FAST RETAILING CO., LTD.
迅銷有限公司

Year-end Report 2017/18

2017.9.1–2018.8.31

Stock Code: 6288

Contents

1. Corporate Information

Board of Directors

Executive Director

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

Directors

Toru Hambayashi *(External)*
Nobumichi Hattori *(External)*
Masaaki Shintaku *(External)*
Takashi Nawa *(External)*
Naotake Ohno *(External)*
Takeshi Okazaki
Kazumi Yanai
Koji Yanai

Board of Statutory Auditors

Akira Tanaka
Masaaki Shinjo
Takaharu Yasumoto *(External)*
Keiko Kaneko *(External)*
Takao Kashitani *(External)*

Joint Company Secretaries

Japan: Mitsuru Ohki
Hong Kong: Choy Yee Man

Independent Auditor

Deloitte Touche Tohmatsu LLC

Principal Banks

Sumitomo Mitsui Banking Corporation;
The Bank of Tokyo-Mitsubishi UFJ, Ltd.;
Mizuho Bank, Ltd., and;
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

2. Financial Highlights

(1) Consolidated Financial Summary

Term	International Financial Reporting Standards ("IFRS")				
	53rd Year	54th Year	55th Year	56th Year	57th Year
Accounting Period	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017	Year ended 31 August 2018
Revenue (Millions of yen)	1,382,935	1,681,781	1,786,473	1,861,917	2,130,060
Operating profit (Millions of yen)	130,402	164,463	127,292	176,414	236,212
Profit before income taxes (Millions of yen)	135,470	180,676	90,237	193,398	242,678
Profit attributable to owners of the parent (Millions of yen)	74,546	110,027	48,052	119,280	154,811
Comprehensive income attributable to owners of the parent (Millions of yen)	75,517	163,871	(141,345)	190,566	165,378
Equity attributable to owners of the parent (Millions of yen)	618,381	750,937	574,501	731,770	862,936
Total assets (Millions of yen)	992,307	1,163,706	1,238,119	1,388,486	1,953,466
Equity per share attributable to owners of the parent (Yen)	6,067.40	7,366.07	5,634.35	7,175.35	8,458.52
Basic earnings per share for the year (Yen)	731.51	1,079.42	471.31	1,169.70	1,517.71
Diluted earnings per share for the year (Yen)	730.81	1,078.08	470.69	1,168.00	1,515.23
Ratio of equity attributable to owners of the parent to total assets (%)	62.3	64.5	46.4	52.7	44.2
Ratio of profit to equity attributable to owners of the parent (%)	12.5	16.1	7.3	18.3	19.4
Price earnings ratio (times)	44.5	45.6	77.1	26.9	34.1
Net cash generated by operating activities (Millions of yen)	110,595	134,931	98,755	212,168	176,403
Net cash generated by/(used in) investing activities (Millions of yen)	(56,323)	(73,145)	(245,939)	122,790	(57,180)
Net cash generated by/(used in) financing activities (Millions of yen)	(44,060)	(41,784)	201,428	(50,836)	198,217
Cash and cash equivalents at end of year (Millions of yen)	314,049	355,212	385,431	683,802	999,697
Number of employees: (Separate, average number of temporary employees) (Persons)	30,448 (25,705)	41,646 (27,219)	43,639 (26,282)	44,424 (31,719)	52,839 (71,840)

(Notes)
1. Revenue does not include consumption taxes, etc.
2. The Group started to prepare the consolidated financial statements in accordance with IFRS for the year ended 31 August 2014.
3. 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 until the 56th year. The number for the 57th year is the registered number at the end of the reporting period.

Term	Generally accepted accounting principles in Japan ("JGAAP")
	53rd Year
Accounting period	Year ended 31 August 2014
Net sales (Millions of yen)	1,382,907
Ordinary income (Millions of yen)	156,828
Net income (Millions of yen)	78,118
Comprehensive income (Millions of yen)	82,066
Total net assets (Millions of yen)	626,581
Total assets (Millions of yen)	977,609
Equity per share (Yen)	5,958.54
Basic net income per share (Yen)	766.55
Diluted net income per share (Yen)	765.82
Equity ratio (%)	62.1
Earnings on equity (%)	13.4
Price earnings ratio (times)	42.5
Net cash generated by operating activities (Millions of yen)	111,399
Net cash used in investing activities (Millions of yen)	(63,574)
Net cash used in financing activities (Millions of yen)	(38,014)
Cash and cash equivalents at the end of year (Millions of yen)	313,746
Number of employees: (Separate, average number of temporary employees) (Persons)	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 were not audited pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

(2) Non-Consolidated Financial Summary

Term	53rd Year	54th Year	55th Year	56th Year	57th Year
Accounting period	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017	Year ended 31 August 2018
Operating revenue (Millions of yen)	77,438	119,071	99,289	139,871	193,044
Ordinary profit (Millions of yen)	46,921	89,245	9,270	115,488	139,660
Profit (Millions of yen)	23,336	70,227	6,084	64,264	122,158
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)	332,255	376,007	345,773	377,103	463,229
Total assets (Millions of yen)	385,113	410,009	631,086	670,111	993,413
Equity per share (Yen)	3,243.97	3,662.28	3,355.83	3,654.97	4,489.50
Dividends per share (Figures in parentheses indicate interim dividends) (Yen)	300.00 (150.00)	350.00 (175.00)	350.00 (185.00)	350.00 (175.00)	440.00 (200.00)
Basic net profit per share (Yen)	228.99	688.96	59.68	630.20	1,197.59
Diluted net profit per share (Yen)	228.77	688.11	59.60	629.28	1,195.63
Equity ratio (%)	85.9	91.1	54.2	55.6	46.1
Earnings on equity (%)	7.0	20.0	1.7	18.0	29.4
Price earnings ratio (Times)	142.1	71.5	608.9	49.9	43.3
Dividend ratio (%)	131.0	50.8	586.5	55.5	36.7
Number of employees: (Separate, average number of temporary employees) (Persons)	1,088 (114)	1,234 (119)	1,131 (126)	1,166 (140)	1,345 (267)

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

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 until the 56th year. The number for the 57th year is the registered number at the end of the reporting period.

3. 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 its approach to business.
April 1992	The main Ogori Shoji store, selling menswear, is converted to the UNIQLO Onda store (closed in 2001). All the stores are completely renovated as casual clothing stores 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 headquarters opens in Shibuya-ku, Tokyo.
October 2000	Online store launches to open a new sales channel and make shopping easier for customers.
September 2001	FAST RETAILING (U.K) LTD. opens first four UNIQLO stores in London.
September 2002	Fast Retailing (Jiangsu) Apparel Co., Ltd. opens first two UNIQLO China stores in Shanghai.
January 2004	FAST RETAILING CO., LTD. invests in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), the developer of Theory brand business 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.
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.

Date	Summary
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 in Japan, with over 3,300 square meters of floor space.
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.
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 acquires a majority interest in U.S. J Brand Holdings, LLC 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.
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.

Date	Summary
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	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.
September 2017	First UNIQLO Spain store opens in Barcelona
August 2018	Sweden’s first UNIQLO store opens in Stockholm
September 2018	The Netherlands’ first UNIQLO store opens in Amsterdam

2. Our Business

The Group consists of FAST RETAILING CO., LTD. (the "Company" or "Parent"), 130 consolidated subsidiaries, and 4 associates accounted for using the equity method.

Details of the Group's businesses as well as the positioning of the Company and its main associates 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 "9. FINANCIAL INFORMATION (6) Notes to the consolidated financial statements."

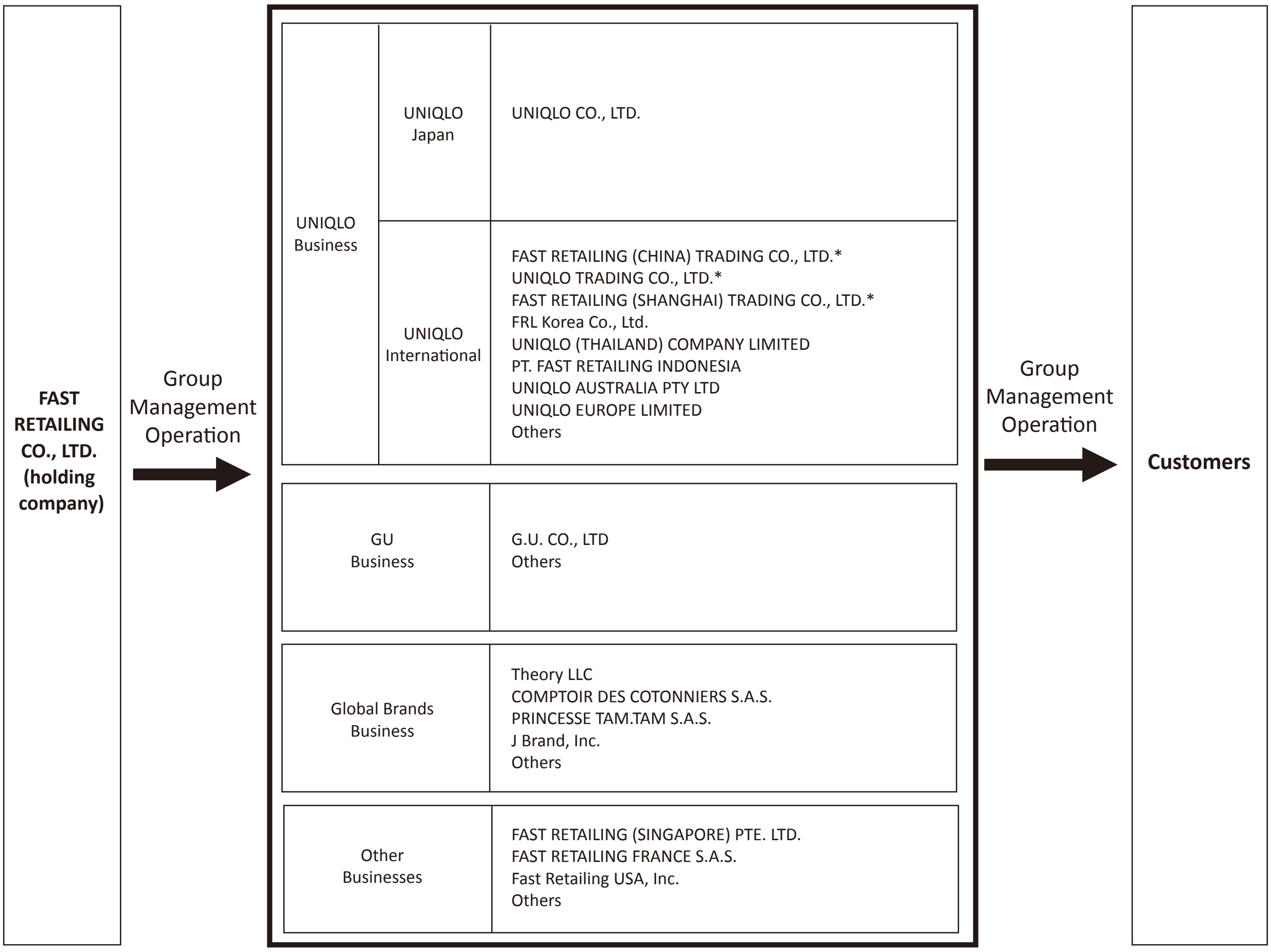
Category	**Company name**	**Reportable Segment**
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD.	UNIQLO Japan
	FAST RETAILING (CHINA) TRADING CO., LTD.*	UNIQLO International
	UNIQLO TRADING CO., LTD.*	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING CO., LTD.*	UNIQLO International
	FRL Korea Co., Ltd.	UNIQLO International/ GU
	FAST RETAILING (SINGAPORE) PTE. LTD.	Others
	UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International
	PT. FAST RETAILING INDONESIA	UNIQLO International
	UNIQLO AUSTRALIA PTY LTD	UNIQLO International
	Fast Retailing USA, Inc.	Others
	UNIQLO EUROPE LIMITED	UNIQLO International
	G.U. CO., LTD.	GU
	FAST RETAILING FRANCE S.A.S.	Others
	Theory LLC	Global Brands
	COMPTOIR DES COTONNIERS S.A.S.	Global Brands
	PRINCESSE TAM.TAM S.A.S.	Global Brands
	J Brand, Inc.	Global Brands
	Other consolidated subsidiaries (113 companies)	UNIQLO International/ GU/Global Brands/ Others
Associates accounted for using the equity method	Associates accounted for using the equity-method (4 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. "GU" business means the retail business of GU brand casual apparel in Japan and overseas.
3. "Global Brands" business means the planning, retail, and manufacturing of apparel in Japan and overseas.
4. "Others" includes real estate leasing businesses.
5. 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.

The 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
(Consolidated subsidiaries) UNIQLO CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY1,000,000	UNIQLO Japan	100.0%	–
FAST RETAILING (CHINA) TRADING CO., LTD.*	Shanghai, PRC	USD20,000	UNIQLO International	100.0%	–
UNIQLO TRADING CO., LTD.*	Shanghai, PRC	USD30,000	UNIQLO International	100.0%	–
FAST RETAILING (SHANGHAI) TRADING CO., LTD.*	Shanghai, PRC	USD35,000	UNIQLO International	100.0%	–
FRL Korea Co., Ltd.	Seoul, South Korea	KRW24,000,000	UNIQLO International/ GU	51.0%	–
FAST RETAILING (SINGAPORE) PTE. LTD.	Republic of Singapore	SGD86,000	UNIQLO International	100.0%	–
UNIQLO (THAILAND) COMPANY LIMITED	Bangkok, Kingdom of Thailand	THB1,000,000	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%	Loan guarantees Loans
UNIQLO EUROPE LIMITED	London, United Kingdom	GBP40,000	UNIQLO International	100.0%	Rent guarantees
G.U. CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	GU	100.0%	–
FAST RETAILING FRANCE S.A.S.	Paris, France	EUR84,762	Global Brands	100.0%	Loans
Theory LLC	New York, United States of America	USD116,275	Global Brands	100.0% (100.0%)	–
COMPTOIR DES COTONNIERS S.A.S.	Paris, France	EUR2,600	Global Brands	100.0% (100.0%)	–
PRINCESSE TAM.TAM S.A.S.	Paris, France	EUR2,000	Global Brands	100.0% (100.0%)	–
J Brand, Inc.	California, United States of America	USD396,340	Global Brands	100.0% (100.0%)	–
Other consolidated subsidiaries (113 companies)	–	–	–	–	–
Associates accounted for using the equity method (4 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. 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 a Group subsidiary.

4. Net sales (excluding internal sales between other member companies of the consolidated Group) of UNIQLO CO., LTD., and FAST RETAILING (CHINA) TRADING CO., LTD., are greater than 10% of consolidated revenue. Key elements of profit/loss and financial position for the year ended 31 August 2018 are as below.

UNIQLO CO., LTD.

(1)	Revenue	864,789 million yen
(2)	Profit before income taxes	119,690million yen
(3)	Profit for the year	83,534million yen
(4)	Total equity	193,596million yen
(5)	Total assets	494,104million yen

FAST RETAILING (CHINA) TRADING CO., LTD

(1)	Revenue	308,715 million yen
(2)	Profit before income taxes	51,589 million yen
(3)	Profit for the year	38,653 million yen
(4)	Total equity	112,840 million yen
(5)	Total assets	204,175 million yen

4. Employees

(1) The Group

As at 31 August 2018

Name of segment	Number of employees (Persons)
UNIQLO Japan	14,881(30,326)
UNIQLO International	27,005(28,129)
GU	4,620(11,715)
Global Brands	3,864(1,272)
Total for reportable segments	50,370(71,442)
Others	1,124(131)
All companies (shared)	1,345(267)
Total	52,839(71,840)

(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 registered numbers at the end of reporting period.
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 2018.

(2) The Company

As at 31 August 2018

Number of employees (persons)	Average age (years, months)	Average number of years with the Company	Average annual wages (thousands of yen)
1,345(267)	38 years and 1 month	4 years and 7 months	8,773

(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 registered numbers at the end of reporting period.
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.

4. Management Discussion and Analysis

1. 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 2018).

