FAST RETAILING

FAST RETAILING CO., LTD.
迅銷有限公司

Year-end Report 2018/19

2018.9.1–2019.8.31

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

Takeshi Okazaki
Kazumi Yanai
Koji Yanai

Independent Directors

Toru Hambayashi (External)
Nobumichi Hattori (External)
Masaaki Shintaku (External)
Takashi Nawa (External)
Naotake Ohno (External)

Board of Statutory Auditors

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

Company Secretaries

Shea Yee Man

Independent Auditor

Deloitte Touche Tohmatsu LLC

Principal Banks

Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama, Yamaguchi City, Yamaguchi 754-0894
Japan

Principal Place of Business in Japan

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

Principal Place of Business in Hong Kong

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

HDR Registrar and HDR Transfer Office

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

Stock Code

Hong Kong: 6288
Japan: 9983

Website Address

http://www.fastretailing.com

2. Financial Highlights

A. Consolidated Financial Summary

Term	International Financial Reporting Standards ("IFRS")				
	54th Year	55th Year	56th Year	57th Year	58th Year
Accounting Period	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017	Year ended 31 August 2018	Year ended 31 August 2019
Revenue (Millions of yen)	1,681,781	1,786,473	1,861,917	2,130,060	2,290,548
Operating profit (Millions of yen)	164,463	127,292	176,414	236,212	257,636
Profit before income taxes (Millions of yen)	180,676	90,237	193,398	242,678	252,447
Profit attributable to owners of the Parent (Millions of yen)	110,027	48,052	119,280	154,811	162,578
Comprehensive income attributable to owners of the Parent (Millions of yen)	163,871	(141,345)	190,566	165,378	140,900
Equity attributable to owners of the Parent (Millions of yen)	750,937	574,501	731,770	862,936	938,621
Total assets (Millions of yen)	1,163,706	1,238,119	1,388,486	1,953,466	2,010,558
Equity per share attributable to owners of the Parent (Yen)	7,366.07	5,634.35	7,175.35	8,458.52	9,196.61
Basic earnings per share for the year (Yen)	1,079.42	471.31	1,169.70	1,517.71	1,593.20
Diluted earnings per share for the year (Yen)	1,078.08	470.69	1,168.00	1,515.23	1,590.55
Ratio of equity attributable to owners of the Parent to total assets (%)	64.5	46.4	52.7	44.2	46.7
Ratio of profit to equity attributable to owners of the Parent (%)	16.1	7.3	18.3	19.4	18.0
Price earnings ratio (times)	45.6	77.1	26.9	34.1	39.1
Net cash generated by operating activities (Millions of yen)	134,931	98,755	212,168	176,403	300,505
Net cash (used in)/generated by investing activities (Millions of yen)	(73,145)	(245,939)	122,790	(57,180)	(78,756)
Net cash (used in)/generated by financing activities (Millions of yen)	(41,784)	201,428	(50,836)	198,217	(102,429)
Cash and cash equivalents at end of year (Millions of yen)	355,212	385,431	683,802	999,697	1,086,519
Number of employees: (Separate, average number of temporary employees)	41,646 (27,219)	43,639 (26,282)	44,424 (31,719)	52,839 (71,840)	56,523 (80,758)

(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, but from the 57th year, the average number of registered personnel for the year is stated.

B. Non-Consolidated Financial Summary

Term	54th Year	55th Year	56th Year	57th Year	58th Year
Accounting period	Year ended 31 August 2015	Year ended 31 August 2016	Year ended 31 August 2017	Year ended 31 August 2018	Year ended 31 August 2019
Operating revenue (Millions of yen)	119,071	99,289	139,871	193,044	184,910
Ordinary profit (Millions of yen)	89,245	9,270	115,488	139,660	106,000
Net profit (Millions of yen)	70,227	6,084	64,264	122,158	106,113
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)	376,007	345,773	377,103	463,229	521,706
Total assets (Millions of yen)	410,009	631,086	670,111	993,413	1,054,758
Equity per share (Yen)	3,662.28	3,355.83	3,654.97	4,489.50	5,053.07
Dividends per share (Figures in parentheses indicate interim dividends) (Yen)	350.00 (175.00)	350.00 (185.00)	350.00 (175.00)	440.00 (200.00)	480.00 (240.00)
Basic net profit per share (Yen)	688.96	59.68	630.20	1,197.59	1,039.87
Diluted net profit per share (Yen)	688.11	59.60	629.28	1,195.63	1,038.14
Equity ratio (%)	91.1	54.2	55.6	46.1	48.9
Earnings on equity (%)	20.0	1.7	18.0	29.4	21.8
Price earnings ratio (Times)	71.5	608.9	49.9	43.3	59.5
Dividend ratio (%)	50.8	586.5	55.5	36.7	46.2
Number of employees: (Separate, average number of temporary employees) (Persons)	1,234 (119)	1,131 (126)	1,166 (140)	1,345 (267)	1,389 (11)
Total shareholder return (%) (Compared with TOPIX Total Return Index)	152.4 (122.5)	113.8 (108.2)	99.9 (134.6)	163.7 (147.4)	197.3 (131.5)
Highest share price (Yen)	61,970	50,700	44,370	54,510	70,230
Lowest share price (Yen)	32,460	25,305	30,460	30,000	47,040

