Exercise price	1 yen	1 yen
Stock price volatility (Note 1)	37%	36%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	350 yen/share	350 yen/share
Risk-free interest rate (Note 4)	(0.205%)	(0.213%)

	7th share subscription rights C type
Fair value	35,854 yen
Share price	36,890 yen
Exercise price	1 yen
Stock price volatility (Note 1)	38%
Expected life of options (Note 2)	3.0 years
Expected dividends (Note 3)	350 yen/share
Risk-free interest rate (Note 4)	(0.254%)

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2010 to October 2016) 5.04 years for B type (from November 2011 to October 2016) and 3 years for C type (from November 2013 to October 2016).

2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.

3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.

4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

Also, the method of estimating fair value for the 6th share subscription rights A type, B type and C type granted during the year ended 31 August 2016 are as follows:

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

	6th share subscription rights A type	6th share subscription rights B type
Fair value	45,657 yen	46,147 yen
Share price	47,880 yen	47,880 yen
Exercise price	1 yen	1 yen
Stock price volatility (Note 1)	35%	33%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	350 yen/share	350 yen/share
Risk-free interest rate (Note 4)	0.083%	0.044%

	6th share subscription rights C type
Fair value	46,840 yen
Share price	47,880 yen
Exercise price	1 yen
Stock price volatility (Note 1)	34%
Expected life of options (Note 2)	3.0 years
Expected dividends (Note 3)	350 yen/share
Risk-free interest rate (Note 4)	0.008%

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2009 to October 2015) 5.04 years for B type (from November 2010 to October 2015) and 3 years for C type (from November 2012 to October 2015).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

3. Estimation method of the number of share subscription rights which have already been vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the method reflecting actual numbers of forfeiture is adopted.

30. Financial Instruments

(1) Capital risk management

The Group engages in capital management to achieve continuous growth and maximize corporate value.

The ratio of the Group’s net interest-bearing borrowings to equity is as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Interest-bearing borrowings	283,465	281,512
Cash and cash equivalents	385,431	683,802
Net interest-bearing borrowings	(101,965)	(402,289)
Equity	597,661	762,043

To maximize corporate value, the Group engages in cash flow-oriented management. As at 31 August 2016 and 2017, the Group maintained a position where the carrying amount of cash and cash equivalents exceeded interest-bearing borrowings.

As at 31 August 2017, the Group is not subject to any externally imposed capital requirement.

(2) Significant accounting policies

See Note "3. Significant Accounting Policies" for significant accounting policies regarding standards for recognizing financial assets, financial liabilities, equity financial instruments, as well as the fundamentals of measurement and recognition of profit or loss.

(3) Categories of financial instruments

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Financial assets		
Loans and receivables		
Trade and other receivables	45,178	48,598
Other current financial assets	184,239	30,426
Other non-current financial assets	75,916	77,304
Available-for-sale investments	1,636	303
Derivatives		
Financial assets at fair value through profit or loss ("FVTPL")	8	0
Foreign currency forward contracts designated as hedging instruments	560	6,269
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	189,501	204,008
Other current financial liabilities	12,581	11,844
Other non-current financial liabilities	274,090	273,467
Derivatives		
Financial liabilities at FVTPL	16	86
Foreign currency forward contracts designated as hedging instruments	72,371	5,996

No items in the above categories are included in discontinued operations or disposal group held-for-sale. Also, there are no financial assets or liabilities valued using the fair value option to measure fair value.

On the consolidated statement of financial position, available-for-sale investments are included under "non-current financial assets".

(4) Financial risk management

In relation to the cash management, the Group seeks to ensure effective utilization of group funds through the Group's Cash Management Service ("CMS"). The Group obtained credit facilities from financial institutions and issuance of bonds. Any temporary surplus funds are invested mainly in fixed interest rate-bearing instruments with minimal credit risk.

The Group entered into foreign currency forward contracts to hedge risk arising from fluctuations in foreign currency exchange rates and did not conduct any speculative trading in derivatives.

(5) Market risk management

The Group conducts its business on a global scale, and is therefore exposed to the price fluctuation risk of currencies and equity financial instruments.

① *Foreign currency risk*

1) Foreign currency risk management

The Group conducts its business on a global scale, and is exposed to foreign currency risk in relation to purchases and sales transactions and financing denominated in currencies other than the local currencies of those countries in which the Group operates its business.

In regard to operating obligations denominated in foreign currencies, the Group in principle hedges risk by using foreign currency forward contracts and other instruments for foreign currency risk assessed on a semi-annual basis.

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

The Group identifies concentration of risk in regard to foreign currency forward contracts.

The Group's notional amount of foreign currency forward contracts was 1,157,018 million yen as at 31 August 2017.

2) Foreign currency sensitivity analysis

Below is an analysis of the impact an 1% increase in the yen against the Euro ("EUR") and the United States dollar ("$") would have on the Group's profit for the year and other comprehensive income on the respective reporting periods.

These calculations assume no changes in the value of other foreign currencies not included herein.

	Year ended 31 August 2016	Year ended 31 August 2017
Average exchange rate (Yen)		
$	115.06	110.09
EUR	127.23	120.68
Impact on profit for the year (Millions of yen)		
$	(1,098)	(1,492)
EUR	(50)	(19)
Impact on other comprehensive income (Millions of yen)		
$	(9,609)	(9,827)
EUR	—	—

3) Currency derivatives and hedges

The Group uses foreign currency forward contract transactions to hedge against the risk of future fluctuations in exchange rates in regard to foreign currency transactions and applies hedge accounting to transactions that meet hedge requirements, and did not conduct any speculative trading in derivatives.