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 selfmotivated, 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

As the driver of Group growth, we intend to expand UNIQLO International operations even further, accelerating store openings and expanding operations in Greater China, Southeast Asia & Oceania, and also venturing into new markets such as India and Vietnam. UNIQLO USA is aiming to turn a profit. UNIQLO Europe is working to improve profitability and expand new store openings in Spain, Sweden, the Netherlands, Denmark and other areas. We will strive to open global flagship stores around the world to improve UNIQLO brand visibility.

iii) Strengthen Development of Superior World-class Products

We collect a vast array of clothes-related information in our R&D centers in Tokyo, New York, London and other areas, and channel that information into the development of world-class products. While we prize the UNIQLO LifeWear concept and strive to achieve ever more finished products, we are always looking to invent fresh UNIQLO styles by collaborating with designers and creators worldwide. We will apply our ability to develop and instantly commercialize customer desires to the GU brand an well, and seek to enhance our ability to develop more fashion-focused products going forward.

iv) Major Supply Chain Reforms

We will speed up progress on creating a new supply chain under our transformative Ariake Project drive. By reforming all our business processes from materials procurement through planning, design, production, distribution and retail, we seek to transform ourselves into a new digital consumer retail company that is capable of instantly commercializing customer desires and proactively conveying ideas and information. We are also aggressively pursuing our Ariake Project aims at GU. In addition, the successful automation of our Ariake warehouse represents the logistics reform portion of the Ariake Project. We intend to expand this project to all UNIQLO and GU operations worldwide as we seek to transform the entire Fast Retailing Group.

v) Promote Stable Growth at UNIQLO Japan

UNIQLO Japan intends expand the average size of its stores through its scrap-and-build policy, and maintain high levels of efficiency. We will seek to achieve further stable growth by implementing community-rooted local store management that can tailor product mixes and services to best suit local needs. We are transforming UNIQLO Japan into a new, unique retail format through the fusing of real (stores) and virtual (e-commerce) operations. We will continue active digital, IT and logistics investment to help expand the e-commerce operation.

vi) Grow GU Brands

GU is great at offering fashion at amazingly low prices, but we want to actively introduce Ariake Project reforms, and strengthen the operation's product development prowess and product volume accuracy. By reforming materials procurement and manufacturing processes, we hope to achieve more competitive, low-priced products. We intend to continue opening large numbers of new GU stores in Japan, and, at the same time, nurture nascent GU store networks in international markets such as Greater China and South Korea as part of a broader future plan to develop a GU brand presence in Asian countries.

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. We promote various activities to enrich people's lives, 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.

2. 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 decisions and projections made by the Company based on information available at the time of the publication of this report (30 November 2018).

(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 and other Asian countries. 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 enhancing the Group's presence overseas. As we open more stores in countries across the world, overseas sales are accounting for a higher proportion of the Group's sales. In this business environment, if there are changes in laws or changes in taxation systems that have an adverse impact, unanticipated political developments, social turmoil due to terrorism, conflict or other disturbance, or significant fluctuations in exchange rates, or if the goods we sell do not match the market needs in those countries, or if the hiring and training of well-qualified management personnel and local staff who can smoothly manage our business in each country do not go according to plan, 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 stabilize our purchasing costs by entering into forward currency agreements for about three years ahead to equalize exchange rates. If the dollar rises sharply against the key currencies of each country going forward, this could have a medium- to long-term negative impact on earnings of the UNIQLO 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's 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. Furthermore, if the Group is deemed by an administrative authority to have violated legal regulations restricting the transfer of personal information between countries and regions such as the EU General Data Protection Regulation (GDPR), this could lead to a decline in the trust of our customers, and the imposition of a hefty fine could have an adverse effect on earnings.

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.

3. Management's discussion and analysis of consolidated financial condition, results of operations and cash flows

(1) Summary of Business Results

(i) Business Results

The Fast Retailing Group achieved record levels of revenue and profit in fiscal 2018, or the twelve months from 1 September 2017 to 31 August 2018. Consolidated revenue totaled ¥2.1300 trillion (+14.4% year-on-year) and operating profit reached ¥236.2 billion (+33.9% year-on-year). This strong performance was due largely to a significant revenue and profit increase at UNIQLO International, and stable revenue and profit growth at UNIQLO Japan. The consolidated gross profit margin improved by 0.5 points year-on-year in fiscal 2018 and the selling, general and administrative expense ratio improved by 1.5 points. Under other expenses, the Group recorded ¥12.3 billion in impairment losses on France-based COMPTOIR DES COTONNIERS and other labels and on store revaluations. A gain of ¥6.4 billion was recorded under finance income/costs resulting from a balance of ¥4.3 billion in interest income net of interest expense. As a result, fiscal 2018 profit before income taxes expanded to ¥242.6 billion (+25.5% year-on-year) and profit attributable to owners of the Parent increased to ¥154.8 billion (+29.8% year-on-year). Capital expenditures increased by ¥9.6 billion year-on-year in fiscal 2018 to ¥69.3 billion (including finance leases). Breaking down that capital expenditure figure: ¥9.9 billion was invested at UNIQLO Japan, ¥26.3 billion at UNIQLO International, ¥4.5 billion at GU, ¥2.7 billion at Global Brands, and ¥25.8 billion in systems, etc. In addition to investing in new UNIQLO and GU stores, more funding was channeled into IT investment and warehouse automation, two key elements of the Groupwide Ariake Project.

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 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, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are entering a new stage of growth as key drivers of operational growth for the Fast Retailing Group. In addition, UNIQLO USA was able to significantly reduce operating losses, and is working solidly towards turning a profit in fiscal 2019. In terms of the GU operation, we plan to open more GU stores in Japan, while expanding the brand's international presence, primarily in Greater China and South Korea.

Due to its growing impact on overall consolidated performance, the GU casual fashion brand, formerly a part of the Global Brands business segment, was separated into an independent business segment from the current consolidated fiscal year. Previous data have been adjusted to suit the new reporting segment structure and facilitate accurate year-on-year comparisons.

UNIQLO Japan

UNIQLO Japan reported significant rises in profit in fiscal 2018, with revenue totaling ¥864.7 billion (+6.7 % year-on-year) and operating profit totaling ¥119.0 billion (+24.1% year-on-year). Full-year same-store sales, including online sales, expanded by 6.2% year-on-year thanks to rising customer visits. In the first half of the from 1 September 2017 through 28 February 2018, same-store sales grew at an extremely fast rate of 8.4% year-on-year on the back of unseasonably cold winter weather and timely increases in production of stronger selling items. In the second half from 1 March to 31 August 2018, same-store sales expanded by 3.3% year-on-year on the back of strong sales of Summer items such as AIRism, UT and DRY T-shirts. Full-year online sales increased by 29.4% year-on-year to ¥63.0 billion, constituting 7.3% of total revenue. On the profit front, while the cost of sales continued to rise over the period due to a weakening in internal yen exchange rates, that negative impact was successfully offset by narrower discounting rates. As a result, the gross profit margin improved by 0.4 point year-on-year. Meanwhile, the selling, general and administrative expense ratio improved by 1.6 points year-on-year on the back of significant reductions in advertising and promotion expenses, distribution costs and personnel expenses.

UNIQLO International

UNIQLO International revenue and profit rose significantly in fiscal 2018, with revenue totaling ¥896.3 billion (+26.6% year-on-year) and operating profit increasing to ¥118.8 billion (+62.6% year-on-year). The gross profit margin improved by 1.1 points year-on-year on the back of favorable new store openings and consistently strong sales performances from all operations. The segment's concerted shift towards a business format that relies less heavily on discounting also contributed to the improved gross profit margin. The selling, general and administrative expense ratio improved 1.5 points on consistent cost-cutting efforts. It is worth noting that UNIQLO International revenue exceeded UNIQLO Japan revenue for the first time in fiscal 2018, and UNIQLO International's operating profit also expanded to a level approaching that of UNIQLO Japan.

Breaking down the strong UNIQLO International performance into individual markets: Same-store sales in the Greater China region continued to expand in fiscal 2018 as more and more consumers embraced the LifeWear concept, and regionally tailored product mixes proved a success. UNIQLO Greater China achieved buoyant double-digit growth in online sales, which constituted 15% of total revenue. A close correlation between marketing and stores helped temper discounting rates in South Korea, leading to a significant improvement in that operation's gross profit margin. UNIQLO Southeast Asia & Oceania achieved double-digit growth in same-store sales on the back of strong sales of UT and shorts. UNIQLO USA managed to halve its operating loss after reviewing a tailored product mix for consumers on the East and West Coasts, and achieving more accurate sales planning. UNIQLO Europe operating profit doubled on the back of strong performances from Russia, France and the United Kingdom. UNIQLO's newest national operations in Europe have gotten off to a strong start, with the first store in Spain opened in Barcelona in September 2017, the first store in Sweden opened in Stockholm in August 2018, and the first store in the Netherlands opened in Amsterdam in September 2018.

GU

The GU business segment reported a rise in revenue but a fall in profit in fiscal 2018, with revenue climbing to ¥211.8 billion (+6.4% year-on-year) and operating profit declining to ¥11.7 billion (-13.1% year-on-year). Full-year same-store sales declined due to issues with product mixes and volume planning. In the first half, GU was unable to exploit actual demand due to an insufficient choice of coldweather ranges. In the second half, ranges featured in GU campaigns underperformed, and the large increase in the number of product types resulted in shortages of stronger-selling items. Against this backdrop of sluggish sales, the full-year gross profit margin declined 0.1 point year-on-year and the business expenses to net sales ratio increased by 1.2 points year-on-year. As a result, GU operating profit declined by 13.1% year-on-year.

Global Brands

Global Brands revenue rose but profit fell in fiscal 2018. Revenue rose to ¥154.4 billion (+9.5% year-on-year), but the segment reported an operating loss of ¥4.1 billion (an operating profit of ¥0.5 billion in fiscal 2017), following the recording of ¥9.9 billion in impairment losses on COMPTOIR DES COTONNIERS and other labels. The Theory fashion operation reported a rise in both revenue and profit, thanks to stable growth for the Theory label in both the United States and Japan, and a favorable expansion in Theory's Japan-based PLST brand. COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand reported continued losses for the full business year.

Sustainability

As the business activities of the Fast Retailing Group expand worldwide, we will continue our efforts to achieve sustainability of the global environment and society through the clothing business in accordance with our statement to “Turn the power of clothing into the power of society.” The initiatives of our group focus on six priority areas: new value creation through products and sales, respect for the human rights and work environment of our supply chain, consideration of the environment, coexistence and co-prosperity with the community, the happiness of employees, and ethical management. In all of these areas, we make efforts to protect human rights and the environment and to make social contributions. In June 2018, we established the Fast Retailing Group Human Rights Policy (“Human Rights Policy”) in accordance with international standards including the United Nations Guiding Principles on Business and Human Rights (UNGP). This policy applies to all employees of our group companies. Furthermore, we also continually encourage our production and business partners to adopt similar policies, and we promote respect for human rights in cooperation with them. In July 2018, we established the Human Rights Committee based on our Human Rights Policy. This committee gives advice and oversees the company’s fulfillment of its responsibilities in regard to respect for human rights and the appropriate execution of business under our Human Rights Policy. We also established a hotline to enable employees at our partner garment factories to report any issues directly to our company. If a report is received, the committee head will conduct an investigation, examine relief measures, and request the relevant department to take corrective action. If the matter is serious, it will be presented to the committee for deliberation. The committee will then make a decision on relief measures and will give guidance and recommendations to the relevant department. We also actively promote social contribution initiatives in Japan and countries around the world. In Japan, for example, after heavy rains caused significant damage in Western Japan in July 2018, we commenced delivering clothing supplies to assist victims in Hiroshima, Okayama, Ehime, and Shimane prefectures. By the end of August, we had donated approximately 46,600 clothing items including underwear and socks for which there was a pressing need for everyday life. In July 2018, UNIQLO US received the Sapolin Accessibility Award for Employment from New York City in recognition of its commitment to supporting people with disabilities particularly in employment, an area where UNIQLO US has been promoting initiatives for the past four years. In the same month, UNIQLO US also received the Corporate Community Impact Award of the ESPN Sports Humanitarian Awards in recognition of its activities as an official apparel sponsor for Street Soccer USA. Street Soccer USA provides opportunities for homeless young people to come into contact with sports, and to date UNIQLO US has provided over 28,000 clothing items including Dry-EX wear.

(ii) Cash Flow Information

Cash and cash equivalents as at 31 August 2018 increased by ¥315.8 billion from the end of the preceding consolidated fiscal year, to ¥999.6 billion.

(Operating Cash Flows)

Net cash generated by operating activities for the year ended 31 August 2018 was ¥176.4 billion, which was a decrease of ¥35.7 billion (-16.9 % year-on-year) from the year ended 31 August 2017. The principal factors were ¥242.6 billion in profit before income taxes (an increase of ¥49.2 billion from the year ended 31 August 2017), an increase of ¥179.4 billion in inventories (a decrease of ¥173.5 billion from the year ended 31 August 2017), an increase of ¥142.2 billion in other liabilities (an increase of ¥135.7 billion from the year ended 31 August 2017), and ¥86.7 billion in income taxes paid (a decrease of ¥39.0 billion from the year ended 31 August 2017).

(Investing Cash Flows)

Net cash used in investing activities for the year ended 31 August 2018 was ¥57.1 billion, which was an increase of ¥179.9 billion from the year ended 31 August 2017. The principal factor was an increase of ¥4.3 billion in bank deposits with original maturity over three months (an increase of ¥172.6 billion from the year ended 31 August 2017).

(Financing Cash Flows)

Net cash generated from financing activities for the year ended 31 August 2018 was ¥198.2 billion, which was an increase of ¥249.0 billion from the year ended 31 August 2017. The principal factor was an increase of ¥249.3 billion in proceeds from issuance of corporate bonds (an increase of ¥249.3 billion from the year ended 31 August 2017).

(2) Summary of Revenue and Purchasing

(i) Revenue by division

Division	Year ended 31 August 2017 (From 1 September 2016 to 31 August 2017)		Year ended 31 August 2018 (From 1 September 2017 to 31 August 2018)	
	Revenue (Millions of yen)	Percentage of total (%)	Revenue (Millions of yen)	Percentage of total (%)
Men's clothing	316,601	17.0	341,392	16.0
Women's clothing	386,075	20.7	403,407	18.9
Children's & babies' clothing	60,497	3.2	67,202	3.2
Goods and other items	21,145	1.2	22,938	1.1
Total sales of UNIQLO Japan	784,320	42.1	834,941	39.2
Franchise-related income & alteration charges	26,413	1.4	29,836	1.4
Total UNIQLO Japan operations	810,734	43.5	864,778	40.6
UNIQLO International operations	708,171	38.0	896,321	42.1
Total UNIQLO operations	1,518,905	81.5	1,761,099	82.7
GU operations	199,139	10.7	211,831	9.9
Global Brands operations	141,003	7.6	154,464	7.3
Other operations	2,868	0.2	2,664	0.1
Total	1,861,917	100.0	2,130,060	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 the length of pants.
2. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
3. "GU operations" covers the selling of GU brand casual clothing.
4. "Global Brands operations" consists of Theory operations (selling of Theory and PLST brand clothing), COMPTOIR DES COTONNIERS operations (selling of COMPTOIR DES COTONNIERS brand clothing), PRINCESSE TAM.TAM operations (selling of PRINCESSE TAM.TAM brand clothing), and J Brand operations (selling of J Brand clothing).
5. "Other operations" includes the real estate leasing business, etc.
6. E-commerce revenue from UNIQLO Japan
   Fiscal year ended 31 August 2017: 48,753 million yen;
   Fiscal year ended 31 August 2018: 63,063 million yen.
7. The above amounts do not include consumption taxes, etc.

(ii) Sales per unit

Summary		Year ended 31 August 2018 (From 1 September 2017 to 31 August 2018)	Year-on-year change (%)
Revenue		1,668,199 million yen	115.5 %
Sales per m^2	Sales floor area (average)	2,176,567 m^2	134.1 %
	Sales per m^2 (yearly)	766 thousand yen	86.2 %
Sales per employee	Number of employees (average)	100,340 persons	162.7 %
	Sales per employee (yearly)	16,625 thousand yen	71.0 %

(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 the registered numbers at the end of the reporting period.
5. The above figures do not include consumption tax, etc.

(iii) Purchases

By product category	Year ended 31 August 2018 (From 1 September 2017 to 31 August 2018)		
	Purchases (Millions of yen)	Year-on-year change (%)	Percentage of total (%)
Men's clothing	232,074	132.4	18.5
Women's clothing	279,478	127.4	22.3
Children's & babies clothing	45,536	140.9	3.6
Goods and other items	15,549	122.9	1.2
Total UNIQLO Japan operations	572,638	130.2	45.7
UNIQLO International operations	483,742	143.9	38.6
Total UNIQLO operations	1,056,380	136.1	84.3
GU operations	134,384	121.0	10.7
Global Brands operations	62,445	128.8	5.0
Total	1,253,210	134.0	100.0

(Notes) 1. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
2. "GU operations" covers the selling of GU brand casual clothing.
3. "Global Brands operations" consists of Theory operations (selling of Theory and PLST brand clothing), COMPTOIR DES COTONNIERS operations (selling of COMPTOIR DES COTONNIERS brand clothing), PRINCESSE TAM.TAM operations (selling of PRINCESSE TAM.TAM brand clothing), and J Brand operations (selling of J Brand clothing).
4. There are businesses other than the above, mainly real estate leasing, but they do not involve purchasing due to the nature of the activity.
5. The above figures do not include consumption tax, etc.

(3) Consideration of Performance Conditions on Management's perspective

(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 "9. FINANCIAL INFORMATION (6) Notes to the consolidated financial statements" for details.

(2) Analysis of management performance for the year ended 31 August 2018

i) Revenue and gross profit

Revenue grew to 2.1300 trillion yen, up 268.1 billion yen from the preceding consolidated fiscal year. For a detailed breakdown of revenue, see "3. Management's discussion and analysis of consolidated financial condition, results of operations and cash flows (1) Summary of Business Results (i) Business Results and (2) Summary of Revenue and Purchasing."

The main reason behind the growth in revenue was significant growth in a 188.1 billion yen increase for UNIQLO International. In particular, Greater China as a whole showed strong performance with a 26.9% year-on-year increase in revenue, while sales in existing stores in Southeast Asia and Oceania continued to demonstrate double-digit growth.