(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 calculated based on an eight-hour workday per person until the 56th year, but from the 57th year, the average number of registered personnel for the year is stated.
3. Up until the 57th year, contract employees and fixed-term employees were included in the average number of temporary employees, but from the 58th year, they are included in the number of employees.
4. The highest and lowest share prices are from the first section of the Tokyo Stock Exchange.

3. Corporate Profile

A. 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.
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.
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.
March 2009	LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.) becomes a subsidiary through a takeover bid.
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.
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.
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.

Date	Summary
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.
September 2017	First UNIQLO Spain store opens in Barcelona
June 2018	Issues ¥250 billion worth of unsecured straight bonds
August 2018	Sweden’s first UNIQLO store opens in Stockholm
September 2018	The Netherlands’ first UNIQLO store opens in Amsterdam
October 2018	UNIQLO Manila Store, UNIQLO’s global flagship store, opens in the Philippines
October 2018	Fast Retailing entered into a logistics-related strategic global partnership with Daifuku Co., Ltd.
April 2019	Denmark’s first UNIQLO store opens in Copenhagen
September 2019	Italy’s first UNIQLO store opens in Milan
September 2019	Office functions of GU and PLST move to Ariake Office
October 2019	India’s first UNIQLO store opens in New Delhi

B. Our Business

The Group consists of FAST RETAILING CO., LTD. (the "Company"), 133 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."