Cash flow hedges

A cash flow hedge is a hedge for avoiding risk of volatility in future cash flows. The Company uses foreign currency forward contracts to hedge cash flow fluctuations relating to forecast transactions.

Fluctuations in the fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, and included in other components of equity, and are reclassified to profit or loss at the time net profit is recognized on the hedged item.

The gain/(loss) on derivative transactions (after tax effects) projected to be reclassified to profit or loss within one year was 4,483 million yen (loss) as at 31 August 2017, and 11,979 million yen (loss) as at 31 August 2016.

1. Derivative transactions of which hedge accounting is not applied

	Average exchange		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2016	31 August 2017	31 August 2016	31 August 2017	31 August 2016	31 August 2017	31 August 2016	31 August 2017
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell EUR)	0.88 (€/$)	— (€/$)	0	—	97	—	0	—
Within 1 year								
Buy USD (sell EUR)	0.88 (€/$)	— (€/$)	23	—	2,428	—	8	—
Buy USD (sell KRW)	1,198.33 (KRW/$)	1,126.35 (KRW/$)	0	0	1	3	(0)	0
Buy USD (sell TWD)	31.69 (TWD/$)	30.33 (TWD/$)	7	2	806	291	0	(1)
Buy USD (sell AUD)	1.35 (AUD/$)	1.34 (AUD/$)	13	14	1,448	1,678	(17)	(85)

2. Derivative transactions of which hedge accounting is applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2016	31 August 2017	31 August 2016	31 August 2017	31 August 2016	31 August 2017	31 August 2016	31 August 2017
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	109.31 (¥/$)	104.91 (¥/$)	6,133	5,884	670,443	617,328	(59,123)	5,967
Buy USD (sell EUR)	0.87 (€/$)	0.88 (€/$)	39	63	3,917	7,323	0	(482)
Buy USD (sell GBP)	0.70 (£/$)	0.76 (£/$)	20	26	1,951	2,843	154	0
Buy USD (sell KRW)	1,149.36 (KRW/$)	1,132.55 (KRW/$)	302	306	32,000	34,161	(845)	(603)
Buy USD (sell SGD)	1.37 (SG$/$)	1.39 (SG$/$)	20	88	2,163	10,044	(17)	(126)
Within 1 year								
Buy USD (sell JPY)	104.78 (¥/$)	109.71 (¥/$)	3,529	3,405	369,772	373,567	(8,945)	(1,265)
Buy USD (sell EUR)	0.89 (€/$)	0.89 (€/$)	115	124	11,779	14,603	(22)	(906)
Buy USD (sell GBP)	0.70 (£/$)	0.76 (£/$)	47	56	4,488	6,073	379	122
Buy USD (sell KRW)	1,169.03 (KRW/$)	1,147.45 (KRW/$)	468	364	50,492	41,115	(2,416)	(974)
Buy USD (sell TWD)	32.54 (TWD/$)	30.64 (TWD/$)	114	107	12,109	12,077	(345)	(241)
Buy USD (sell SGD)	1.38 (SGD/$)	1.37 (SGD/$)	72	99	7,581	11,055	(51)	(138)
Buy USD (sell THB)	35.56 (THB/$)	34.45 (THB/$)	71	58	7,544	6,687	(184)	(246)
Buy USD (sell MYR)	4.13 (MYR/$)	4.33 (MYR/$)	46	21	4,885	2,421	(57)	(30)
Buy USD (sell AUD)	1.35 (AUD/$)	1.34 (AUD/$)	36	29	3,798	3,475	(41)	(177)
Buy USD (sell RUB)	75.3 (RUB/$)	79.98 (RUB/$)	25	39	2,998	5,971	(319)	(401)
Buy USD (sell CAD)	1.26 (CAD/$)	1.32 (CAD/$)	11	30	1,134	3,531	21	(169)
Buy USD (sell IDR)	— (IDR/$)	13,798.80 (IDR/$)	—	24	—	2,760	—	(53)
Buy KRW (sell USD)	0.001 ($/KRW)	— ($/KRW)	1	—	107	—	4	—

② Interest rate risk management

The Group's interest-bearing borrowings are mainly bonds with fixed interest rates, and the Group maintains positions in cash and cash equivalents that exceed the outstanding balance of its interest-bearing borrowings.

At present, the impact of interest payments on the Group is quite small. Consequently, the Group's current level of interest-rate risk is minor, and the Group has not performed any interest rate sensitivity analysis.

③ Price risk management in equity instruments

The Group is exposed to the risk of price volatility in equity financial instruments. The Group holds no equity financial instruments for short-term trading purposes.

The Group makes regular periodic checks of the market value of the equity financial instruments it holds, as well as the financial health of the issuers.

(6) Credit risk management

When the Group initiates ongoing transactions where receivables will be generated on an ongoing basis, the finance department manages the Group's risk exposure by setting credit limits and credit periods, as needed.

Trade receivables encompass many customers spanning a wide range of industries and geographic regions. The Group conducts regular credit checks of the companies it does business with, and when necessary takes appropriate protective measures, such as requiring collateral.

The Group does not have excessively concentrated credit risk exposure to any single company or corporate group.

As for deposits and guarantees, the Group mitigates risk by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health.