Gross profit grew to 1.0499 trillion yen, up 140.6 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, gross profit was 49.3%, up 0.5 point from 48.8% the year before. This was mainly due to tighter discounting and improvement in the gross profit margin following refinement of the sales plan for UNIQLO International.

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

Selling, general and administrative expenses grew to 797.4 billion yen, up 72.2 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, selling, general and administrative expenses was 37.4%, down 1.5% from 38.9% in the preceding consolidated fiscal year. The main reasons were cost-cutting efforts throughout the group company. On the other hand, a deficit of 16.2 billion yen was posted under other income/expenses due mainly to impairment losses recorded for Global Brands business and UNIQLO stores. Operating income was 236.2 billion yen, up 59.7 billion yen from the preceding consolidated fiscal year.

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

Finance income was 9.6 billion yen, down 10.2 billion yen and Finance expense was 3.2 billion yen, up 0.2 billion yen from the preceding consolidated fiscal year. The main reason for the decline in financial income was that, despite recording foreign exchange gains of 13.3 billion yen in the previous consolidated fiscal year due to a sharp depreciation of the yen, foreign exchange gains recorded in the current consolidated fiscal year remained at 2.1 billion yen due to stable foreign exchange rates.

As a result, profit before income taxes was 242.6 billion yen, up 49.2 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, profit before income taxes was 11.4%, up 1.0% from 10.4% the year before.

iv) Profit attributable to owners of the parent

Income taxes were 73.3 billion yen, or 8.8 billion yen higher than the preceding consolidated fiscal year. As a result, profit attributable to owners of the parent was 154.8 billion yen, which was 35.5 billion yen higher than the year before. Basic earnings per share for the year were 1,517.71 yen, up 348.01 yen.

(3) Sources of funding and analysis of fund liquidity

i) Total assets

Total assets as at 31 August 2018 were ¥1.9534 trillion, which was an increase of ¥564.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥315.8 billion in cash and cash equivalents, an increase of ¥175.1 billion in inventories, an increase of ¥29.2 billion in derivative financial assets, an increase of ¥11.0 billion in other current assets and an increase of ¥18.0 billion in property, plant and equipment.

ii) Total liabilities

Total liabilities as at 31 August 2018 were ¥1.0506 trillion, which was an increase of ¥424.2 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥10.5 billion in trade and other payables, an increase of ¥160.0 billion in other current financial liabilities, an increase of ¥17.8 billion in other current liabilities and an increase of ¥229.2 billion in non-current financial liabilities.

iii) Total net assets

Total net assets as at 31 August 2018 were ¥902.7 billion, which was an increase of ¥140.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥116.5 billion in retained earnings and an increase of ¥10.5 billion in other components of equity.

iv) Status of funds

For a discussion of the status of the Group's funds, see "3. Management's discussion and analysis of consolidated financial condition, results of operations and cash flows (1)Summary of Business Results (ii) Cash Flow Information."

(4) Parallel Disclosure

Items concerning the major differences between 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 and 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 341 million yen in the year ended 31 August 2018 and 837 million yen in the year ended 31 August 2017, and impairment losses (other expenses) increased by 3,776 million yen in the year ended 31 August 2018 and 1,004 million yen in the year ended 31 August 2017 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 65 million yen in the year ended 31 August 2018 and 725 million yen in the year ended 31 August 2017 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 of the extent of the asset impairment is made (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 compared with those under JGAAP. The impact was nil in the year ended 31 August 2018.

4. Major Contracts

Not applicable.

5. Research and Development

Not applicable.

5. CAPITAL EXPENDITURES

1. Capital expenditures

UNIQLO Japan opened 15 new stores. UNIQLO International opened 94 stores in the Greater China, 8 in South Korea, 2 in Singapore, 7 in Malaysia, 6 in Thailand, 11 in the Philippines, 6 in Indonesia, 3 in Australia, 5 in the USA, 3 in Canada, 1 in England, 6 in France, 11 in Russia, 1 in Belgium, 2 in Spain and 1 in Sweden. GU opened 30 new stores. In addition, Global Brands opened 42 new stores.

As a result, the Group's capital expenditure amounted to 69.3 billion yen during the year ended 31 August 2018. Key components of this were 31.9 billion yen for buildings, 4.7 billion yen for lease deposits for stores, 1.2 billion yen for construction assistance funds, 16.5 billion yen for intangible assets and 14.8 billion yen for leased assets.

The above figures do not include consumption tax, etc

2. Important Facilities

As at 31 August 2018, 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	809	–	–	148	2,005	40
	Commercial establishments	Chuo-ku, Fukuoka City, etc.	–	–	87	1,309	–	0	1,397	–
	Others		29,308.87	76	5,325	5,074	–	1,405	11,880	1,305

(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.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture etc.	2,591.06	450	13,605	28,553	9,055	9,859	61,523	11,080
	UNIQLO Japan, other		19,960.76	353	1,108	3,914	1,171	16,137	22,686	3,801
	Total for UNIQLO Japan		22,551.82	803	14,713	32,468	10,227	25,996	84,209	14,881
G.U. CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	9,378	8,106	4,080	5,111	26,677	4,167
LINK THEORY JAPAN CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	438	1,380	–	810	2,629	1,681

(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	–	–	11,159	494	–	5,207	16,861	2,276
FAST RETAILING (CHINA) TRADING CO., LTD	UNIQLO International store	Shanghai, PRC	–	–	18,015	3,293	–	3,278	24,587	9,754
FRL Korea Co., Ltd.	UNIQLO International store	Seoul, South Korea	–	–	4,920	5,310	–	2,514	12,746	2,595
UNIQLO TRADING CO., LTD.	UNIQLO International store	Shanghai, PRC	–	–	1,601	401	–	243	2,246	706
FAST RETAILING (SINGAPORE) PTE. Ltd.	UNIQLO International store	Republic of Singapore	–	–	3	28	–	3	35	46
UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International store	Bangkok, Kingdom of Thailand	–	–	1,036	838	–	626	2,500	1,181
PT. Fast Retailing Indonesia	UNIQLO International store	Jakarta, Indonesia	–	–	652	186	56	1,056	1,952	1,239
UNIQLO Australia Pty Ltd.	UNIQLO International store	Melbourne, Australia	–	–	2,083	8	–	400	2,491	495
FAST RETAILING (Shanghai) TRADING CO., LTD	UNIQLO International store	Shanghai, PRC	–	–	1,454	248	–	96	1,799	175
Fast Retailing France S.A.S.	International store, etc.	Paris, France	–	–	483	21	–	50	556	385
PRINCESSE TAM.TAM S.A.S.	International store, etc.	Paris, France	–	–	446	259	–	72	778	239
COMPTOIR DES COTONNIERS S.A.S.	International store, etc.	Paris, France	–	–	779	441	–	79	1,300	470
Fast Retailing USA, Inc.	International store, etc.	New York, U.S.A.	–	–	6,926	454	–	5,289	12,670	2,200
J Brand, Inc.	International Stores, etc.	California, U.S.A.	–	–	266	2	–	344	614	157

(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 important new facility construction and/or facility removal projects planned as at 31 August 2018.

(1) Important New Facilities

The capital investment plans (new facility construction, expansion) for each segment in the year ending 31 August 2019 (1 September 2018 – 31 August 2019) are as follows.

Segment	Capital investment (Millions of yen)	Details of investment
UNIQLO Japan	3,900	New store openings, etc. (approx. 30 stores)
UNIQLO International	32,800	New store openings, etc. (approx. 181 stores)
GU	6,700	New store openings, etc. (approx. 40 stores)
Global Brands Business	3,100	New store openings, etc. (approx. 44 stores)
Others	31,300	IT-related investments
Total	77,800	

(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 facility 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)				
FAST RETAILING PHILIPPINES, INC.	UNIQLO International Store	UNIQLO Manila Global Flagship Store	Manila, Philippines	1,086	389	March 2018	October 2018	5,459	Lease hold
UNIQLO CANADA INC.	UNIQLO International Store	Uniqlo Vaughan Mills	City of Vaughan, Canada	623	156	May 2018	September 2018	2,469	Lease hold
UNIQLO HAWAII INC.	UNIQLO International Store	Uniqlo Ala Moana	Hawaii, USA	1,204	881	May 2018	September 2018	1,600	Lease hold
UNIQLO EUROPE LIMITED	UNIQLO International Store	UNIQLO Köln	Cologne, Germany	880	623	May 2018	October 2018	3,222	Lease hold
UNIQLO EUROPE LIMITED	UNIQLO International Store	Uniqlo Kalverstraat	Amsterdam, The Netherlands	825	723	February 2018	September 2018	2,040	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 2018.

6. 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 2018	Number of shares issued as at submission date (Shares) (30 November 2018)	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

1. Details of the Stock Option Program

The company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan. Matters stated below are details of the program current as of the final day of the current fiscal year (31 August 2018). Details of changes made during the period from the final day of the current fiscal year until the end of the previous month (31 October 2018) on the submission date are shown in brackets. Details of the 9th share subscription rights on the submission date are stated.

(i) Share subscription rights A type

	1st	2nd	3rd
Resolution date	8 October 2010	12 October 2011	11 October 2012
Class and number of recipients (persons)	Employees of the Company 7 Employees of the Group subsidiaries 3	Employees of the Company 14 Employees of the Group subsidiaries 4	Employees of the Company 18 Employees of the Group subsidiaries 8
Number of stock options (Shares)	1,292 [888]	6,495 [3,138]	5,304 [4,959]
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	1,292 [888]	6,495 [3,138]	5,304 [4,959]
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	Same as left
Exercise period of share subscription rights	From 8 November 2013 to 7 November 2020	From 15 November 2014 to 14 November 2021	From 13 November 2015 to 12 November 2022
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	Issue price: 12,499 Paid-in capital: 6,250	Issue price: 15,222 Paid-in capital: 7,611
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	Same as left

	4th	5th	6th
Resolution date	10 October 2013	9 October 2014	8 October 2015
Class and number of recipients (persons)	Employees of the Company 19 Employees of the Group subsidiaries 11	Employees of the Company 36 Employees of the Group subsidiaries 16	Employees of the Company 15 Employees of the Group subsidiaries 19
Number of stock options (Shares)	3,306 [2,975]	12,213 [10,000]	2,299 [2,229]
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	3,306 [2,975]	12,213 [10,000]	2,299 [2,229]
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	Same as left
Exercise period of share subscription rights	From 3 December 2016 to 2 December 2023	From 14 November 2017 to 13 November 2024	From 13 November 2018 to 12 November 2025
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	Issue price: 42,377 Paid-in capital: 21,188	Issue price: 45,658 Paid-in capital: 22,829
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	Same as left

	7th	8th	9th
Resolution date	13 October 2016	12 October 2017	11 October 2018
Class and number of recipients (persons)	Employees of the Company 16 Employees of the Group subsidiaries 23	Employees of the Company 19 Employees of the Group subsidiaries 27	Employees of the Company 17 Employees of the Group subsidiaries 32
Number of stock options (Shares)	2,549 [2,476]	5,101 [4,983]	4,057
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	2,549 [2,476]	5,101 [4,983]	4,057
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	Same as left
Exercise period of share subscription rights	From 11 November 2019 to 10 November 2026	From 10 November 2020 to 9 November 2027	From 9 November 2021 to 8 November 2028
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	Issue price: 37,648 Paid-in capital: 18,824	Issue price: 58,276 Paid-in capital: 29,138
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	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 right 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) Share subscription rights B type

	1st	2nd	3rd
Resolution date	8 October 2010	12 October 2011	11 October 2012
Class and number of recipients (persons)	Employees of the Company 266 Employees of the Group subsidiaries 413	Employees of the Company 139 Employees of the Group subsidiaries 584	Employees of the Company 136 Employees of the Group subsidiaries 615
Number of stock options (Shares)	10,225 [9,922]	8,364 [8,191]	8,447 [8,274]
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	10,225 [9,922]	8,364 [8,191]	8,447 [8,274]
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	Same as left
Exercise period of share subscription rights	From 8 December 2010 to 7 November 2020	From 15 December 2011 to 14 November 2021	From 13 December 2012 to 12 November 2022
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	Issue price: 12,742 Paid-in capital: 6,371	Issue price: 15,569 Paid-in capital: 7,785
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	Same as left

	4th	5th	6th
Resolution date	10 October 2013	9 October 2014	8 October 2015
Class and number of recipients (persons)	Employees of the Company 180 Employees of the Group subsidiaries 706	Employees of the Company 223 Employees of the Group subsidiaries 785	Employees of the Company 274 Employees of the Group subsidiaries 921
Number of stock options (Shares)	8,838 [8,607]	13,458 [12,921]	13,172 [12,836]
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	8,838 [8,607]	13,458 [12,921]	13,172 [12,836]
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	Same as left
Exercise period of share subscription rights	From 3 January 2014 to 2 December 2023	From 14 December 2014 to 13 November 2024	From 13 December 2015 to 12 November 2025
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	Issue price: 42,799 Paid-in capital: 21,399	Issue price: 46,148 Paid-in capital: 23,074
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	Same as left

	7th	8th	9th
Resolution date	13 October 2016	12 October 2017	11 October 2018
Class and number of recipients (persons)	Employees of the Company 339 Employees of the Group subsidiaries 1,096	Employees of the Company 395 Employees of the Group subsidiaries 1,152	Employees of the Company 419 Employees of the Group subsidiaries 1,267
Number of stock options (Shares)	18,287 [17,747]	33,082 [31,861]	36,275
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	18,287 [17,747]	33,082 [31,861]	36,275
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	Same as left
Exercise period of share subscription rights	From 11 December 2016 to 10 November 2026	From 10 December 2017 to 9 November 2027	From 9 December 2018 to 8 November 2028
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	Issue price: 38,133 Paid-in capital: 19,066	Issue price: 58,892 Paid-in capital: 29,446
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	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	Same as left
Matters pertaining to substitute payments	—	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	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 right 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) Share subscription rights C type

	6th	7th	8th
Resolution date	8 October 2015	13 October 2016	12 October 2017
Class and number of recipients (persons)	Employees of the Company 26	Employees of the Company 30	Employees of the Company 29
Number of stock options (Shares)	5,467	5,110	5,929
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	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,467	5,110	5,929
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	Same as left
Exercise period of share subscription rights	13 November 2018	11 November 2019	10 November 2020
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 46,841 Paid-in capital: 23,420	Issue price: 35,855 Paid-in capital: 17,928	Issue price: 38,823 Paid-in capital: 19,411
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	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	Same as left
Matters pertaining to substitute payments	–	–	–
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left	Same as left

	9th
Resolution date	11 October 2018
Class and number of recipients (persons)	Employees of the Company 40
Number of stock options (Shares)	4,733
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	4,733
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	9 November 2021
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 59,764 Paid-in capital: 29,882
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 right 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. Content of Rights Plan

   Not applicable.

3. Other Share Subscription Rights

   Not applicable.

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

Not applicable.

(4) 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 legal capital surplus (Millions of yen)	Balance of legal capital surplus (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 at a special meeting of the Board of Directors on 30 August 2004.

(5) Status by Type of Holder

As at 31 August 2018

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)	—	63	31	99	760	8	4,623	5,584	—
Number of shares held (Trading units)	—	346,342	22,242	84,808	204,756	9	401,992	1,060,149	58,756
Percentage of shares held (%)	—	32.67	2.10	8.00	19.31	0.00	37.92	100.00	—

(Notes) 1. The 4,053,872 shares of treasury stock include 40,538 units of shares held by individuals and others and 72 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.

(6) Major Shareholders

As at 31 August 2018

Name or trade name	Address	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,987	22.53
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	19,153	18.77
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	11,111	10.89
TTY Management B.V.	Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands	5,310	5.20
Kazumi Yanai	New York, U.S.A.	4,781	4.69
Koji Yanai	Shibuya-ku, Tokyo	4,780	4.69
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.66
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	3,680	3.61
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.54
Teruyo Yanai	Shibuya-ku, Tokyo	2,327	2.28
Total	—	82,492	80.86

(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 3 September 2018 by Nomura Securities Co., Ltd., and the three parties of Nomura International plc, Nomura Securities International, Inc., and Nomura Asset Management Co., Ltd., respectively, who are all as joint holders, each party was holding the shares stated below as at 27 August 2018. However, since the Company has not been able to confirm the number of shares actually held as at the record date, of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Address	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	(12)	(0.01)
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	113	0.11
Nomura Securities International, Inc.	Worldwide Plaza 309 West 49th Street New York, New York,U.S.A	154	0.15
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	11,081	10.45

4. According to the report of large shareholdings (report of change of composition) submitted on 6 September 2018 by Sumitomo Mitsui Trust Bank, Limited and the two parties of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively, who are all as joint holders, each party was holding the shares stated below as at the record date. 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	Address	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	938	0.89
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1 Shiba, Minato-ku, Tokyo	382	0.36
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	5,826	5.49

5. In addition to the above, 4,053,872 shares of treasury stock are held by the Company (3.82% of the total number of authorized shares).