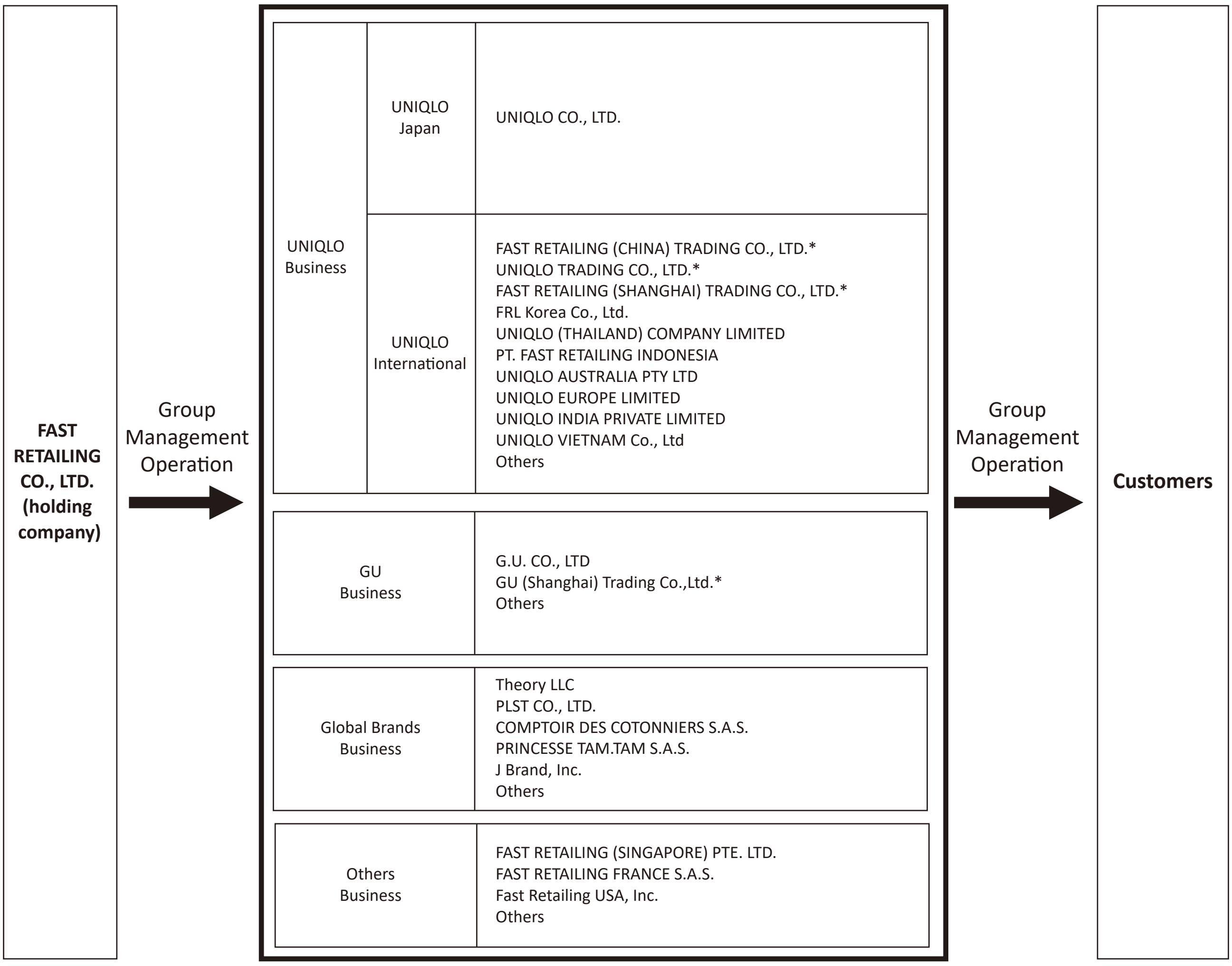
Category	**Company name**	**Reportable Segment**
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD.	UNIQLO Japan
	FAST RETAILING (CHINA) TRADING CO., LTD.*	UNIQLO International
	UNIQLO TRADING CO., LTD.*	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING 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
	UNIQLO INDIA PRIVATE LIMITED	UNIQLO International
	UNIQLO VIETNAM Co., Ltd	UNIQLO International
	G.U. CO., LTD.	GU
	GU (Shanghai) Trading Co., Ltd.*	GU
	FAST RETAILING FRANCE S.A.S.	Others
	Theory LLC	Global Brands
	PLST CO., LTD.	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.

C. 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	Others	100.0%	—
UNIQLO (THAILAND) COMPANY LIMITED	Bangkok, Kingdom of Thailand	THB1,200,000	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	Others	100.0%	Loans Loan guarantees
UNIQLO EUROPE LIMITED	London, United Kingdom	GBP40,000	UNIQLO International	100.0%	Loans Loan guarantees
UNIQLO INDIA PRIVATE LIMITED	New Delhi Republic of India	INR2,000,000	UNIQLO International	100.0%	—
UNIQLO VIETNAM Co., Ltd	Ho Chi Minh, Vietnam	USD15,800	UNIQLO International	75.0% (75.0%)	—
G.U. CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	GU	100.0%	—
GU (Shanghai) Trading Co.,Ltd.*	Shanghai, PRC	USD20,000	GU	100.0%	Loans
FAST RETAILING FRANCE S.A.S.	Paris, France	EUR101,715	Others	100.0%	Loans Loan guarantees
Theory LLC	New York, United States of America	USD116,275	Global Brands	100.0% (100.0%)	—
PLST CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global Brands	100.0%	Loans
COMPTOIR DES COTONNIERS S.A.S.	Paris, France	EUR24,593	Global Brands	100.0% (100.0%)	—
PRINCESSE TAM.TAM S.A.S.	Paris, France	EUR20,464	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 (112 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, UNIQLO INDIA PRIVATE LIMITED, UNIQLO VIETNAM Co., Ltd., GU (Shanghai) Trading Co.,Ltd., FAST RETAILING FRANCE S.A.S., COMPTOIR DES COTONNIERS S.A.S, PRINCESSE TAM.TAM 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 2019 are as below.

UNIQLO CO., LTD.