① Financial assets and other credit risk exposure

The carrying amounts after adjustment for impairment shown in the consolidated financial statements represent the Group's maximum exposure to credit risk before consideration of collateral assets.

② Past-due or impaired financial assets

Below is an aged analysis of financial assets whose due date had not passed as at each reporting date, and financial assets that are overdue whereof no asset impairment was recognized.

(Millions of yen)

	Total	Within due date	Overdue amounts		
			Within 90 days	91 days to 1 year	Over 1 year
Balances as at 31 August 2016					
Trade and other receivables (total)	45,846	43,595	1,844	121	284
Allowance for doubtful accounts	(667)	(431)	(6)	(53)	(176)
Trade and other receivables (net)	45,178	43,164	1,838	68	107
Other financial assets (total)	262,010	261,955	—	5	49
Allowance for doubtful accounts	(218)	(214)	—	(3)	—
Other financial assets (net)	261,792	261,740	—	2	49
Balances as at 31 August 2017					
Trade and other receivables (total)	49,260	46,513	2,179	177	389
Allowance for doubtful accounts	(661)	(381)	(31)	(20)	(228)
Trade and other receivables (net)	48,598	46,131	2,148	156	161
Other financial assets (total)	108,302	108,248	—	6	46
Allowance for doubtful accounts	(267)	(267)	—	—	—
Other financial assets (net)	108,034	107,981	—	6	46

The Group does not hold any collateral or other credit enhancements associated with the above financial assets.

When the Group recognizes impairment of a financial asset, it does not subtract the impairment directly from the carrying amount. Rather, this is recorded as an allowance for doubtful accounts.

The main factors increasing/decreasing the Group's allowances for doubtful accounts were as follows:

(Millions of yen)

	Allowance for doubtful accounts (current)	Allowance for doubtful accounts (non-current)	Total
Balances as at 1 September 2015	679	265	945
Provision for the year	150	49	199
Decrease (intended purposes)	(6)	(32)	(38)
Others	(155)	(64)	(219)
Balances as at 31 August 2016	667	218	885
Provision for the year	123	212	336
Decrease (intended purposes)	(149)	(176)	(325)
Others	19	12	32
Balances as at 31 August 2017	661	267	929

Where recoverability is uncertain, the Group conducts ongoing monitoring of the credit status of companies with which it does business, including receivables whose maturity date has been changed.

Based on the credit facts uncovered by this monitoring, the Group assesses the recoverability of trade receivables, etc., and makes provisions accordingly, in the form of allowances for doubtful accounts.

In addition, because the Group does business on a world-wide scale and its credit risk is distributed, it is not overly reliant on any specific counterparty and faces minimal exposure to the impact of chain-reaction credit risk due to the worsening of the credit conditions of any given counterparty.

Consequently, there is no need to record additional allowances for doubtful accounts based on credit risk concentration.

(7) Liquidity risk management

The Group manages liquidity risk by formulating and revising its funding plans on a timely basis and maintains an appropriate level of liquidity on hand.

The ultimate responsibility for management of liquidity risk lies with the CFO appointed by the Board of Directors. The finance department, under the direction of the CFO, performs the day-to-day aspects of liquidity risk management by maintaining appropriate levels of surplus funds and bank loans, and by monitoring budgets and cash flows.

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 31 August 2016								
Non-derivative financial liabilities								
Trade and other payables	189,501	189,501	189,501	—	—	—	—	—
Long-term borrowings (excluding current portion)	11,955	11,955	—	3,112	4,323	4,323	196	—
Current portion of long-term borrowings	2,164	2,164	2,164	—	—	—	—	—
Short-term borrowings	3,788	3,788	3,788	—	—	—	—	—
Corporate bonds	249,486	249,486	—	—	29,959	—	99,828	119,698
Long-term finance lease obligations	11,247	11,247	—	4,032	2,904	1,797	945	1,567
Short-term finance lease obligations	4,821	4,821	4,821	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	72,388	—						
Total	545,355	472,967	200,276	7,144	37,187	6,121	100,970	121,266
As at 31 August 2017								
Non-derivative financial liabilities								
Trade and other payables	204,008	204,008	204,008	—	—	—	—	—
Long-term borrowings (excluding current portion)	8,833	8,833	—	4,416	4,416	—	—	—
Current portion of long-term borrowings	3,312	3,312	3,312	—	—	—	—	—
Short-term borrowings	758	758	758	—	—	—	—	—
Corporate bonds	249,583	250,000	—	30,000	—	100,000	—	120,000
Long-term finance lease obligations	13,427	13,427	—	4,481	3,410	2,593	1,583	1,358
Short-term finance lease obligations	5,596	5,596	5,596	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	6,083	—						
Total	491,604	485,937	213,676	38,898	7,827	102,593	1,583	121,358

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

(8) Fair value of financial instruments

(Millions of yen)

	As at 31 August 2016		As at 31 August 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	3,788	3,788	758	758
Long-term borrowings (Note 1)	14,120	14,298	12,146	12,253
Corporate bonds (Note 2)	249,486	253,850	249,583	253,504
Lease obligations (Note 1)	16,069	16,001	19,023	19,131
Total	283,465	287,939	281,512	285,648

(Note 1) The above includes the outstanding balance of borrowings due within 1 year.