(7) Voting Rights

(i) Shares issued

As at 31 August 2018

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 4,053,800	—	—
Shares with full voting rights (others)	Common stock 101,961,100	1,019,611	(Note) 1
Shares less than one unit	Common stock 58,756	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,611	—

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

2. Common stock in the “Shares less than one unit” column includes 72 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 August 2018

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 (%)
FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-City, Yamaguchi	4,053,800	—	4,053,800	3.82
Total	—	4,053,800	—	4,053,800	3.82

2. Treasury Stock Information

Type 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 2018	40	1,831
Purchases of Treasury stock in the year ending 31 August 2019	—	—

(Note) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2018 and the submission date of this report.

(4) Status of treasury stock purchased

Class	Fiscal year ended 31 August 2018		Year ending 31 August 2019	
	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)	35,832	136,368	9,915	37,737
Number of Treasury shares held	4,053,872	—	4,043,957	—

(Note) The breakdown of figures for the year ended 31 August 2018 reflects the exercise of 35,832 share subscription rights, a share disposal value of 136,368 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 2018 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 2018, we decided to pay a year-end dividend of ¥240 per share. Together with the ¥200 interim dividend per share, this will bring the total annual dividend for the current fiscal year to ¥440 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 57th fiscal year are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors resolution made at the meeting held on 12 April 2018	20,401	200
Board of Directors resolution made at the meeting held on 2 November 2018	24,484	240

4. Share Price Trends

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

Term	53rd Year	54th Year	55th Year	56th Year	57th Year
Accounting period	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017	Year ended 31 August 2018
High (Yen)	45,350	61,970	50,700	44,370	54,510
Low (Yen)	30,350	32,460	25,305	30,460	30,000

(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 2018	April	May	June	July	August
High (Yen)	43,960	48,540	49,820	53,420	54,510	53,020
Low (Yen)	38,900	42,570	46,730	46,100	46,900	46,450

(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 2018.

7. Board of Directors

Male: 13 persons Female: 1 person (7.1% 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	7 February 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 4	22,987
Director		Toru Hambayashi	7 January 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 4	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Director		Nobumichi Hattori	25 December 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 4	–
Director		Masaaki Shintaku	10 September 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 4	–

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Director		Takashi Nawa	8 June 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 4	–
Director		Naotake Ohno	28 October 1948	April 1971 June 2000 April 2004 April 2007 April 2011 November 2017 November 2018	Joined Daiwa House Industry Co., Ltd. Director, Daiwa House Industry Co., Ltd. Senior Managing Director, Deputy Director, Sales Division, Daiwa House Industry Co., Ltd. Representative Director and Vice President, Director, Sales Division, Daiwa House Industry Co., Ltd. Representative Director and President, Daiwa House Industry Co., Ltd. Special Consultant, FAST RETAILING Co., Ltd. (Current) External Director, FAST RETAILING CO., LTD. (current)	Note 4	–
Director	CFO	Takeshi Okazaki	9 July 1965	April 1988 July 1998 January 2005 August 2011 August 2011 September 2012 November 2018	Joined Long Term Credit Bank of Japan, Limited Joined McKinsey & Company Partner, McKinsey & Company Joined FAST RETAILING Co., Ltd. Group Executive Officer & CFO, Group Senior) Executive Officer, FAST RETAILING Co., Ltd. (current) Director, FAST RETAILING CO., LTD. (current)	Note 4	–
Director		Kazumi Yanai	23 April 1974	June 1997 July 2004 September 2009 January 2012 November 2012 November 2013 November 2015 July 2017 November 2018	Joined Goldman Sachs and Company Joined Link Theory Holdings (US) Inc. (currently Theory LLC), Headquarters (New York) Joined FAST RETAILING Co., Ltd. Chairman, Theory LLC (current) Group Executive Director, FAST RETAILING Co., Ltd. (current) UNIQLO USA LLC COO Chairman, UNIQLO USA LLC (current) CEO, Chairman and President, J BRAND HOLDINGS, LLC (current) Director, FAST RETAILING CO., LTD (current)	Note 4	4,781

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Director		Koji Yanai	19 May 1977	April 2001 April 2009 September 2012 May 2013 September 2013 November 2018	Joined Mitsubishi Corporation Seconded to Princes Limited (food business subsidiary in Great Britain) Joined FAST RETAILING Co., Ltd., responsible for UNIQLO Sports Marketing Director, UNIQLO Global Marketing Group Executive Officer, FAST RETAILING Co., Ltd. (current) Director, FAST RETAILING CO., LTD (current)	Note 4	4,780
Standing Statutory Auditor		Akira Tanaka	26 June 1942	April 1966 September 1972 March 1993 April 1997 August 2003 November 2003 November 2005 March 2006 November 2006 April 2011 October 2011	Joined The Taisei Fire and Marine Insurance Company Limited (currently Sompo Japan Nipponkoa Insurance Inc.) Joined McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Deputy President and Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.) Advisor, FAST RETAILING CO., LTD. Managing Director, FAST RETAILING CO., LTD. Senior Vice President, UNIQLO CO., LTD. Senior Vice President, FAST RETAILING CO., LTD. Statutory Auditor, FAST RETAILING CO., LTD. (current) Representative Director of FR Health Insurance Organization (current) Council member, Special Olympics Japan (current)	Note 5	3

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Standing Statutory Auditor		Masaaki Shinjo	28 January 1956	April 1983 February 1994 September 1998 September 2005 January 2008 March 2009 September 2009 March 2011 April 2011 November 2012	Joined ASAHIPEN CORPORATION Joined FAST RETAILING CO., LTD. Entrusted operating officer, manager of administration, FAST RETAILING CO., LTD. General Manager, Group Auditing, FAST RETAILING CO., LTD. Director, Onezone Corp (currently G.U. CO., LTD.) General Manager, Corporate Administration, FAST RETAILING CO., LTD. Statutory Auditor, GOV Retailing Co., Ltd. (currently G.U. CO., LTD.) General Manager, Corporate Planning & Management, FAST RETAILING CO., LTD. Auditor, FAST RETAILING (CHINA) TRADING CO., LTD. (current) Statutory Auditor, FAST RETAILING CO., LTD. (current)	Note 6	–
Statutory Auditor		Takaharu Yasumoto	10 March 1954	November 1978 August 1982 April 1992 November 1993 August 2001 June 2003 November 2005 April 2007 June 2010	Joined Asahi & Co. (currently KPMG AZSA LLC) Registered as a member of Japanese Institute of Certified Public Accountants President, Yasumoto CPA Office (current) External Statutory Auditor, FAST RETAILING CO., LTD. (current) External Statutory Auditor, ASKUL Corporation (current) Statutory Auditor, LINK INTERNATIONAL CO., LTD. (currently LINK THEORY JAPAN CO., LTD.) (current) External Statutory Auditor, UNIQLO CO., LTD. (current) Guest Professor, Chuo Graduate School of International Accounting External Statutory Auditor, UBIC Inc. (currently FRONTEO, Inc.) (current)	Note 6	4

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Statutory Auditor		Keiko Kaneko	11 November 1967	April 1991 April 1999 April 1999 January 2007 April 2007 November 2012 November 2012 June 2013	Joined Mitsubishi Corporation Registered as a member of Japan Federation of Bar Associations Joined Anderson, Mori & Tomotsune (AM&T) law firm Partner, AM&T (current) Guest associate professor, Tokyo University Graduate School of Law External Statutory Auditor, FAST RETAILING CO., LTD. (current) External Statutory Auditor, UNIQLO CO., LTD. (current) External Statutory Auditor, The Asahi Shimbun Company (current)	Note 6	–
Statutory Auditor		Takao Kashitani	7 November 1948	February 1975 January 1986 April 1986 March 1989 April 2002 June 2012 June 2012 November 2018	Kashitani Public Accountant Office (current) Representative, CENTURY Audit Corporation (currently Ernst & Young ShinNihon LLC) Representative Director & CEO, Brain Core Co., Ltd. (current) Representative Director & CEO, F P Brain Co., Ltd. (current) Specially appointed professor, Chuo University Graduate School of International Accounting Department of Research (professional graduate school) External Director, Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings) External Director, Japan Freight Railway Company (current) External Statutory Auditor, FAST RETAILING CO., LTD. (current)	Note 5	–
Total							32,556

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

2. Directors Kazumi Yanai and Koji Yanai are relatives in the second degree of Tadashi Yanai, Representative Director, Chairman and President.
3. Statutory Auditors Takaharu Yasumoto, Keiko Kaneko and Takao Kashitani are External Statutory Auditors as provided for in Article 2, Paragraph 16 of the Companies Act.
4. For a one-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 29 November 2018.
5. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 29 November 2018.
6. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 24 November 2016.

8. 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 Statutory 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, as at the previous General Meeting of Shareholders on 29 November, 2018, five of the nine 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 Statutory Auditors are External Statutory Auditors. The Standing Statutory Auditor presides. The External Statutory 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 Statutory 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 Statutory Auditors of subsidiary corporations. The Board of Statutory 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 independent auditors.

The various committees complement the work of the Board of Directors. The External Directors and External Statutory 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 4 meetings during fiscal 2018.

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, Statutory Auditors, and Group officers. The committee held 4 meetings during fiscal 2018.

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 12 meetings during fiscal 2018.

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 13 meetings during fiscal 2018.

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 head of the Legal Department, and committee members include Statutory Auditors (including External Statutory Auditors) and executive officers. The committee held 12 meetings during fiscal 2018.

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 Statutory Auditors (including External Statutory Auditors) and executive officers. The committee held 12 meetings during fiscal 2018.

Risk Management Committee

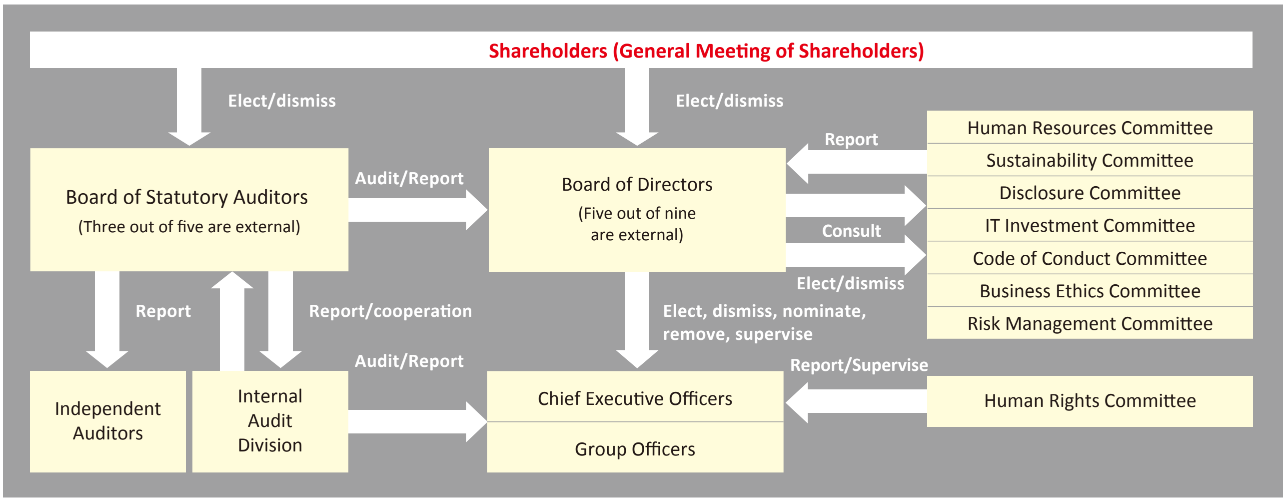
To identify risks latent in business activities on a regular basis and to strengthen systems for detecting and managing material risks, this committee analyzes and assesses the extent of impact and frequency of risks on business, and discusses countermeasures for business areas high in risk to contain risk before it occurs. The committee is chaired by the Group CFO, and committee members include outside directors and executive officers. Activities of the committee commenced in September 2018.

Human Rights Committee

Chaired by an outside expert, this committee deliberates and advises on the execution of human rights due diligence. The committee also provides counselling and conducts education and awareness-raising activities for departments involved in the execution of business to ensure that we fulfil our obligations to respect human rights under the Fast Retailing Group Human Rights Policy established in 2018, and conduct business operations appropriately. In addition, the committee is responsible for providing recommendations and supervision as well as conducting investigations and taking remedial measures when a human rights violation occurs. The committee held one meeting during fiscal 2018.

Below is a diagram of our corporate governance system

(As at November 30, 2018)



(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 covers 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 the 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 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 the 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 made 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 associated 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 associates 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 the Independence and Effectiveness of Statutory Auditors' Instructions to 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 Independent 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 stance 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 Statutory Auditors

The Company has an Internal Audit Department that is completely independent from business operations departments.

As at 31 August 2018, 6 specialists are employed. 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 two Full-time Standing Statutory Auditors and three 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 independent auditors, discuss these reports, and to cooperate as needed.

Moreover, Statutory Auditors Takaharu Yasumoto and Takao Kashitani are certified public accountants 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
Deloitte Touche Tohmatsu LLC	Designated limited liability partner and engagement partner	Koichi Okubo	— (Note)
	Designated limited liability partner and engagement partner	Hirofumi Otani	— (Note)
	Designated limited liability partner and engagement partner	Emiko Minowa	— (Note)

Based on the audit plan formulated by Deloitte Touche Tohmatsu LLC, the group of assistants to the independent auditors consists of 19 CPAs, 3 successful applicants of CPA and 27 others.

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

(v) Functions, roles, and selection of External Directors and External Statutory Auditors
The Company has five External Directors and three 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.

Director Naotake Ohno serves as a special consultant to Daiwa House Industry Co., Ltd., and we are currently engaged in business negotiations concerning an office lease agreement with that company.

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 the Internal Audit Department and Independent Auditors, as detailed in (iii) Internal audits and audits by Statutory 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' views 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 officers

Five of the nine members of the Fast Retailing Board are external directors, and all of those five are recognized as Independent officers 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 officers, including External Directors:

A person shall not qualify as an independent officer 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 a statutory auditor; or

(4) he/she is, or has been over the past three years, a partner, an associate, or an employee of an independent 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 Independent Auditor, 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 Deloitte Touche Tohmatsu LLC, the limit of liabilities for 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 Independent 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 (Millions of yen)	Total amount of remuneration, by type (Millions of yen)		Number of executives (Persons)
		Basic Compensation	Bonuses	
Directors (excluding external directors)	400	240	160	1
Statutory Auditors (excluding External Statutory Auditors)	35	35	—	2
External Directors and External Statutory Auditors	82	82	—	8

(i) Directors' remuneration 450 million yen (of which, External Directors 50 million yen)

(ii) Statutory Auditors' remuneration 67 million yen (of which, External Statutory Auditors 32 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 400 million yen

Policies for determining executive compensation

Directors' compensation is calculated based on various factors including areas of responsibility, liability, and 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 stipulations 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 three but not more than ten.

(ii) Election criteria for directors

The Company's articles of incorporation stipulate that the election of directors shall not be based on cumulative voting. Also, the articles of incorporation stipulate 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 stipulate 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 stipulate 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
5 issues	2,656 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 2017

Special investment shares

Not applicable.

Year ended 31 August 2018

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Matsuoka Corporation	286,500	1,052 million yen	To maintain business relationship
Crystal International Group Ltd	20,815,000	1,443 million yen	To maintain business relationship

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

Not applicable.

(2) Details of Independent Auditors’ remuneration

(i) Details of remuneration for CPAs, etc.

Class	Year ended 31 August 2017		Year ended 31 August 2018	
	Remuneration for Audit assurance service (Millions of yen)	Remuneration for Services other than audit assurance (Millions of yen)	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)
Reporting Entity	161	57	219	36
Consolidated subsidiaries	30	—	40	—
Total	191	57	259	36

(ii) Other important details regarding remuneration

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.

Year ended 31 August 2018 (1 September 2017 — 31 August 2018)

The Company’s consolidated subsidiaries paid 352 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Deloitte global network.

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

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

The Company pays the external independent auditors consideration for the provision of advisory and other services concerning accounting matters.

Year ended 31 August 2018 (1 September 2017 — 31 August 2018)

The Company pays the external independent 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 stipulate that remuneration to accounting independent auditors for audit services is determined by the representative director, with the consent of the Board of Statutory Auditors.

9. 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 28, 1976) (hereinafter referred to as the "Rules on Consolidated Financial Statements"), the consolidated financial statements of the Group were prepared in accordance with IFRS pursuant to Article 93 of the Rules on 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 59, 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. Accounting Audits

The Company's consolidated and non-consolidated financial statements for the fiscal year from 1 September 2017 – 31 August 2018 have been audited by Deloitte Touche Tohmatsu LLC in accordance with auditing standards generally accepted in Japan pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act. Deloitte Touche Tohmatsu LLC also conducted the audit of consolidated financial statements of the Company in accordance with International Standards on Auditing (ISA).

Our independent auditor has changed as shown below.

Previous consolidated fiscal year and previous fiscal year	Ernst & Young ShinNihon LLC
Current fiscal year and current fiscal year	Deloitte Touche Tohmatsu LLC

The matters stated in the OVERSEAS REGULATORY ANNOUNCEMENT are as follows.