(Note 2) Information on corporate bonds as at 31 August 2016 and 2017 is as follows:

(Millions of yen)

Company name	Name of bonds	Date of issuance	As at 31 August 2016	As at 31 August 2017	Interest rate (%)	Date of maturity
FAST RETAILING CO., LTD.	1st non-collateralized corporate bonds	18 December 2015	29,959	29,977	0.110	18 December 2018
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	99,828	99,869	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	49,883	49,901	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	69,815	69,835	0.749	18 December 2025
Total	—	—	249,486	249,583	—	—

The fair value of short-term financial assets, short-term financial liabilities, long-term financial assets and long-term financial liabilities, which are measured by amortized cost, approximate their carrying amounts.

The fair value of corporate bonds is measured at the market price.

The fair value of long-term borrowings and lease obligations are classified by term, and are calculated on the basis of the present value applying a discount rate that takes into account time remaining to maturity and credit risk.

(9) Fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

① The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

(Millions of yen)

As at 31 August 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,424	—	212	1,636
Financial assets/(liabilities) at FVTPL	—	(8)	—	(8)
Foreign currency forward contracts designated as hedging instruments	—	(71,810)	—	(71,810)
Net amount	1,424	(71,818)	212	(70,182)

As at 31 August 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	16	—	287	303
Financial assets/(liabilities) at FVTPL	—	(86)	—	(86)
Foreign currency forward contracts designated as hedging instruments	—	273	—	273
Net amount	16	186	287	489

For the valuation of level 2 derivative financial instruments for which a market value is available, the Group uses a valuation model that uses observable data on the measurement date as indicators such as interest rates, yield curves, currency rates and volatility in comparable instruments.

Non-listed shares are included in level 3. There is no significant increase or decrease in level 3 items through purchase, disposal or settlement. Also, there is no transfer from level 3 to level 2.

② Financial instruments measured at amortized cost

The fair value measurements of corporate bonds, long-term borrowings and lease obligations are classified as level 2.

31. Related Party Disclosures
Remuneration of key management personnel
Remuneration of the Group's key management personnel is as below:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Short-term employee benefits	364	362
Total	364	362

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

Year ended 31 August 2016 (from 1 September 2015 to 31 August 2016)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2016 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Trade and other payables	1

Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2. Terms of transactions and policy for the terms

Transaction amounts were determined based on the negotiation with the related party considering market prices.

Year ended 31 August 2017 (from 1 September 2016 to 31 August 2017)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2017 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Trade and other payables	1

Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

2. Terms of transactions and policy for the terms

Transaction amounts were determined based on the negotiation with the related party considering market prices.

32. Major subsidiaries

The Group's major subsidiaries are as listed in "Corporate Profile 3. Subsidiaries and Associates".

33. Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Commitment for the acquisition of property, plant and equipment	9,889	17,347
Commitment for acquisition of intangible assets	399	11,110
Total	10,288	28,457

34. Contingent liabilities

Year ended 31 August 2016

Not applicable

Year ended 31 August 2017

Not applicable

35. Subsequent Events

Year ended 31 August 2016

The Issue of Share-based Compensation Stock Options (Share Subscription Rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 13 October 2016, the Company decided to issue share subscription rights as share-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

Year ended 31 August 2017

The Issue of Share-based Compensation Stock Options (Share Subscription Rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 12 October 2017, the Company decided to issue share subscription rights as share-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(2) Others

Quarterly information for the year ended 31 August 2017

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	528,847	1,017,508	1,477,958	1,861,917
Quarterly income before income taxes and non-controlling interests (Millions of yen)	104,204	147,610	195,477	193,398
Quarterly net income (Millions of yen)	69,695	97,233	120,113	119,280
Earnings per share (Yen)	683.51	953.55	1,177.89	1,169.70

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings/(losses) per share (Yen)	683.51	270.05	224.35	(8.17)

2. Financial statements

(1) Financial statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
ASSETS		
Current assets		
Cash and deposits	177,827	256,687
Trade accounts receivable	*1 12,232	*1 13,470
Short-term investment securities	115,357	121,134
Short-term loans receivable from subsidiaries and affiliates	51,689	68,055
Income taxes receivable	20,597	—
Accounts receivable from subsidiaries and affiliates	12,156	15,211
Deferred tax assets	1,011	1,014
Others	2,782	2,443
Allowance for doubtful accounts	(187)	(0)
Total current assets	393,466	478,018
Non-current assets		
Property, plant and equipment		
Buildings	6,231	12,604
Accumulated depreciation	*3 (4,703)	*3 (5,367)
Buildings, net	1,527	7,236
Structures	298	359
Accumulated depreciation	*3 (217)	*3 (225)
Structures, net	81	134
Tools, furniture and equipment	1,512	1,523
Accumulated depreciation	*3 (1,399)	*3 (1,406)
Tools, furniture and equipment, net	112	117
Land	1,158	1,123
Leased assets	52	1,324
Accumulated depreciation	*3 (0)	*3 (169)
Leased assets, net	52	1,155
Construction in progress	3,677	7
Total property, plant and equipment	6,609	9,774
Intangible assets		
Software	13,601	13,533
Software in progress	2,583	5,494
Others	64	60
Total intangible assets	16,249	19,087
Investments and other assets		
Investment securities	14,620	284
Investments in subsidiaries and affiliates	111,595	76,392
Investments in capital of subsidiaries and affiliates	10,336	10,181
Long-term loans receivable from subsidiaries and affiliates	70,555	69,092
Leases and guarantee deposits	5,065	5,066
Deferred tax assets	570	—
Others	2,015	2,212
Total investments and other assets	214,760	163,231
Total non-current assets	237,619	192,093
Total assets	631,086	670,111

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
LIABILITIES		
Current liabilities		
Accounts payable	8,102	5,294
Accruals	649	780
Deposits received	*1 22,693	*1 20,245
Allowance for bonuses	1,620	2,026
Income taxes payable	—	10,291
Others	428	772
Total current liabilities	33,494	39,411
Non-current liabilities		
Corporate bonds	250,000	250,000
Guarantee deposits received	1,100	1,089
Deferred tax liabilities	—	5
Others	716	2,501
Total non-current liabilities	251,817	253,596
Total liabilities	285,312	293,008
NET ASSETS		
Shareholders' equity		
Capital stock	10,273	10,273
Capital surplus		
Capital reserve	4,578	4,578
Other capital surplus	3,071	3,666
Total capital surplus	7,650	8,245
Retained earnings		
Legal reserve	818	818
Other retained earnings		
Special reserve fund	185,100	185,100
Retained earnings carried forward	154,782	184,377
Total retained earnings	340,701	370,295
Treasury stock	(15,633)	(15,563)
Total shareholders' equity	342,992	373,251
Valuation and translation adjustments		
Unrealized gains/(losses) on available-for-sale securities	(818)	(502)
Total valuation and translation adjustments	(818)	(502)
Share subscription rights	3,599	4,354
Total net assets	345,773	377,103
Total liabilities and net assets	631,086	670,111

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Operating revenue		
Management income from operating companies	*1 30,377	*1 37,683
Dividends income from subsidiaries and affiliates	*1 68,911	*1 102,187
Total operating revenue	99,289	139,871
Operating expenses		
Selling, general and administrative expenses		
Salaries	4,777	5,259
Bonuses	298	365
Allowance for bonuses	1,289	1,676
Rental expenses	5,045	5,711
Depreciation	4,940	6,239
Outsourcing expenses	15,832	15,837
Others	11,467	10,846
Total operating expenses	43,651	45,936
Operating income	55,637	93,934
Non-operating income		
Interest income	517	2,736
Interest income from investment securities	99	66
Foreign exchange gains	—	19,546
Others	181	380
Total non-operating income	799	22,730
Non-operating expenses		
Interest expenses	802	1,095
Foreign exchange losses	45,657	—
Others	706	80
Total non-operating expenses	47,166	1,175
Ordinary income	9,270	115,488
Extraordinary income		
Gains on sales of investment securities	—	474
Total extraordinary income	—	474
Extraordinary losses		
Losses on retirement of non-current assets	*2 0	*2 24
Impairment losses of investments in investment securities	18,996	44,169
Impairment losses	—	3,145
Others	489	—
Total extraordinary losses	19,486	47,338
Income/(loss) before income taxes	(10,215)	68,624
Income taxes – current	(15,002)	3,911
Income taxes – deferred	(1,297)	447
Total income taxes	(16,300)	4,359
Net income	6,084	64,264

(3) Statement of Changes in Net Assets

Year ended 31 August 2016

(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	2,550	7,129	818	185,100	185,400	371,318
Changes during the year								
Exercise of share subscription rights			521	521				
Dividends							(36,702)	(36,702)
Net income							6,084	6,084
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	521	521	—	—	(30,617)	(30,617)
Balance at the end of year	10,273	4,578	3,071	7,650	818	185,100	154,782	340,701

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at the beginning of year	(15,699)	373,023	329	329	2,654	376,007
Changes during the year						
Exercise of share subscription rights		521				521
Dividends		(36,702)				(36,702)
Net income		6,084				6,084
Acquisition of treasury stock	(6)	(6)				(6)
Disposal of treasury stock	72	72				72
Net changes of items other than those in shareholders' equity			(1,148)	(1,148)	945	(202)
Net changes during the year	66	(30,030)	(1,148)	(1,148)	945	(30,233)
Balance at the end of year	(15,633)	342,992	(818)	(818)	3,599	345,773

Year ended 31 August 2017

(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	3,071	7,650	818	185,100	154,782	340,701
Changes during the year								
Exercise of share subscription rights			594	594				
Dividends							(34,670)	(34,670)
Net income							64,264	64,264
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	594	594	—	—	29,594	29,594
Balance at the end of year	10,273	4,578	3,666	8,245	818	185,100	184,377	370,295

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments	Share subscription rights	Total net assets
Balance at the beginning of year	(15,633)	342,992	(818)	(818)	3,599	345,773
Changes during the year						
Exercise of share subscription rights		594				594
Dividends		(34,670)				(34,670)
Net income		64,264				64,264
Acquisition of treasury stock	(6)	(6)				(6)
Disposal of treasury stock	75	75				75
Net changes of items other than those in shareholders' equity			316	316	754	1,071
Net changes during the year	69	30,258	316	316	754	31,329
Balance at the end of year	(15,563)	373,251	(502)	(502)	4,354	377,103

Notes

(Significant accounting policies)

1. Valuation methods for securities

(a) Investments in subsidiaries and affiliates:

The Company’s investments in subsidiaries and affiliates are stated at cost. The cost of securities sold is determined by average method.

(b) Available-for-sale securities:

(i) Listed securities:

Listed securities are stated at fair value, with fair value gains and losses, net of applicable taxes, reported as “unrealized gains/(losses) on available-for-sale securities”, a separate component of net assets. The cost of securities sold is determined based on moving average cost method.