(1) Overview of incoming and outgoing independent auditors

1. Incoming independent auditor Deloitte Touche Tohmatsu LLC
2. Outgoing independent auditor Ernst & Young ShinNihon LLC

(2) Expected date of change

30 November, 2017

(3) Date of most recent appointment of outgoing independent auditor

8 December, 2016

(4) Opinions included in the past three years of Independent auditor's reports and other documents created by the outgoing independent auditor

No pertinent items.

(5) Background and reasons behind the decision to change independent auditors

The appointment term of the Company's current independent auditor, Ernst & Young ShinNihon LLC, is set to mature at the conclusion of the FY2017 Annual General Meeting of Shareholders of the Company scheduled to be held on November 30, 2017. The Board of Statutory Auditors decided to take the opportunity to comprehensively assess the appointment based on the Company's standards for selecting and evaluating independent auditors. As a result, the Board of Statutory Auditors decided to appoint Deloitte Touche Tohmatsu LLC as its new independent auditor.

(6) Opinions of the outgoing independent auditor regarding the background and reasons for the decision listed in point 5 above and relating to entries in Independent auditor’s reports and other documents

The Company received communication from Ernst & Young ShinNihon LLC that the firm had no specific opinions to express in relation to the above items. Ernst & Young ShinNihon LLC has also provided a confirmation to the Company that there are no circumstances that need to be brought to the attention of shareholders and Hong Kong Depository Receipt holders of the Company in connection with its retirement.

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 made efforts to build 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 (“IASB”), study the latest standards and their potential impact on our Company, and update our Group guidelines for accounting practices accordingly.

1. Consolidated Financial Statements
(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	Notes	As at 31 August 2017	As at 31 August 2018
ASSETS			
Current assets			
Cash and cash equivalents	8,31	683,802	999,697
Trade and other receivables	9,31	48,598	52,677
Other financial assets	11,31	30,426	35,359
Inventories	10	289,675	464,788
Derivative financial assets	31	6,269	35,519
Income taxes receivable		1,518	1,702
Other assets	12	17,307	28,353
Total current assets		1,077,598	1,618,097
Non-current assets			
Property, plant and equipment	13	136,979	155,077
Goodwill	14	15,885	8,092
Intangible assets	14	36,895	46,002
Financial assets	11,31	77,608	79,476
Investments in associates accounted for using the equity method	16	13,473	14,649
Deferred tax assets	19	25,303	26,378
Other assets	12	4,742	5,691
Total non-current assets		310,888	335,368
Total assets		1,388,486	1,953,466
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables	20,31	204,008	214,542
Other financial liabilities	11,17,31	11,844	171,854
Derivative financial liabilities	31	6,083	6,917
Current tax liabilities		25,864	21,503
Provisions	21	8,780	11,868
Other liabilities	12	54,840	72,722
Total current liabilities		311,421	499,410
Non-current liabilities			
Financial liabilities	11,17,31	273,467	502,671
Provisions	21	15,409	18,912
Deferred tax liabilities	19	10,000	13,003
Other liabilities	12	16,144	16,690
Total non-current liabilities		315,022	551,277
Total liabilities		626,443	1,050,688
EQUITY			
Capital stock	22	10,273	10,273
Capital surplus	22	14,373	18,275
Retained earnings	22	698,584	815,146
Treasury stock, at cost	22	(15,563)	(15,429)
Other components of equity	22	24,102	34,669
Equity attributable to owners of the parent		731,770	862,936
Non-controlling interests		30,272	39,841
Total equity		762,043	902,777
Total liabilities and equity		1,388,486	1,953,466

(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 2017	Year ended 31 August 2018
Revenue	23	1,861,917	2,130,060
Cost of sales		(952,667)	(1,080,123)
Gross profit		909,249	1,049,936
Selling, general and administrative expenses	24	(725,215)	(797,476)
Other income	25	6,321	3,385
Other expenses	15,25	(14,567)	(20,244)
Share of profit and loss of associates accounted for using the equity method	16	625	611
Operating profit/(loss)		176,414	236,212
Finance income	26	19,917	9,693
Finance costs	26	(2,932)	(3,228)
Profit/(loss) before income taxes		193,398	242,678
Income taxes	19	(64,488)	(73,304)
Profit/(loss) for the year		128,910	169,373
Profit/(loss) for the year attributable to:			
Owners of the parent		119,280	154,811
Non-controlling interests		9,630	14,562
		128,910	169,373
Earnings per share			
Basic (Yen)	28	1,169.70	1,517.71
Diluted (Yen)	28	1,168.00	1,515.23

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Year ended 31 August 2017	Year ended 31 August 2018
Profit/(loss) for the year		128,910	169,373
Other comprehensive income/(loss), net of income/(loss)			
Items that will not be reclassified subsequently to profit or loss		—	—
Total items that will not be reclassified subsequently to profit or loss		—	—
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on available-for-sales financial assets during the period	27	(245)	34
Exchange differences on translating foreign operations	27	26,285	(6,285)
Cash flow hedges	27	47,109	17,735
Total items that may be reclassified subsequently to profit or loss		73,148	11,484
Other comprehensive income/(loss), net of Income tax		73,148	11,484
Total comprehensive income/(loss) for the year		202,059	180,858
Attributable to:			
Owners of the Parent		190,566	165,378
Non-controlling interests		11,493	15,480
Total comprehensive income/(loss) for the year		202,059	180,858

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 August 2017

(Millions of yen)

						Other components of equity						
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 September 2016		10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the year												
Comprehensive income/(loss)												
Profit/(loss) for the year		—	—	119,280	—	—	—	—	—	119,280	9,630	128,910
Other comprehensive income/(loss)	27	—	—	—	—	(245)	24,618	46,913	71,285	71,285	1,862	73,148
Total comprehensive income/(loss)		—	—	119,280	—	(245)	24,618	46,913	71,285	190,566	11,493	202,059
Transactions with the owners of the Parent												
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 of the Parent		—	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

For the year ended 31 August 2018

(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 2017		10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043
Net changes during the year												
Comprehensive income/(loss)												
Profit/(loss) for the year		—	—	154,811	—	—	—	—	—	154,811	14,562	169,373
Other comprehensive income/(loss)	27	—	—	—	—	34	(6,376)	16,909	10,567	10,567	917	11,484
Total comprehensive income/(loss)		—	—	154,811	—	34	(6,376)	16,909	10,567	165,378	15,480	180,858
Transactions with the owners of the Parent												
Acquisition of treasury stock	22	—	—	—	(1)	—	—	—	—	(1)	—	(1)
Disposal of treasury stock	22	—	1,169	—	136	—	—	—	—	1,306	—	1,306
Dividends	22	—	—	(38,248)	—	—	—	—	—	(38,248)	(7,840)	(46,088)
Share-based payments	22	—	857	—	—	—	—	—	—	857	—	857
Increase/(decrease) in equity due to capital increase of consolidated subsidiary	22	—	—	—	—	—	—	—	—	—	173	173
Changes in ownership interests in subsidiaries without losing controls		—	1,874	—	—	—	—	—	—	1,874	1,754	3,629
Total transactions with the owners of the Parent		—	3,901	(38,248)	134	—	—	—	—	(34,212)	(5,911)	(40,124)
Total net changes during the year		—	3,901	116,562	134	34	(6,376)	16,909	10,567	131,165	9,568	140,734
As at 31 August 2018		10,273	18,275	815,146	(15,429)	37	15,429	19,202	34,669	862,936	39,841	902,777

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Note	Year ended 31 August 2017	Year ended 31 August 2018
Cash flows from operating activities			
Profit/(loss) before income taxes		193,398	242,678
Depreciation and amortization		39,688	45,055
Impairment losses	15	9,324	12,376
Increase/(decrease) in provisions		1,674	4,654
Interest and dividend income		(6,124)	(7,560)
Interest expenses		2,932	3,169
Foreign exchange losses/(gains)		(13,318)	(2,132)
Share of profit and loss of associates accounted for using the equity method		(625)	(611)
Losses on disposal of property, plant and equipment		1,915	1,176
Decrease/(increase) in trade and other receivables		(1,442)	(2,852)
Decrease/(increase) in inventories		(5,955)	(179,469)
Increase/(decrease) in trade and other payables		9,949	9,758
Decrease/(increase) in other assets		(290)	(13,053)
Increase/(decrease) in other liabilities		6,417	142,212
Others, net		(1,682)	1,819
Cash generated from operations		235,861	257,220
Interest and dividend income received		6,124	7,409
Interest paid		(2,966)	(2,393)
Income taxes paid		(47,691)	(86,725)
Income taxes refunded		20,840	892
Net cash generated by operating activities		212,168	176,403
Cash flows from investing activities			
Amounts deposited into bank deposits with original maturities of three months or longer		(114,330)	(63,490)
Amounts withdrawn from bank deposits with original maturities of three months or longer		282,667	59,185
Payments for property, plant and equipment		(33,600)	(31,962)
Payments for intangible assets		(12,266)	(16,532)
Payments for lease and guarantee deposits		(3,211)	(4,773)
Proceeds from collection of lease and guarantee deposits		1,789	3,064
Payments for construction assistance fund		(1,045)	(1,261)
Ret urns of construction assistance fund		1,713	2,057
Others, net		1,072	(3,467)
Net cash generated by/(used in) investing activities		122,790	(57,180)

(Millions of yen)

	Notes	Year ended 31 August 2017	Year ended 31 August 2018
Cash flows from financing activities			
Proceeds from short-term loans payable	29	7,091	1,767
Repayment of short-term loans payable	29	(10,314)	(1,596)
Repayment of long-term loans payable	29	(2,915)	(3,308)
Proceeds from issuance of corporate bonds	29	—	249,319
Dividends paid to owners of the Parent	22	(34,671)	(38,244)
Capital contributions from non-controlling interests		—	3,803
Dividends paid to non-controlling interests		(3,965)	(7,827)
Repayments of lease obligations	29	(6,052)	(5,918)
Others, net		(8)	224
Net cash generated by/(used in) financing activities		(50,836)	198,217
Effect of exchange rate changes on the balance of cash held in foreign currencies		14,248	(1,545)
Net increase/(decrease) in cash and cash equivalents		298,371	315,894
Cash and cash equivalents at the beginning of year	8	385,431	683,802
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	8	683,802	999,697

(5) Notes to the Consolidated Financial Statements

1. Reporting Entity

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

The principal activities of the Company and its consolidated subsidiaries 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 IFRS issued by the IASB.

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

(2) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 29 November 2018 by Tadashi Yanai, Chairman, President, and CEO, and Takeshi Okazaki, Group Executive Vice President and CFO.

(3) Basis of Measurement

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

(4) Functional Currency and Presentation Currency

The presentation currency for the Group's consolidated financial statements is 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:

- Valuation of inventories (3. Significant Accounting Policies (6) and Note 10. Inventories)
- Recoverable amounts from cash-generating units for impairment tests (3. Significant Accounting Policies (10) and Note 15. Impairment Losses)
- Useful lives of property, plant and equipment, and intangible assets (3. Significant Accounting Policies (7)(8), Note 13. Property, Plant and Equipment and 14. Goodwill and intangible Assets)
- Recoverability of deferred tax assets (3. Significant Accounting Policies (14) and Note 19. Deferred Tax and Income Taxes)
- Recoverability of trade and other receivables (3. Significant Accounting Policies (4), Note 9. Trade and Other Receivables) and Note 31. Financial Instruments.
- Accounting treatment and valuation of provisions (3. Significant Accounting Policies (11) and Note 21. Provisions)
- Fair value measurement of financial instruments (3. Significant Accounting Policies (4) and Note 31. Financial Instruments)
- Fair value measurement for unit price for share-based payments (3. Significant Accounting Policies (12) and Note 30. Share-based Payments)

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 when it is exposed, or has rights, to variable returns arising from its involvement in those enterprises or when the Group has rights to variable returns in those enterprises and is able to have an impact on said variable returns through its power over those enterprises. A subsidiary's financial statements are incorporated into the Group's consolidated financial statements from the date on which the Group, obtains control until the date that control ceases.

The subsidiaries adopted the consistent accounting policies as the Company in the preparation of their financial statements. All intra-group balances, transactions within the Group as well as unrealized profit and loss resulting from transactions within the Group are eliminated at the time of preparation of the consolidated financial statements.

The reporting dates for FAST RETAILING (CHINA) TRADING CO., LTD., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD. and eleven other companies are 31 December, 31 March or 30 June. 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 2018 is 130.

(ii) Investments in associates

An associate is an entity in which the Group has significant influence over the financial and operating policies. If the Group holds 20% or more of the voting rights of another enterprise, it is presumed that the Group has a significant influence over the other enterprise. Investments in associates are accounted 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 recognize changes in the Group's share of net assets of the associate since acquisition date.

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

The number of associates as at 31 August 2018 is four.

(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”);

(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 (International Accounting Standards [“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 profit or loss, including the above, are presented 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 “31. 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. Fair value is determined using the method described in “31. 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 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 translated at the respective exchange rate prevailing at each reporting date. The effects of changes in exchange rates on foreign currency denominated monetary assets is recognized in foreign exchange gains or losses, while the effect of changes in exchange rates on other foreign currency denominated available-for-sale financial assets is recognized in other comprehensive income.

(v) Impairment of financial assets

Financial assets other than "Financial assets at fair value through profit or loss" pursuant to International Accounting Standards 39 ("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 and other receivables, and other financial assets 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 related to receivables that were written off. 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 "31. 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 expired.

(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 periods.

(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 to 5 years)

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized. They are tested for impairment annually or when there is an indication that they may be impaired, either individually or at the 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 assets other than goodwill are reviewed at each reporting date to determine whether there is any indication that a loss has decreased or no longer exists. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(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.

Provision is described below:

Asset retirement obligations

The obligations to restore property to its original state under real estate leasing agreements for offices, such as corporate headquarters and stores, are estimated and recorded as a provision. The expected length of use is estimated as the time from acquisition to the end of the useful life, and discount rates ranging between 0.00-1.00% are generally used in calculations.

(12) Employee benefits

1. Defined contribution system

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

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

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

2. Short-term employee benefits

For short-term employee benefits, no estimate is accrued for and expenses are recorded when employees provide services.

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

3. Share-based payments

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

Stock options are measured at fair value based on the price of the Company's shares on the grant date. Fair value of stock options is further disclosed in "30. Share-based Payments."

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

(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 linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, 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 and these are recognized in profit or loss, except taxes arising from items that are recognized as other comprehensive income.

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

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

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

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

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

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

(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 7 (Amendments)	Statement of Cash Flows	Request for disclosure of changes in liabilities related to financing activities
IAS12 (Amendments)	Income Taxes	Recognition of deferred tax assets for unrealized losses

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 assesses that the impact of the adoption of IFRS 9 and IFRS 15 is immaterial. The Company is in the process of assessing the impact of the adoption of IFRS 16 and IFRIC 23 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 9	Financial Instruments	1 January 2018	Year ending 31 August 2019	Replaces IAS 39 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	Revenue from Contracts with Customers	1 January 2018	Year ending 31 August 2019	Revised accounting standard for revenue recognition and disclosures.
IFRS 16	Leases	1 January 2019	Year ending 31 August 2020	Amendments to accounting treatment for lease arrangements
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	Year ending 31 August 2020	Clarifies the accounting for uncertainties in income taxes.

IFRS 16 does not require a lessee classify the leases as a 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 to 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 leases. 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.

6. Segment Information

(1) Description of reportable segments

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

From the current consolidated fiscal year, the operations of GU, which were previously included as a part of the Global Brands segment, have been included in the GU segment (newly created segment). The Group now discloses the GU reportable segment as a result of the Board's increased focus as its scale of operations expands.

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

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

UNIQLO Japan:	UNIQLO clothing business within Japan
UNIQLO International:	UNIQLO clothing business outside of Japan
GU:	GU brand clothing business in Japan and overseas
Global Brands:	Theory, 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 2017

(Millions of yen)

	Reportable segments				Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	810,734	708,171	199,139	141,003	1,859,048	2,868	—	1,861,917
Operating profit/(losses)	95,914	73,143	13,542	500	183,101	285	(6,972)	176,414
Segment income/(losses) (i.e., profit before income taxes)	97,868	72,814	13,583	340	184,608	285	8,504	193,398
Other disclosure:								
Depreciation and amortization	8,966	17,214	3,776	2,701	32,659	153	6,875	39,688
Impairment losses	284	1,603	5	3,848	5,741	—	3,583	9,324

(Note1) "Others" includes the real estate leasing business, etc.

(Note2) "Adjustments" primarily includes 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."

Year ended 31 August 2018

(Millions of yen)

	Reportable segments				Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	864,778	896,321	211,831	154,464	2,127,395	2,664	—	2,130,060
Operating profit/(losses)	119,040	118,897	11,774	(4,115)	245,596	240	(9,624)	236,212
Segment income/(losses) (i.e., profit before income taxes)	119,685	119,172	11,572	(4,248)	246,182	250	(3,755)	242,678
Other disclosure:								
Depreciation and amortization	9,448	18,693	5,463	3,137	36,744	12	8,298	45,055
Impairment losses	415	944	268	9,962	11,590	—	785	12,376

(Note1) "Others" includes the real estate leasing business, etc.

(Note2) "Adjustments" primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.