(ii) Unlisted securities:

Unlisted securities are stated at cost, which is determined by average method.

2. Depreciation method for non-current assets

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

Depreciation of property, plant and equipment is calculated using the straight-line method. The principal ranges of estimated useful lives are as follows:

Buildings and structures	5–10 years
Tools, furniture and equipment	5 years

(b) Intangible assets (other than leased assets)

Amortization of intangible assets is calculated using the straight-line method. The principal range of estimated useful life is as follows:

Software for internal use	5 years

(c) Leased assets

Assets held under capitalized finance leases are depreciated using the straight-line method over the lease terms at zero residual value.

3. Accounting for deferred assets

Issuance expenses of corporate bonds

Issuance expenses of corporate bonds are expensed as incurred.

4. Provision basis for allowances

(a) Allowance for doubtful accounts

Provision for potential bad debts, loan loss ratios are recorded for general accounts receivable. Specified doubtful accounts receivable are reviewed individually to determine their recoverability, and an estimate for the non-recoverable portion is recorded.

(b) Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

5. Other significant matters for the preparation basis of non-consolidated financial statements

(1) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(2) Application of consolidated taxation system

The consolidated taxation system is applied for the Company.

(Notes to balance sheet)

1. Breakdown of assets and liabilities related to subsidiaries and affiliates which were not separately presented are as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Trade accounts receivable	12,159	13,389
Deposits received	22,371	19,911

2. Contingent liabilities

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Guarantees for office and retail store leases	83,793	81,803
Guarantees on loans payable to financial institutions	13,629	12,366

3. Accumulated depreciation includes accumulated impairment losses.

(Notes to statement of income)

1. Transactions related to the subsidiaries and affiliates are as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Ordinary revenue:		
Management income from operating companies	26,119	34,902
Dividends income from subsidiaries and affiliates	68,991	102,187

2. Breakdown of losses on retirement of non-current assets are as follows:

(Millions of yen)

	Year ended 31 August 2016	Year ended 31 August 2017
Software	0	24

(Marketable securities)

As at 31 August 2016

The fair value of the shares of subsidiaries and affiliates (subsidiaries 111,595 million yen and affiliates 13,000 million yen on the balance sheet) are not described as they do not have a market price and the fair value is extremely difficult to determine.

As at 31 August 2017

The fair values of the shares of subsidiaries and affiliates (subsidiaries 63,196 million yen and affiliates 13,196 million yen on the balance sheet) are not described as they do not have a market price and the fair value is extremely difficult to determine.

(Deferred taxes)

1. Breakdown of the causes of deferred tax assets and deferred tax liabilities are as follows:

(Millions of yen)

	As at 31 August 2016	As at 31 August 2017
Deferred tax assets:		
Allowance for bonuses	563	687
Depreciation	459	478
Write-down of investments in subsidiaries and affiliates	32,840	46,467
Impairment losses	—	970
Provision of allowance for doubtful accounts	57	0
Unrealized gains/(losses) on available-for-sale securities	427	205
Unused tax losses carried forward	3,544	3,049
Others	4,710	3,642
Subtotal	42,603	55,501
Valuation allowance	(39,088)	(52,255)
Total deferred tax assets	3,514	3,246
Deferred tax liabilities:		
Temporary differences on shares of subsidiaries	(1,893)	(1,893)
Others	(38)	(343)
Total deferred tax liabilities	(1,931)	(2,237)
Net deferred tax liabilities	1,582	1,009

2. The differences between the effective tax rate after applying tax effect and the statutory income tax rate are as follows:

(Percentage)

	As at 31 August 2016	As at 31 August 2017
Statutory income tax rate	—%	30.8%
(adjustments)		
Non-taxable dividend income	—	(44.4)
Increase/(decrease) in valuation allowance	—	19.1
Foreign withholding tax	—	1.0
Others	—	(0.3)
Effective tax rates after applying tax effect accounting	—	6.3

(Note) For the previous fiscal year, details are not disclosed because the Company recognized loss before income taxes.

3. Revision of amount of deferred tax assets and liabilities following amendment of the rate of corporation tax, etc.

For the Company and its Japanese subsidiaries, the timing for the proposed increase of consumption tax rate to 10% was postponed from 1 April 2017 to 1 October 2019 when the “Act to Partially Amend the Consumption Tax Act to Fundamentally Reform the Tax System for Securing a Stable Revenue Source for Social Security” (Act No. 85 of 2016) and the “Act to Partially Amend the Local Tax Act and the Local Allocation Tax Act to Fundamentally Reform the Tax System for Securing a Stable Revenue Source for Social Security” (Act No. 86 of 2016) were approved by the Diet on 18 November 2016.

Accordingly, the timing of the abolition of local special corporate tax and associated restoration of corporate enterprise tax, the revision of the local corporate tax rate, and the revision of the corporate inhabitant tax rate are therefore postponed from the fiscal year commencing on or after 1 April 2017 until the fiscal year beginning on or after 1 October 2019.

The statutory income tax rates used to calculate deferred tax assets and deferred tax liabilities have not changed, but the amounts of deferred tax assets and deferred tax liabilities have been revised due to the occurrence of reclassification of tax rates between national tax and local tax.

The impact of these tax rate amendments on the financial statements is immaterial.

(Business Combination)
Not applicable.