(4) Geographic Information

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, Investments in associates accounted for using the equity method and deferred tax assets)

(Millions of yen)

Japan	PRC	United States of America	Overseas (Others)	Total
73,133	25,258	27,565	68,544	194,502

Year ended 31 August 2018

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
1,121,186	346,873	662,000	2,130,060

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

(Millions of yen)

Japan	PRC	United States of America	Overseas (Others)	Total
99,720	26,804	26,868	61,469	214,863

7. Business Combination

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 2017	As at 31 August 2018
Cash and bank balances	562,656	853,380
Money market funds (MMF), negotiable certificates of deposits	121,146	146,316
Total	683,802	999,697

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 2017	As at 31 August 2018
Accounts receivable — trade	43,096	46,008
Notes receivable	154	—
Other accounts receivable	6,009	7,256
Allowance for doubtful accounts	(661)	(587)
Total	48,598	52,677

See note "31. 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 2017	As at 31 August 2018
Products	286,499	460,751
Materials and Supplies	3,176	4,036
Total	289,675	464,788

(Note) As at 31 August 2018, the Group had inventories attributable to UNIQLO Japan, UNIQLO International and GU segment amounting to 434,850 million yen in aggregate.

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 2017	Year ended 31 August 2018
Write-down of inventories to net realizable value	3,433	4,254

(Note) As at 31 August 2018, the Group had write-down of inventories attributable to UNIQLO Japan, UNIQLO International and GU segment amounting to 2,044 million yen in aggregate.

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 2017	As at 31 August 2018
Other financial assets:		
Available-for-sale financial assets	303	2,674
Loans and receivables		
Loans and receivables	107,998	112,462
Allowance for doubtful accounts	(267)	(301)
Total loans and receivables	107,731	112,160
Total	108,034	114,835
Other current financial assets total	30,426	35,359
Other non-current financial assets total	77,608	79,476

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing debts	281,512	544,502
Deposits	2,176	128,509
Deposits/guarantees received	1,623	1,513
Total	285,312	674,526
Other current financial liabilities total	11,844	171,854
Other non-current financial liabilities total	273,467	502,671

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 2017	As at 31 August 2018
Other assets:		
Prepayments	13,084	13,503
Long-term prepayments	4,742	5,691
Others	4,223	14,849
Total	22,050	34,045
Current	17,307	28,353
Non-current	4,742	5,691

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Other liabilities:		
Accruals	47,290	64,089
Employee benefits liabilities	5,931	6,348
Others	17,763	18,975
Total	70,984	89,413
Current	54,840	72,722
Non-current	16,144	16,690

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 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)	—	—
Effect of change in exchange rate., etc	13,929	3,132	—	761	9	17,832
At 31 August 2017	231,612	46,139	1,962	6,824	31,455	317,994
Additions	9,316	8,380	—	28,242	31,922	77,860
Disposals	(4,412)	(6,606)	—	(2)	(14,911)	(25,933)
Transfers	18,885	4,639	—	(25,074)	1,549	—
Effect of change in exchange rate., etc	(2,794)	(787)	—	(438)	(42)	(4,063)
At 31 August 2018	252,606	51,765	1,962	9,550	49,973	365,858

(Millions of yen)

Accumulated depreciation and impairment losses	Buildings and structures	Furniture, equipment, and vehicles	Land	Construction in progress	Leased assets	Total
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
Effect of change in exchange rate., etc	(4,680)	(1,545)	—	—	(1)	(6,226)
At 31 August 2017	(134,833)	(32,381)	(34)	—	(13,765)	(181,015)
Depreciation provided during the year	(26,231)	(6,534)	—	—	(5,433)	(38,199)
Impairment losses	(2,029)	(205)	—	—	(99)	(2,335)
Disposals	3,029	878	—	—	3,867	7,775
Effect of change in exchange rate., etc	2,132	621	—	—	239	2,993
At 31 August 2018	(157,933)	(37,622)	(34)	—	(15,191)	(210,781)

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment, and vehicles	Land	Construction in progress	Leased assets	Total
At 31 August 2017	96,778	13,757	1,927	6,824	17,690	136,979
At 31 August 2018	94,673	14,143	1,927	9,550	34,782	155,077

(Note) As at 31 August 2018, the Group had store assets attributable to UNIQLO Japan, UNIQLO International and GU segment amounting to 40,933 million yen, 79,448 million yen and 15,558 million yen, respectively.

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 2017	3,333	14,356	—	17,690
At 31 August 2018	19,335	15,447	—	34,782

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				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
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)
Effect of change in exchange rate., etc	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
External purchases	—	19,082	3	166	19,252	19,252
Disposals	—	(1,643)	(0)	(310)	(1,953)	(1,953)
Effect of change in exchange rate., etc	(3,429)	842	120	(30)	932	(2,497)
At 31 August 2018	39,740	70,741	21,549	22,174	114,465	154,206

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets other than goodwill				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
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
Effect of change in exchange rate., etc	(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)
Amortization provided during the year	—	(6,727)	—	(129)	(6,856)	(6,856)
Impairment losses	(7,792)	(174)	(1,657)	(415)	(2,246)	(10,039)
Disposals	—	355	—	110	465	465
Effect of change in exchange rate., etc	3,429	(387)	(90)	(9)	(486)	2,942
At 31 August 2018	(31,647)	(39,052)	(13,653)	(15,757)	(68,463)	(100,111)

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

(Millions of yen)

Net carrying amount	Goodwill	Intangible assets other than goodwill				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 31 August 2017	15,885	20,341	9,519	7,034	36,895	52,780
At 31 August 2018	8,092	31,689	7,896	6,416	46,002	54,094

(2) Goodwill and intangible assets with indefinite useful lives

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

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

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

(Millions of yen)

Net carrying amount	Goodwill				Intangible assets with indefinite useful lives			
	UNIQLO Japan	UNIQLO International	GU	Global Brands	UNIQLO Japan	UNIQLO International	GU	Global Brands
At 31 August 2017	—	—	—	15,885	—	—	—	15,797
At 31 August 2018	—	—	—	8,092	—	—	—	13,601

15. Impairment Losses

During the year ended 31 August 2018, the Group recognized impairment losses on certain store assets and goodwill etc., due to reductions in profitability of the respective cash-generating units.

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Buildings and structures	1,491	2,029
Furniture, equipment and vehicles	571	205
Land	34	—
Leased assets (Note 1)	55	99
Subtotal impairment losses on property, plant and equipment	2,153	2,335
Software	2,912	174
Goodwill	2,196	7,792
Trademark (Note 2)	772	1,657
Other intangible assets	681	415
Subtotal impairment losses on intangible assets	6,562	10,039
Other current assets (short-term prepayments)	608	0
Other non-current assets (long-term prepayments)	—	0
Total impairment losses	9,324	12,376

(Note 1) Leased assets include furniture, equipment and vehicles.

(Note 2) 1,657 million yen represented impairment losses on the trademark of the Helmut Lang brand

The Group’s impairment losses during the year ended 31 August 2018 amounted to 12,376 million yen, compared with 9,324 million yen during the year ended 31 August 2017, and are included in “other expenses” on the consolidated statement of profit or loss.

Year ended 31 August 2017

(1) Property, plant and equipment

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

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 an individual cash-generating unit and recoverable amounts thereon are calculated based on value in use.

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

The main 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.

Impairment losses related to the J Brand business

Out of the total impairment losses amounting to 9,324 million yen, 3,650 million yen represented impairment losses on goodwill, trademarks, and customer relationships of the J Brand business. The carrying amounts of cash-generating units related to the J Brand business after recognition of the impairment losses were written down to 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 were 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 plus the 10-year discounted cash flow projections were based on plans 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 primarily reflected in the discount rate. Furthermore, the cash flows beyond the 10-year period are extrapolated using a 3% growth rate 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 flows or a higher discount rate would cause further impairment losses to be recognized.

See note “14. Goodwill and Intangible Assets” for impairment of goodwill, including goodwill related to the J Brand business.

(ii) Impairment losses related to IT system investment

Out of total impairment losses amounting 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 brand, whereby representing individual cash-generating units.

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

(3) Reversal of impairment losses

Since recovery in profitability was identified in certain stores in the UNIQLO Japan business where impairment losses were recorded in the past (mainly buildings and structures), the total reversal of impairment losses amounting 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 for value in use is 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.

Year ended 31 August 2018

(1) Property, plant and equipment

Out of total impairment losses amounting to 12,376 million yen, 1,725 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores.

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 an individual CGU and recoverable amounts thereon are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 7.5%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

The main 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 EUROPE LTD. etc., stores	Buildings and structures
GU	G.U. CO., LTD. etc., stores	Buildings and structures
Global Brands	COMPTOIR DES COTONNIERS S.A.S., etc stores	Buildings and structures

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to the COMPTOIR DES COTONNIERS business

Out of the total impairment losses amounting to 12,376 million yen, 7,792 million yen represented impairment losses on goodwill, of the COMPTOIR DES COTONNIERS business. The carrying amounts of cash-generating units related to the COMPTOIR DES COTONNIERS business after recognition of the impairment losses were written down to zero yen of goodwill.

The recoverable amounts from goodwill related to the COMPTOIR DES COTONNIERS business were 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:

The terminal value of the business plus the three year discounted cash flow projections were based on plans approved by management.

The fair value measurement is calculated based on post-tax discount rate. The post-tax discount rate is calculated at 13.6% 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 primarily reflected in the discount rate. Furthermore, the cash flows beyond the 10-year period are extrapolated using a 1% growth rate taking into account the long-term average market growth rate.

16. Investments in Associates Accounted for Using the Equity Method

(1) Information on associates accounted for using the equity method

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Share of profit and loss of associates accounted for using the equity method	625	611
Share of other comprehensive income of investments in associates	—	—
Share of comprehensive income of investments in associates	625	611
Carrying amount of investments in associates accounted for using the equity method	13,473	14,649

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

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

The Company's maximum exposure to losses due to its investments in the associates is limited to the amount of the investments by the Company and is included in the consolidated statement of financial position as "Investments in associates accounted for using the equity method," which amounted to 13,292 million yen. The Group's share of profit and comprehensive income of the associates was 611 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 70,739 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 612 million yen from the associates during the year ended 31 August 2018.

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 2017	As at 31 August 2018	As at 31 August 2017	As at 31 August 2018
Finance lease obligations				
Due within one year	5,820	8,565	5,596	7,952
Due after one year through five years	12,474	23,509	12,068	22,432
Due after five years	1,410	5,442	1,358	5,258
Total	19,706	37,517	19,023	35,643
Deductions — future finance costs	(682)	(1,873)	—	—
Total net finance lease payables	19,023	35,643	19,023	35,643
Current portion	—	—	5,596	7,952
Non-current portion	—	—	13,427	27,690

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 2017	As at 31 August 2018
Due within one year	47,901	49,129
Due after one year through five years	138,904	137,288
Due after five years	132,439	107,617
Total	319,246	294,034

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 2017	Year ended 31 August 2018
Total minimum lease payments	94,258	111,980
Contingent rents	79,776	79,832
Total	174,034	191,813

Contingent rents are primarily for rents which move in tandem with sales, that are defined in the contracts for store open.

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 2017	As at 31 August 2018
Due within one year	3	14
Due after one year through five years	14	14
Due after five years	—	—
Total	18	29

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Contingent rents	1,116	1,088

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 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
Accrued bonuses	3,385	299	—	3,685
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)
Others	4,496	(3,578)	—	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 effect of change in exchange rate.

(Millions of yen)

	As at 1 September 2017	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As at 31 August 2018
Temporary differences				
Accrued business tax	1,228	713	—	1,942
Accrued for bonuses	3,685	562	—	4,247
Allowance for doubtful accounts	163	(32)	—	130
Impairment losses on non-current assets	3,549	616	—	4,165
Unrealized gains/(losses) on available-for-sale securities	(1)	—	(89)	(91)
Depreciation	7,632	487	—	8,120
Net gains/(losses) on revaluation of cash flow hedges	(364)	—	(7,485)	(7,849)
Temporary differences on shares of subsidiaries	(1,893)	—	—	(1,893)
Accelerated depreciation	(6,527)	2,320	—	(4,206)
Others	917	4,225	—	5,143
Subtotal	8,391	8,892	(7,574)	9,708
Tax losses carried forward	6,911	(3,245)	—	3,666
Net deferred tax assets/(liabilities)	15,303	5,646	(7,574)	13,374

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

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

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Unrecognized tax losses carried forward	18,844	14,862
Deductible temporary differences	15,798	11,706
Total	34,642	26,568

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 2017	As at 31 August 2018
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year and thereafter	18,844	14,862
Total	18,844	14,862

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 2017 and 31 August 2018 were 296,630 million yen and 354,468 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 2017	Year ended 31 August 2018
Current tax	61,136	78,234
Deferred tax	3,351	(4,929)
Total	64,488	73,304

(Note) The federal corporate income tax rate in the United States was lowered from 35% to 21% following the enactment of the Tax Cuts and Jobs Act in the United States (22 December 2017). As a result of this change, income of 1,819 million yen was recorded in income taxes in the consolidated statements of profit and loss for the current consolidated fiscal year due mainly to the reversal of deferred tax liabilities.

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Statutory income tax rate	30.8%	30.8%
Unrecognized deferred tax assets	2.4%	1.1%
Difference in statutory income tax rates of subsidiaries	(3.9%)	(4.3%)
Impairment loss of goodwill	0.4%	1.0%
Undistributed earnings of foreign subsidiaries	3.1%	0.6%
Inhabitant tax on per capita basis	0.1%	0.2%
Others	0.3%	0.8%
Effective tax rate	33.3%	30.2%

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 2017	As at 31 August 2018
Trade payables	137,325	161,488
Other payables	66,683	53,054
Total	204,008	214,542

21. Provisions

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

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Asset retirement obligations	24,189	30,781
Total	24,189	30,781
Current liabilities	8,780	11,868
Non-current liabilities	15,409	18,912

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

(Millions of yen)

	Asset retirement obligations
Balances as at 31 August 2017	24,189
Additional provisions	7,244
Amounts utilized	(982)
Increase in discounted amounts arising from passage of time	254
Others	74
Balances as at 31 August 2018	30,781

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 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
Increase/(decrease) (Note)	—	—	35,792	—	3,901
Balances as at 31 August 2018	300,000,000	106,073,656	102,019,784	10,273	18,275

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

(2) Treasury Stock and Capital Surplus

① Treasury Stock

	Number of shares (Shares)	Amount (Millions of yen)
Balances as at 1 September 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
Acquisition of treasury stock less than one unit	40	1
Exercise of stock options	(35,832)	(136)
Balances as at 31 August 2018	4,053,872	15,429

② Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 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
Disposal of treasury stock	—	1,169	—	—	1,169
Share-based payments	—	—	857	—	857
Capital contributions from non-controlling interests	—	—	—	1,874	1,874
Balances as at 31 August 2018	4,578	4,924	5,211	3,559	18,275

Please refer to "30. 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 2017	Year ended 31 August 2018
Exchange differences on translation of foreign operations	1,666	91
Cash flow hedges	196	826
Other comprehensive income	1,862	917

(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 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

Year ended 31 August 2018

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 2 November 2017	17,847	175
Board of Directors' meeting held on 12 April 2018	20,401	200

Dividend which effective date is after fiscal 2018 is as follow:

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 2 November 2018	24,484	240

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 2017	Year ended 31 August 2018
Revenue		
Sales of goods	1,857,065	2,124,793
Service revenue	4,852	5,267
Total	1,861,917	2,130,060

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 2017	Year ended 31 August 2018
Selling, general and administrative expenses		
Advertising and promotion	70,937	70,310
Rental expenses	174,034	191,813
Depreciation and amortization	39,688	45,055
Outsourcing	33,244	41,005
Salaries	252,520	285,105
Others	154,790	164,186
Total	725,215	797,476

25. Other Income and Other Expenses

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Other income		
Foreign exchange gains*	2,137	—
Reversal of impairment losses	695	—
Others	3,488	3,385
Total	6,321	3,385

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Other expenses		
Foreign exchange losses*	—	1,450
Losses on retirement of property, plant and equipment	1,915	1,176
Impairment losses	9,324	12,376
Others	3,327	5,241
Total	14,567	20,244

* 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 2017	Year ended 31 August 2018
Finance income		
Foreign exchange gains*	13,318	2,132
Interest income	6,110	7,545
Others	488	15
Total	19,917	9,693

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Finance costs		
Interest expenses	2,932	3,169
Others	—	58
Total	2,932	3,228

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

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 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

Year ended 31 August 2018

(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	65	58	124	(89)	34
Exchange differences on translation of foreign operations	(6,285)	—	(6,285)	—	(6,285)
Cash flow hedges	15,155	10,065	25,221	(7,485)	17,735
Total	8,936	10,123	19,059	(7,574)	11,484

28. Earnings per Share

Year ended 31 August 2017		Year ended 31 August 2018	
Equity per share attributable to owners of the parent (Yen)	7,175.35	Equity per share attributable to owners of the parent (Yen)	8,458.52
Basic earnings per share for the year (Yen)	1,169.70	Basic earnings per share for the year (Yen)	1,517.71
Diluted earnings per share for the year (Yen)	1,168.00	Diluted earnings per share for the year (Yen)	1,515.23