(Notes on Significant Subsequent Events)
Year ended 31 August 2017 (1 September 2016–31 August 2017)
The Issue of Stock-based Compensation Stock Options (Share Subscription Rights)

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 12 October 2017, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(iv) Supplementary information
Details of fixed asset

(Millions of yen)

Types of assets	Balances as at 1 September 2016	Increase	Decrease	Depreciation, amortization during the year	Balances as at 31 August 2017	Accumulated depreciation or amortization as at 31 August 2017
Property, plant and equipment						
Buildings	1,527	6,372	2	661	7,236	5,367
Structures	81	61	—	8	134	225
Tools, furniture and equipment	112	68	15	48	117	1,406
Land	1,158	—	34 (34)	—	1,123	34
Leased assets	52	1,271	—	168	1,155	169
Construction in progress	3,677	1,502	5,173	—	7	—
Total property, plant and equipment	6,609	9,277	5,225 (34)	886	9,774	7,203
Intangible assets						
Software	13,601	7,327	2,046 (1,622)	5,350	13,533	—
Software in progress	2,583	11,158	8,247 (919)	—	5,494	—
Leased assets	5	—	—	3	1	—
Others	58	—	—	0	58	—
Total intangible assets	16,249	18,485	10,293 (2,541)	5,353	19,087	—

(Notes) 1. The main factors listed as increase during the year are as follows:

Types of assets	Amount (Millions of yen)	Contents
Software	7,327	Construction cost for new system
Software in progress	11,158	Construction cost for new system

2. The main factors listed as decrease during the year are as follows:

Types of assets	Amount (Millions of yen)	Contents
Software in progress	8,247	Construction cost for new systems (transferred to software as the new system was launched)

3. In the “Decrease” column, the figures in parentheses represented impairment losses recognised.

Details of provisions

(Millions of yen)

Categories	Balance as at 1 September 2016	Increase	Decrease (Intended purposes)	Decrease (Other purposes)	Balance as at 31 August 2017
Allowance for doubtful accounts	187	0	158	29	0
Allowance for bonuses	1,620	2,026	1,620	—	2,026

(Notes) Decrease (Other purposes) in “Allowance for doubtful accounts” is due to debt-collection.

(2) Main details of assets and liabilities

Omitted because the consolidated financial statements are prepared.

(3) Others

Not applicable.

Independent auditors' report (Group)

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

Opinion

We have audited the consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 August 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of goodwill and intangible assets acquired through business combinations</td></tr>
<tr><td>As at 31 August 2017, the Group reported 15,885 million yen of goodwill and 9,519 million yen of trademarks, together representing 1.8% of the Group's total assets, as a result of business combinations involving Theory, J Brand, Comptoir des Cotonniers and Princesse tam.tam.

Acquired goodwill and intangible assets with indefinite useful lives
In accordance with IAS 36, management performs impairment assessments in respect of goodwill and all intangible assets with indefinite useful lives, including those acquired through business combinations, annually or when there is an impairment indicator at the cash-generating-unit ("CGU") level.

Acquired intangible assets with finite useful lives
In accordance with IAS 36, management performs impairment assessments on acquired intangible assets with finite useful lives when there is an impairment indicator at the CGU level.

Impairment losses amounting to 3,650 million yen were recognized for the year ended 31 August 2017 with respect to goodwill, trademarks and customer relationships owned by the J Brand business.

We focused on these balances due to the fact that certain acquired businesses incurred losses in recent years. Also, management's assessment was based on complex impairment tests affected by the assumptions which involve judgment.

Related disclosures are included in notes 3, 14 and 15 to the consolidated financial statements.</td><td>When recoverable amounts of CGUs are calculated based on fair value less costs of disposal

Our audit procedures included, amongst others, evaluating the independent valuer's competence, capabilities and objectivity. With our internal valuation specialists' assistance, we reviewed the valuation reports prepared by external advisors to evaluate the methodology, valuation techniques and underlying assumptions (including discount rate, attrition rate and royalty rate) used to determine the fair value. We compared the key assumptions used in the impairment assessments to historical data of the Group and external data in the same industry, to assess the assumptions made by management.

When recoverable amounts of CGUs are calculated based on value in use

Our audit procedures included, amongst others, evaluating the independent valuer's competence, capabilities and objectivity. With our internal valuation specialists' assistance, we reviewed the discounted cash flows derived from the respective CGU's operating income based on assumptions compiled by management, to evaluate the methodology, valuation techniques and underlying assumptions (including growth rate and discount rate).

We performed sensitivity analyses for the respective CGUs to assess the potential impact in the event of any reasonably possible changes in key assumptions.

In terms of the Group's disclosures, we focused on those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the CGU to which goodwill and intangible assets acquired through business combinations are allocated.</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories at net realizable value	
As at 31 August 2017, the Group held inventories amounting to 289,675 million yen, representing 20.9% of the Group's total assets. The balance is mainly comprised of inventories in Group stores and inventories kept at distribution centers. Inventories are valued at the lower of cost and net realizable value. In addition to the material balance, significant judgment and estimation by management are involved in identifying inventories with net realizable values that are lower than their costs, and obsolescence, with reference to fast-changing market conditions, selling prices and saleability of inventories, and global sales trends. Related disclosures are included in notes 3 and 10 to the consolidated financial statements.	Our audit procedures included, amongst others, an understanding of the Group's inventory costing methodology and allowance policy on obsolete and slow-moving items. Furthermore, we evaluated management's assumptions by comparing the net realizable value of inventories as at 31 August 2017 and allowance for inventories estimated by management for the year then ended, with reference to the expected future sales levels projected on a basis considering historical write-downs, subsequent selling prices and sales pattern, and market trends.
Impairment assessment of store assets	
As at 31 August 2017, the Group had store assets attributable to UNIQLO Japan and UNIQLO International business amounting to 96,998 million yen. Having considered the continuing loss-making performance of certain stores, including flagship stores, management performed impairment testing with respect to the assets of those loss-making directly operated flagship stores and stores located in the United States of America and recorded impairment losses totaling 2,153 million yen. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts of each CGU are calculated based on value in use. The assumptions used by the Group, in particular those assumptions relating to budgeted growth rates and discount rates, had the most significant effect on the determination of the recoverable amount of store assets. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting both potential impairment charges and also potential reversals of impairment taken in prior years. Related disclosures are included in notes 3, 13 and 15 to the consolidated financial statements.	Our audit procedures included, amongst others, an evaluation of the Group's policies and management's assessment of indicators either triggering potential impairment of assets related to underperforming stores or reversals of previously recognised impairments, by assessing management's review of the financial performance on a store-by-store basis, and in addition, we evaluated the underlying assumptions of impairment calculations related to stores where a triggering event was identified and corroborated them by evaluating the assumptions used in forecast approved by management. We also compared historical operating results to those budgeted to assess the quality of management's forecasts. Our valuation experts assisted us in evaluating the underlying assumptions (including growth rate and discount rate). We performed sensitivity analyses on assets of underperforming stores, or those with the potential for reversal of a previously recognized impairment, to assess the potential impact in the event of any reasonable possible changes in key assumptions.

Other information included in the Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditors’ report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with corporate governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with corporate governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Our report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Masayuki Miyairi and Tomo Ito.

Ernst & Young ShinNihon LLC
Tokyo, Japan
30 November 2017

Independent Auditors' Report (Company)

30 November 2017

Independent auditors' report

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

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified Public Accountant Masayuki Miyairi

Designated and Engagement Partner
Certified Public Accountant Tomo Ito

Pursuant to first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of FAST RETAILING CO., LTD. (the "Company") applicable to the 56th fiscal year from 1 September 2016 through 31 August 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of FAST RETAILING CO., LTD. applicable to the 56th fiscal year ended 31 August 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1 The above is a digitalization of the text contained in the original copy of the Independent Auditors' Report, which is in the custody of the Company

*2 XBRL data is excluded from the scope of the audit

*3 This is an English translation of the Japanese language Independent Auditors' Report issued by Ernst & Young ShinNihon LLC in connection with the audit of the non-consolidated financial statements of the Company prepared in Japanese for the year ended 31 August 2017. Ernst & Young ShinNihon LLC has not audited the English translation of the non-consolidated financial statements for the above mentioned period.

Internal Control Report

1. Basic framework of internal control in connection with financial reporting

Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki hold responsibility for the preparation and management of internal controls in connection with financial reporting for the Company, its consolidated subsidiaries and associates (hereinafter, the “Group”). The preparation and management of internal controls in connection with financial reporting are conducted in accordance with the basic framework of internal controls described in the “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting — Council Opinions”, published by the Business Accounting Council.

The basic elements of our internal controls are organically interconnected, and function as a single whole. Our aim is to achieve their purposes within a reasonable range. For this reason, these internal controls on financial reporting may not completely prevent or discover all misstatements in the financial reports.

2. Scope of evaluation, book-close dates, and evaluation procedures

The internal control evaluation of our financial reports was made on 31 August 2017, which was the last day of the fiscal year under review. This evaluation was made using generally accepted internal control evaluation standards for financial reports.

This evaluation was started with an evaluation of internal controls that have a significant influence on our consolidated financial reports as a whole (company-wide internal controls). The operational processes to be evaluated were selected on the basis of this evaluation. In the evaluation of these operational processes, the selected operational processes were analyzed, and the key points of internal controls that might have a significant influence on the credibility of financial reports were categorized. Then, the status of preparation and operation was evaluated in terms of these key points of internal controls to determine the effectiveness of the internal controls.

The scope of the evaluation of the internal controls on financial reporting is of great importance, both fiscally and qualitatively, for the credibility of the Group’s financial reports. The methods and procedures employed are:

Based on the principle that the operational procedures for the entire Company’s internal controls, accounts, and financial reports should best be evaluated from a company-wide perspective, these evaluations are performed for the Group as a whole. However, because some consolidated subsidiaries are very small, both fiscally and qualitatively, they are not included within the scope of the evaluation.

Regarding operational procedures, based on the results of the company-wide evaluation of internal controls, and as an indicator of sales (adjusted to exclude intra-group sales) for each of our businesses in the fiscal year under review, those businesses that make up roughly two-thirds of consolidated sales in the fiscal year under review are designated “important businesses.” The selected important businesses are evaluated in terms of broad indicators such as sales, accounts receivable, inventories and other operational procedures. Next, the impact on the Group’s financial reports is calculated. Those operational procedures that are of particular importance are added to the evaluation process.

3. Results of evaluation

Based on the evaluation results discussed above, it was determined that the Group’s internal controls on financial reports were effective as of the end of the fiscal year under review.

4. Additional items

None

5. Special items

None

Confirmation Note

1. The Company’s Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki have reviewed the contents of the financial reports for the Company’s 56th fiscal year (September 1, 2016 — August 31, 2017), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items

None