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 2017	Year ended 31 August 2018
Basic earnings per share for the year		
Profit for the year attributable to owners of the parent (Millions of yen)	119,280	154,811
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	119,280	154,811
Average number of common stock during the year (Shares)	101,975,416	102,002,997
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	148,207	167,434
(Number of share subscription rights included in the increase)	(148,207)	(167,434)

29. Cash Flow Information

(1) Liabilities of financing activities

Liabilities of financing activities are as follows:

Year ended 31 August 2018

(Millions of yen)

	Balances as at 31 August 2017	Variation with cash flow	Variation without cash flow		Balances as at 31 August 2018
			Foreign currency translation reserve	Others	
Short-term borrowings	758	170	(41)	66	954
Long-term borrowings	12,146	(3,308)	92	(44)	8,884
Corporate bonds	249,583	249,319	—	116	499,020
Lease obligations	19,023	(5,918)	14	22,524	35,643
Total	281,512	240,262	65	22,662	544,502

(2) Information on corporate bonds as at 31 August 2017 and 2018 is as follows:

(Millions of yen)

Company name	Name of bonds	Date of issuance	As at 31 August 2017	As at 31 August 2018	Interest rate (%)	Date of maturity
FAST RETAILING CO., LTD.	1st non-collateralized corporate bonds	18 December 2015	29,977	29,995	0.110	18 December 2018
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	99,869	99,909	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	49,901	49,920	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	69,835	69,855	0.749	18 December 2025
FAST RETAILING CO., LTD.	5th non-collateralized corporate bonds	6 June 2018	—	79,845	0.110	6 June 2023
FAST RETAILING CO., LTD.	6th non-collateralized corporate bonds	6 June 2018	—	29,919	0.220	6 June 2025
FAST RETAILING CO., LTD.	7th non-collateralized corporate bonds	6 June 2018	—	99,731	0.405	6 June 2028
FAST RETAILING CO., LTD.	8th non-collateralized corporate bonds	6 June 2018	—	39,843	0.880	4 June 2038
Total	—	—	249,583	499,020	—	—

30. 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 grantees	Employees of the Company : 7 Employees of Group subsidiaries : 3	Employees of the Company : 266 Employees of Group subsidiaries : 413
Number of stock options by type of shares (Note)	Common stock: maximum 3,370 shares	Common stock: maximum 77,542 shares
Grant date	8 November 2010	8 November 2010
Vesting conditions	To serve continuously until the vesting date (7 November 2013) after the grant date (8 November 2010)	To serve continuously until the vesting date (7 December 2010) after the grant date (8 November 2010)
Eligible service period	From 8 November 2010 to 7 November 2013	From 8 November 2010 to 7 December 2010
Exercise period	From 8 November 2013 to 7 November 2020	From 8 December 2010 to 7 November 2020
Settlement	Equity settlement	Equity settlement

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

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

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

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

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

	6th share subscription rights C type	7th share subscription rights A type
Category and number of grantees	Employees of the Company: 26	Employees of the Company : 16 Employees of 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 grantees	Employees of the Company : 339 Employees of 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

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

	8th share subscription rights C type
Category and number of grantees	Employees of the Company: 29
Number of stock options by type of shares (Note)	Common stock: maximum 5,929 shares
Grant date	10 November 2017
Vesting conditions	To serve continuously until the vesting date (9 November 2020) after the grant date (10 November 2017)
Eligible service period	From 10 November 2017 to 9 November 2020
Exercise period	10 November 2020
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 2017	Year ended 31 August 2018
Expenses recognized		
Share-based payments	1,425	2,188

(2) Scale of stock options program and changes

Outstanding balance of stock options as at 31 August 2018 are converted into equivalent number of shares.

① Number and weighted average exercise prices of stock options

Stock options

	Year ended 31 August 2017	Year ended 31 August 2018
	Number of shares (Shares)	Number of shares (Shares)
Non-vested	32,434	30,120
Non-vested at beginning of the year		
Granted	39,752	59,561
Forfeited	(4,275)	(793)
Vested	(37,791)	(62,433)
Non-vested at end of the year	30,120	26,455

	Year ended 31 August 2017	Year ended 31 August 2018
	Number of shares (Shares)	Number of shares (Shares)
Vested	98,881	116,373
Outstanding at beginning of the year		
Vested	37,791	62,433
Exercised	(19,994)	(35,832)
Forfeited	(305)	(491)
Outstanding at end of the year	116,373	142,483

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 2018 are as follows:

Type	Number of shares (Shares)	Weighted-average stock price on exercise date (Yen)
Stock options	35,832	45,410

③ Expected life of stock options

The weighted-average expected life of outstanding stock options as at 31 August 2018 was 5.96 years.

In addition, the weighted-average expected life of outstanding stock options as at 31 August 2017 was 6.29 years.

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

The methods of estimating fair value of 8th share subscription rights A type, B type, and C type granted during the year ended 31 August 2018, were as follows:

① Valuation model: Black-Scholes model

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

	8th share subscription rights A type	8th share subscription rights B type
Fair value	37,648 yen	38,133 yen
Share price	39,860 yen	39,860 yen
Exercise price	1 yen	1 yen
Stock price volatility (Note 1)	34%	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)	(0.095%)	(0.14%)

	8th share subscription rights C type
Fair value	38,823 yen
Share price	39,860 yen
Exercise price	1 yen
Stock price volatility (Note 1)	37%
Expected life of options (Note 2)	3.0 years
Expected dividends (Note 3)	350 yen/share
Risk-free interest rate (Note 4)	(0.17%)

Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2011 to October 2017), 5.04 years for B type (from November 2012 to October 2017), and 3 years for C type (from November 2014 to October 2017).
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 7th share subscription rights A type, B type, and C type granted during the year ended 31 August 2017 are 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.

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.

31. 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 debts to equity is as follows:

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Interest-bearing debts	281,512	544,502
Cash and cash equivalents	683,802	999,697
Net interest-bearing debts	(402,289)	(455,194)
Equity	762,043	902,777

To maximize corporate value, the Group engages in cash flow-oriented management. As at 31 August 2017 and 2018, the Group maintained a position where the carrying amount of cash and cash equivalents exceeded interest-bearing debts.

As at 31 August 2018, 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 2017	As at 31 August 2018
Financial assets		
Loans and receivables		
Trade and other receivables	48,598	52,677
Other current financial assets	30,426	35,359
Other non-current financial assets	77,304	76,801
Available-for-sale investments	303	2,674
Derivatives		
Financial assets at fair value through profit or loss ("FVTPL")	0	141
Foreign currency forward contracts designated as hedging instruments	6,269	35,377
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	204,008	214,542
Other current financial liabilities	11,844	171,854
Other non-current financial liabilities	273,467	502,671
Derivatives		
Financial liabilities at FVTPL	86	4
Foreign currency forward contracts designated as hedging instruments	5,996	6,913

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

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

(4) Financial risk management

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

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

(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 monthly 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 1,231,878 million yen as at 31 August 2018.

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 ("USD") would have on the Group's profit for the year and other comprehensive income in the respective reporting periods.

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

	Year ended 31 August 2017	Year ended 31 August 2018
Average exchange rate (Yen)		
USD	110.09	110.30
EUR	120.68	131.45
Impact on profit for the year (Millions of yen)		
USD	(1,492)	(4,056)
EUR	(19)	(444)
Impact on other comprehensive income (Millions of yen)		
USD	(9,827)	(10,399)
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 11,828 million yen (loss) as at 31 August 2018, and 4,483 million yen (loss) as at 31 August 2017.

1. Derivative transactions to 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 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018
Foreign currency forward contracts								
Within 1 year								
Buy USD (sell KRW)	1,126.35 (KRW/$)	— (KRW/$)	0	—	3	—	0	—
Buy USD (sell TWD)	30.33 (TWD/$)	30.84 (TWD/$)	2	10	291	1,144	(1)	50
Buy USD (sell AUD)	1.34 (AUD/$)	1.32 (AUD/$)	14	19	1,678	2,020	(85)	86

2. Derivative transactions to which hedge accounting is applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	104.91 (¥/$)	101.89 (\/$)	5,884	6,368	617,328	648,881	5,967	16,755
Buy USD (sell EUR)	0.88 (€/$)	0.81 (€/$)	63	67	7,323	7,073	(482)	120
Buy USD (sell GBP)	0.76 (£/$)	0.81 (£/$)	26	30	2,843	3,174	0	125
Buy USD (sell KRW)	1,132.55 (KRW/$)	1,095.27 (KRW/$)	306	771	34,161	84,381	(603)	(387)
Buy USD (sell SGD)	1.39 (SG$/$)	1.36 (SGD/$)	88	97	10,044	10,724	(126)	(8)
Buy USD (sell THB)	— (THB/$)	32.67 (THB/$)	—	11	—	1,317	—	(15)
Buy USD (sell PHP)	— (PHP/$)	54.94 (PHP/$)	—	10	—	1,165	—	(9)
Buy USD (sell RUB)	— (RUB/$)	63.22 (RUB/$)	—	0	—	6	—	0
Buy USD (sell CAD)	— (CAD/$)	1.34 (CAD/$)	—	2	—	252	—	4
Buy USD (sell AUD)	— (AUD/$)	1.32 (AUD/$)	—	11	—	1,169	—	50

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018	31 August 2017	31 August 2018
Within 1 year								
Buy USD (sell JPY)	109.71 (¥/$)	106.35 (¥/$)	3,405	3,520	373,567	374,386	(1,265)	9,989
Buy USD (sell EUR)	0.89 (€/$)	0.85 (€/$)	124	159	14,603	17,446	(906)	27
Buy USD (sell GBP)	0.76 (£/$)	0.83 (£/$)	56	62	6,073	6,762	122	166
Buy USD (sell KRW)	1,147.45 (KRW/$)	1,085.98 (KRW/$)	364	45	41,115	4,928	(974)	65
Buy USD (sell TWD)	30.64 (TWD/$)	29.47 (TWD/$)	107	71	12,077	7,627	(241)	280
Buy USD (sell SGD)	1.37 (SGD/$)	1.36 (SGD/$)	99	167	11,055	18,492	(138)	163
Buy USD (sell THB)	34.45 (THB/$)	32.35 (THB/$)	58	81	6,687	8,948	(246)	66
Buy USD (sell MYR)	4.33 (MYR/$)	4.04 (MYR/$)	21	53	2,421	5,788	(30)	55
Buy USD (sell AUD)	1.34 (AUD/$)	1.32 (AUD/$)	29	29	3,475	3,147	(177)	135
Buy USD (sell RUB)	79.98 (RUB/$)	62.99 (RUB/$)	39	54	5,971	5,613	(401)	500
Buy USD (sell CAD)	1.32 (CAD/$)	1.27 (CAD/$)	30	45	3,531	4,925	(169)	78
Buy USD (sell IDR)	13,798.80 (IDR/$)	14,903.68 (IDR/$)	24	3	2,760	339	(53)	(0)
Buy USD (sell PHP)	— (PHP/$)	53.09 (PHP/$)	—	61	—	6,769	—	101
Buy IDR (sell USD)	— ($/IDR)	14,951.41 ($/IDR)	—	47	—	5,386	—	198

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 debts.

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 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
Balances as at 31 August 2018					
Trade and other receivables (total)	53,264	51,523	1,198	318	224
Allowance for doubtful accounts	(587)	(388)	(9)	(43)	(145)
Trade and other receivables (net)	52,677	51,135	1,189	274	78
Other financial assets (total)	115,137	115,127	9	—	—
Allowance for doubtful accounts	(301)	(301)	—	—	—
Other financial assets (net)	114,835	114,825	9	—	—

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 2016	667	218	885
Provision for the year	123	212	336
Amounts utilized	(149)	(176)	(325)
Others	19	12	32
Balances as at 31 August 2017	661	267	929
Provision for the year	173	46	220
Amounts utilized	(249)	(14)	(264)
Others	1	3	4
Balances as at 31 August 2018	587	301	889

Where recoverability is uncertain, the Group conducts ongoing monitoring of the credit status of companies with which it does business, including receivables whose maturity dates have 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 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	—	—	—	—	—
Deposits	2,176	2,176	2,176	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	6,083	—						
Total	493,781	489,114	215,853	38,898	7,827	102,593	1,583	121,358
As at 31 August 2018								
Non-derivative financial liabilities								
Trade and other payables	214,542	214,542	214,542	—	—	—	—	—
Long-term borrowings (excluding current portion)	4,442	4,442	—	4,442	—	—	—	—
Current portion of long-term borrowings	4,442	4,442	4,442	—	—	—	—	—
Short-term borrowings	954	954	954	—	—	—	—	—
Corporate bonds	499,020	500,000	30,000	—	100,000	—	130,000	240,000
Long-term finance lease obligations	27,690	27,690	—	7,454	6,455	5,498	3,023	5,258
Short-term finance lease obligations	7,952	7,952	7,952	—	—	—	—	—
Deposits	128,509	128,509	128,509	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	6,917	6,917	5,104	558	1,254	—	—	—
Total	894,473	895,453	391,506	12,455	107,710	5,498	133,023	245,258

(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 2017		As at 31 August 2018	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets				
Security deposits/guarantees	61,337	61,425	61,752	62,253
Total	61,337	61,425	61,752	62,253
Financial liabilities				
Long-term borrowings (Note)	12,146	12,253	8,884	8,924
Corporate bonds (Note)	249,583	253,504	499,020	500,731
Lease obligations (Note)	19,023	19,131	35,643	36,807
Total	280,753	284,889	543,548	546,464

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

The fair values of current financial assets, current financial liabilities and non-current financial assets, which are measured by amortized cost, approximate their carrying amounts.

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

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

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

Financial assets whose fair value is considered difficult to calculate are not included in available-for-sale financial assets.

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

(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

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

(Millions of yen)

As at 31 August 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	16	—	—	16
Financial assets/ (liabilities)at FVTPL	—	(86)	—	(86)
Foreign currency forward contracts designated as hedging instruments	—	273	—	273
Net amount	16	186	—	202

As at 31 August 2018	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2,513	—	—	2,513
Financial assets/ (liabilities) at FVTPL	—	136	—	136
Foreign currency forward contracts designated as hedging instruments	—	28,464	—	28,464
Net amount	2,513	28,601	—	31,114

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

The Company did not have any transfers between levels of fair value measurements during the year ended 31 August 2017 and the year ended 31 August 2018.

32. 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 2017	Year ended 31 August 2018
Short-term employee benefits	362	450
Total	362	450

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

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.

Year ended 31 August 2018 (from 1 September 2017 to 31 August 2018)

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 2018 (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.

33. Major Subsidiaries

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

34. Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Commitment for the acquisition of property, plant and equipment	17,347	10,046
Commitment for acquisition of intangible assets	11,110	1,461
Total	28,457	11,508

35. Contingent Liabilities

Year ended 31 August 2017

Not applicable

Year ended 31 August 2018

Not applicable

36. Subsequent Events

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 11 October 2018, 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 "6.Stock Information and Dividend Policy 1. Stock Information (2) Share Subscription Rights" for details.

(6) Others

Quarterly information for the year ended 31 August 2018

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	617,026	1,186,765	1,704,149	2,130,060
Profit before income taxes (Millions of yen)	117,832	165,196	237,475	242,678
Profit for the year attributable to Owners of the Parent (Millions of yen)	78,540	104,150	148,335	154,811
Earnings per share (Yen)	770.11	1,021.16	1,454.29	1,517.71

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (Yen)	770.11	251.09	433.13	63.48

2. Non-consolidated financial statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
ASSETS		
Current assets		
Cash and deposits	256,687	536,837
Operating accounts receivable	*1 13,470	*1 19,946
Securities	121,134	146,304
Short-term loans receivable from subsidiaries and associates	68,055	120,886
Accounts receivable from subsidiaries and associates	15,211	22,305
Deferred tax assets	1,014	1,018
Others	2,443	3,902
Allowance for doubtful accounts	(0)	(32)
Total current assets	478,018	851,168
Non-current assets		
Property, plant and equipment		
Buildings	12,604	12,583
Accumulated depreciation	*3 (5,367)	*3 (6,361)
Buildings, net	7,236	6,221
Structures	359	364
Accumulated depreciation	*3 (225)	*3 (237)
Structures, net	134	127
Tools, furniture and fixtures	1,523	1,639
Accumulated depreciation	*3 (1,406)	*3 (1,455)
Tools, furniture and fixtures, net	117	184
Land	1,123	1,123
Leased assets	1,324	1,281
Accumulated depreciation	*3 (169)	*3 (390)
Leased assets, net	1,155	890
Construction in progress	7	351
Total property, plant and equipment	9,774	8,899
Intangible assets		
Software	13,533	25,343
Software in progress	5,494	3,966
Others	60	61
Total intangible assets	19,087	29,371
Investments and other assets		
Investment securities	284	2,656
Shares of subsidiaries and associates	76,392	70,579
Investments in capital of subsidiaries and associates	10,181	9,936
Long-term loans receivable from subsidiaries and associates	69,092	17,740
Leases and guarantee deposits	5,066	6,383
Deferred tax assets	—	961
Others	2,212	1,777
Allowance for doubtful accounts	—	(6,061)
Total investments and other assets	163,231	103,974
Total non-current assets	192,093	142,245
Total assets	670,111	993,413

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
LIABILITIES		
Current liabilities		
Current portion of corporate bonds	—	29,986
Accounts payable	5,294	10,964
Accrued expenses	780	1,297
Deposits received	*1 20,245	*1 8,162
Provision for bonuses	2,026	2,440
Income taxes payable	10,291	749
Others	772	1,457
Total current liabilities	39,411	55,058
Non-current liabilities		
Corporate bonds payable	250,000	470,013
Guarantee deposits received	1,089	2,277
Deferred tax liabilities	5	—
Provision for loss on guarantees	—	330
Others	2,501	2,503
Total non-current liabilities	253,596	475,125
Total liabilities	293,008	530,184
NET ASSETS		
Shareholders’ equity		
Capital stock	10,273	10,273
Capital surplus		
Legal capital surplus	4,578	4,578
Other capital surplus	3,666	4,816
Total capital surplus	8,245	9,395
Retained earnings		
Legal retained earnings	818	818
Other retained earnings		
General reserve	185,100	185,100
Retained earnings brought forward	184,377	268,286
Total retained earnings	370,295	454,204
Treasury stock	(15,563)	(15,429)
Total shareholders’ equity	373,251	458,445
Valuation and translation adjustments		
Valuation differences on available-for-sale securities	(502)	(427)
Total valuation and translation adjustments	(502)	(427)
Share subscription rights	4,354	5,211
Total net assets	377,103	463,229
Total liabilities and net assets	670,111	993,413

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Operating revenue		
Management income from operating companies	*1 37,683	*1 48,709
Dividends income from subsidiaries and associates	*1 102,187	*1 144,334
Total operating revenue	139,871	193,044
Operating expenses		
Selling, general and administrative expenses		
Salaries	5,259	6,147
Bonuses	365	573
Allowance for bonuses	1,676	1,762
Rental expenses	5,711	7,698
Depreciation	6,239	7,933
Outsourcing expenses	15,837	20,386
Others	10,846	12,022
Total operating expenses	*1 45,936	*1 56,524
Operating profit	93,934	136,519
Non-operating income		
Interest income	2,736	3,451
Interest on securities	66	128
Foreign exchange gains	19,546	1,557
Others	380	120
Total non-operating income	22,730	5,258
Non-operating expenses		
Interest expenses	1,095	1,318
Others	80	799
Total non-operating expenses	1,175	2,118
Ordinary profit	115,488	139,660
Extraordinary income		
Gains on sales of securities	474	—
Total extraordinary income	474	—
Extraordinary losses		
Losses on retirement of non-current assets	*2 24	*2 641
Loss on valuation of shares of subsidiaries and associates	44,169	7,486
Provision of allowance for doubtful accounts for subsidiaries and associates	—	6,061
Impairment losses	3,145	—
Others	—	1,704
Total extraordinary losses	47,338	15,894
Income/(loss) before income taxes	68,624	123,766
Income taxes – current	3,911	2,694
Income taxes – deferred	447	(1,086)
Total income taxes	4,359	1,608
Profit	64,264	122,158

(3) Statement of Changes in Net Assets

Year ended 31 August 2017

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought 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								
Dividends	—	—	—	—	—	—	(34,670)	(34,670)
Profit	—	—	—	—	—	—	64,264	64,264
Acquisition of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	594	594	—	—	—	—
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		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,633)	342,992	(818)	(818)	3,599	345,773
Changes during the year						
Dividends	—	(34,670)	—	—	—	(34,670)
Profit	—	64,264	—	—	—	64,264
Acquisition of treasury stock	(6)	(6)	—	—	—	(6)
Disposal of treasury stock	75	669	—	—	—	669
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

Year ended 31 August 2018

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of year	10,273	4,578	3,666	8,245	818	185,100	184,377	370,295
Changes during the year								
Dividends	—	—	—	—	—	—	(38,248)	(38,248)
Profit	—	—	—	—	—	—	122,158	122,158
Acquisition of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	1,149	1,149	—	—	—	—
Net changes of items other than those in shareholders' equity	—	—	—	—	—	—	—	—
Net changes during the year	—	—	1,149	1,149	—	—	83,909	83,909
Balance at the end of year	10,273	4,578	4,816	9,395	818	185,100	268,286	454,204

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,563)	373,251	(502)	(502)	4,354	377,103
Changes during the year						
Dividends	—	(38,248)	—	—	—	(38,248)
Profit	—	122,158	—	—	—	122,158
Acquisition of treasury stock	(1)	(1)	—	—	—	(1)
Disposal of treasury stock	136	1,286	—	—	—	1,286
Net changes of items other than those in shareholders' equity	—	—	74	74	857	931
Net changes during the year	134	85,193	74	74	857	86,125
Balance at the end of year	(15,429)	458,445	(427)	(427)	5,211	463,229

(4) Notes

(Significant accounting policies)

1. Valuation methods for securities

(a) Investments in subsidiaries and associates:

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

(b) Available-for-sale securities:

(i) Listed securities:

Listed securities are stated at fair value registered on the balance sheet date (31 August), 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 the moving-average cost method.

(ii) Unlisted securities:

Unlisted securities are stated at cost, which is determined by the 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 fixtures	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) Provisions for bonuses

Bonuses to employees are accrued on the balance sheet date.

(c) Provisions for loss on guarantees

To prepare for losses related to loan guarantees for associated companies, the Company considers the financial position of the guarantee, and records an anticipated loss figure.

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 associates which were not separately presented are as follows:

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Trade accounts receivable	13,389	19,878
Deposits received	19,911	7,817

2. Contingent liabilities

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Guarantees for office and retail store leases	81,803	62,788
Guarantees on loans payable to financial institutions	12,366	9,208

3. Accumulated depreciation includes accumulated impairment losses.

(Notes to statement of income)

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Ordinary revenue:		
Management income from operating companies	34,902	46,473
Dividends income from subsidiaries and associates	102,187	144,334
Ordinary expense:	2,072	1,003

2. The breakdown of losses on retirement of non-current assets is as follows:

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Buildings	—	228
Other non-current assets	—	65
Software	24	347

(Marketable securities)

As at 31 August 2017

The fair values of the shares of subsidiaries and associates (subsidiaries 63,196 million yen and associates 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.

As at 31 August 2018

The fair values of the shares of subsidiaries and associates (subsidiaries 55,705 million yen and associates 14,873 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. The breakdown of causes of deferred tax assets and deferred tax liabilities is as follows:

(Millions of yen)

	As at 31 August 2017	As at 31 August 2018
Deferred tax assets:		
Provisions for bonuses	687	802
Depreciation	478	562
Loss on shares of subsidiaries and associates	46,467	48,654
Impairment losses	970	1,009
Allowance for doubtful accounts	0	1,865
Valuation differences on available-for-sale securities	205	449
Unused tax losses carried forward	3,049	2,827
Software	523	1,213
Others	3,119	3,316
Subtotal	55,501	60,700
Valuation allowance	(52,255)	(56,450)
Total deferred tax assets	3,246	4,250
Deferred tax liabilities:		
Temporary differences on shares of subsidiaries	(1,893)	(1,893)
Others	(343)	(376)
Total deferred tax liabilities	(2,237)	(2,269)
Net deferred tax liabilities	1,009	1,980

(Change in method of presentation)

"Software" that was included in "Others" under deferred tax assets in the previous fiscal year is separately listed from the current fiscal year due to its increased financial importance. Therefore, the notes of the previous fiscal year have been reorganized to reflect this change in the method of presentation.

As a result, the amount of 3,642 million yen which was stated in "Others" under deferred tax assets in the previous fiscal year has been reclassified as "Software" of 523 million yen and "Others" of 3,119 million yen.

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 2017	As at 31 August 2018
Statutory income tax rate	30.8%	30.8%
(adjustments)		
Non-taxable dividend income	(44.4)	(34.9)
Increase/(decrease) in valuation allowance	19.1	3.3
Foreign withholding tax	1.0	2.0
Others	(0.3)	0.1
Effective tax rates after applying tax effect accounting	6.3	1.3

(Business Combination)

Not applicable.

(Notes on Significant Subsequent Events)

Year ended 31 August 2018 (1 September 2017–31 August 2018)

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 11 October 2018, 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 “6.Stock Information and Dividend Policy 1. Stock Information (2) Share Subscription Rights” for details.

(5) Supplementary information

Details of fixed asset

(Millions of yen)

Types of assets	Balances as at 1 September 2017	Increase	Decrease	Depreciation, amortization during the year	Balances as at 31 August 2018	Accumulated depreciation or amortization as at 31 August 2018
Property, plant and equipment						
Buildings	7,236	300	187	1,128	6,221	6,361
Structures	134	4	—	11	127	237
Tools, furniture, and equipment	117	5,770	5,651	51	184	1,455
Land	1,123	—	—	—	1,123	34
Leased assets	1,155	79	122	221	890	390
Construction in progress	7	860	515	—	351	—
Total property, plant and equipment	9,774	7,014	6,476	1,412	8,899	8,479
Intangible assets						
Software	13,533	18,877	548	6,519	25,343	—
Software in progress	5,494	17,191	18,719	—	3,966	—
Others	60	2	—	1	61	—
Total intangible assets	19,087	36,071	19,267	6,520	29,371	—

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

Types of assets	Amount (Millions of yen)	Contents
Software	18,877	Construction cost for new system
Software in progress	17,191	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	18,719	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 2017	Increase	Decrease	Balance as at 31 August 2018
Allowance for doubtful accounts (current)	0	32	0	32
Allowance for doubtful accounts (non-current)	—	6,061	—	6,061
Provision for bonuses	2,026	2,440	2,026	2,440
Provision for loss on guarantees	—	330	—	330

(Note1) The increase in the allowance for doubtful accounts for the current fiscal year is mainly for associated companies.

(Note2) The decrease in the allowance for doubtful accounts in the current fiscal year is due to a reversal of the allowance in full.

(Note3) The increase in the provision for loss on guarantees for the current fiscal year is based on a review of the estimated loss, which takes into consideration financial conditions of affiliated companies.

(6) Main details of assets and liabilities

Omitted because the consolidated financial statements are prepared.

(7) Others

Not applicable.

INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the consolidated financial statements of FAST RETAILING CO., LTD. and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 August 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

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

Key Audit Matters

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

Valuation of inventories at the lower of cost or net realizable value	
Key audit matter	**Audit procedures performed**
As disclosed in Note 10 to the consolidated financial statements, the Group’s total inventories as at 31 August 2018 are comprised of JPY434,850 million related to the UNIQLO Japan segment, the UNIQLO International segment, and the GU segment, in the aggregate, representing 22.3% of the Group’s total assets. Inventories are valued at the lower of cost or net realizable value. The sales pattern for inventories is to establish an initial price, and then subsequently adjust the price afterwards based on the season, weather and customer tastes and demand. The net realizable value of inventories is determined by management after considering customer demand and an aging analysis, which may be impacted by fast-changing market conditions, economic conditions of countries where the Group operates and fashion trends. Given the nature of the Group’s businesses, a large volume of inventories turn over based on the season and fast-changing market conditions. The number of Stock Keeping Units (“SKUs”), high volume of movement of inventories and cost accounting of inventories are managed by an IT system, which results in inventory being highly dependent on the IT system. As part of our risk assessment, we determined that slow-moving inventory is not significant to the Group given that the pricing strategy for both the UNIQLO and GU brands is in place. However, due to a large number of SKUs, the determination of net realizable value of inventory in the IT system could lead to material misstatement of the inventory amount. As disclosed in Note 10 to the consolidated financial statements, write-downs of inventory to its net realizable value amounted to JPY2,044 million and were recognized at the UNIQLO Japan, UNIQLO International and GU segment, in aggregate, for the year ended 31 August 2018. We identified this matter as key in our audit due to the materiality of the value of inventories, and the numerous SKUs and high volume of movement in the inventory.	In response to this key audit matter, our audit included, among others, the following procedures: • Assessment of the design, implementation and operational effectiveness of the relevant controls in place in the inventory management and measurement process. • Involvement of our IT experts in the audit team to evaluate the measurement of inventories, including standard costing and the logic of allocating purchase price variances, managed in the IT system; and performance of tests of automated controls integrated in the relevant IT system. • Evaluation of the inventory costing methodology and valuation policy established by management, including compliance with the applicable international financial reporting standard. • Assessment of the inventory costing methodology and valuation policy maintained and applied in the IT system. • Verification of the determination of net realizable value on a representative sample basis.

Impairment assessment of store assets	
Key audit matter	**Audit procedures performed**
As disclosed in Note 13 to the consolidated financial statements, the Group has store assets attributable to UNIQLO Japan, UNIQLO International and GU segment amounting to JPY40,933 million, JPY79,448 million and JPY15,558 million, respectively, in the aggregate representing 7.0% of the Group's total assets as at 31 August 2018. The Group has implemented a "scrap and build" strategy to ensure maximum cost-effectiveness. The indicators of impairment of store assets include external and internal factors. In accordance with IAS 36, "Impairment of Assets", management is required to perform an impairment test on stores where there are indicators of impairment. In principle, each store is considered as an individual cash-generating unit ("CGU") and the recoverable amount of the CGU is determined using the "value-in-use" method. The performance result of each CGU is maintained in the IT system. During the process of management's assessment, changes in determination of the performance results of each CGU could lead to a material effect on the determination of stores subject to impairment, impacting potential impairment losses. As disclosed in Notes 6 and 15 to the consolidated financial statements, impairment losses attributable to UNIQLO Japan, UNIQLO International and GU segments were JPY415 million, JPY944 million and JPY268 million, respectively, while the total impairment losses for property, plant and equipment is JPY2,335 million for the year ended 31 August 2018. We identified this matter as key in our audit due to the materiality of the value of store assets and the importance of management's assessment of the performance results used for identification of impairment indicators.	In response to this key audit matter, our audit included, among others, the following procedures: • Assessment of the design and implementation of the relevant controls implemented by the Group to ensure the completeness and accuracy of the estimated impairment losses recognized. • Evaluation of the methodology established by management to identify indicators of impairment and the appropriateness in determination of each CGU, and evaluation of the methodology's compliance with the applicable international financial reporting standard. • Involvement of our IT experts in the audit team to verify certain components of performance results of each store that was input into the system. • Evaluation of the performance results of each store, and assessment of the reasonableness of allocating relevant headquarter costs to each store. • Verification on a representative sample basis of the accuracy of the determination of the carrying amount of the newly-added CGUs • Verification of the accuracy of impairment losses for those CGUs with impairment indicators being identified.

Impairment assessment of goodwill	
Key audit matter	**Audit procedures performed**
As disclosed in Note 14 to the consolidated financial statements, the Group's goodwill as at 1 September 2017 was JPY15,885 million, which has been allocated to the Global brands segment. The Global brands segment has been underperforming in recent periods. In accordance with IAS 36, "Impairment of Assets", goodwill is not amortized but rather tested for impairment at least annually or more frequently when there is an indicator of impairment. In particular, the Comptoir des Cotonniers business, which is included in the Global brands segment, has been underperforming compared to its business plans, which is an indicator of impairment of goodwill. Changes in assumptions related to impairment tests of the Comptoir des Cotonniers business could lead to material changes to impairment losses. As disclosed in Note 15 to the consolidated financial statements, for the year ended 31 August 2018, goodwill attributed to the Comptoir des Cotonniers business was fully impaired, resulting in the impairment loss of JPY7,792 million of goodwill during the year. We identified this matter as key in our audit due to the importance of management's judgement applied on assumptions used in the impairment tests.	In response to this key audit matter, our audit included, among others, the following procedures: • Assessment of the design and implementation of the relevant controls implemented by the Group to ensure the reasonableness of the valuation of goodwill. • Evaluation of the methodology established by management to identify indicators of impairment, and evaluation of the methodology's compliance it with the applicable international financial reporting standard. • Evaluation of the process and controls over the preparation of the business plans, assessing the quality of management's forecast by comparing historical results to historical budgets from the previous period. • Analysis of the reasonableness of the key assumptions used in business plans, comparing them to historical information and external data. • Involvement of our valuation experts in the audit team to review the valuation reports prepared by management's expert to evaluate the competence, capability and objectivity of management's expert, and the methodologies, valuation techniques and assumptions used to determine the fair value, particularly the discount rate and long-term growth rate.

Other Matter

The consolidated financial statements of the Group for the year ended 31 August 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 30 November 2017.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 Board of Statutory Auditors for the Consolidated Financial Statements

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

The board of statutory auditors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

We communicate with 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 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
30 November 2018

(TRANSLATION)

INDEPENDENT AUDITOR’s REPORT

30 November 2018

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

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koichi Okubo
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hirofumi Otani
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Emiko Minowa

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying nonconsolidated financial statements, namely, the nonconsolidated balance sheet, and the related nonconsolidated statements of income and changes in net assets of FAST RETAILING CO., LTD. (the “ Company”) for the 57th fiscal year from 1 September 2017 to 31 August 2018, and a summary of significant accounting policies and other explanatory information, and supplementary schedules.

Management’s Responsibility for the Nonconsolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements 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 nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements 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 entity's internal control. 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 nonconsolidated financial statements.

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

Audit Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of FAST RETAILING CO., LTD., as at 31 August 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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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 2018, 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 at 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 57th fiscal year (September 1, 2017–August 31, 2018), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items

None