(1)	Revenue	872,957 million yen
(2)	Profit before income taxes	101,393 million yen
(3)	Profit for the year	72,578 million yen
(4)	Total equity	188,920 million yen
(5)	Total assets	488,466 million yen

FAST RETAILING (CHINA) TRADING CO., LTD

(1)	Revenue	368,008 million yen
(2)	Profit before income taxes	67,733 million yen
(3)	Profit for the year	50,734 million yen
(4)	Total equity	118,933 million yen
(5)	Total assets	229,019 million yen

D. Employees

(a) The Group

As at 31 August 2019

Name of segment	Number of employees
UNIQLO Japan	13,621 (30,535)
UNIQLO International	31,209 (35,471)
GU	4,977 (13,358)
Global Brands	4,048 (1,152)
Total for reportable segments	53,855 (80,516)
Others	1,279 (231)
All companies (shared)	1,389 (11)
Total	56,523 (80,758)

(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 average number of registered personnel for junior employees and part-time workers for the year are shown in brackets ( ).
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.

(b) The Company

As at 31 August 2019

Number of employees	Average age	Average number of years with the Company	Average annual wages (thousands of yen)
1,389 (11)	38 years and 4 months	4 years and 7 months	9,004

(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 average number of registered personnel for junior employees and part-time workers for the year are shown in brackets ( ).
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).”

(c) 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

A. 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 (29 November 2019).

(a) 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.

(b) Drive Ariake Project forward

We are pressing ahead with our transformative Ariake Project to help us transform into a new digital consumer retail industry that can instantly translate customer demands into commercial products, and actively transmit relevant information. That involves accelerating various measures, including developing a system for refining demand forecasting and inventory control, reducing factory lead times, revolutionizing distribution by introducing automated warehousing, adopting new e-commerce technology, and building a framework to help merge our physical and e-commerce stores.

(c) Develop superior world-class products

Our R&D centers collect a huge variety of information to help develop superior world-class products. UNIQLO seeks to create more advanced finished products by pursuing fashion and functionality while staying true to our LifeWear concept for ultimate everyday clothes. We intend to apply the ability to instantly develop products that customer want and the power to collect information not only to UNIQLO but to other Group brands as well.

(d) Further expand UNIQLO International

UNIQLO International is the driver of Group growth, and we intend to further expand this business segment by continuing to open multiple stores in the Greater China and Southeast Asia & Oceania regions. We aim to move UNIQLO USA into the black as soon as possible, and expand the geographical reach of our European operation and improve its profitability. We are also actively building our brand to encourage customers around the world to embrace our UNIQLO LifeWear clothing concept.

(e) Secure stable growth for UNIQLO Japan

We want to expand UNIQLO Japan’s per-store sales floor area by replacing smaller stores with larger ones through our scrap and build policy so we can maintain a high level of efficiency. We want to secure consistent stable growth by consolidating community-rooted local store management that is well positioned to develop product ranges and services that best suit local needs. We are pursuing active digital, IT and logistics investment in order to expand e-commerce sales, and turn UNIQLO Japan into a new type of manufacturer and retailer.

(f) Grow our GU operation

GU is great at offering fashion at amazingly low prices, but we want to improve the accuracy of mass fashion trend product development and production planning by introducing some aggressive Ariake Project reforms. We also plan to develop more competitive products by transforming GU’s material procurement and manufacturing processes. We will continue opening new GU stores in Japan, and opening mores stores in international markets such as Greater China and South Korea.

(g) Pursue initiatives to solve sustainability issues

Befitting our position as a leading global apparel brand, Fast Retailing strives to help solve ESG issues in order to realize a sustainable society. We pursue multiple initiatives to help monitor and regulate the manufacture of clothing, including improving factory working environments, upholding human rights, protecting the environment, promoting diversity, and strengthening governance. We also work proactively to achieve concrete targets and commitments defined under our six specific materialities.

B. 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 (29 November 2019).

(1) Risks specific to management strategy

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

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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:

(a) 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 Group's 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

C. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

(1) Summary of Business Results

(a) Business Results

The Fast Retailing Group achieved record levels of revenue and profit in fiscal 2019, or the twelve months from 1 September 2018 to 31 August 2019. Consolidated revenue totaled 2.2905 trillion yen (+7.5% year-on-year) and operating profit reached 257.6 billion yen (+9.1% year-on-year). This impressive performance was due largely to strong results from UNIQLO International, and significant increases in both revenue and profit of our GU casual fashion brand. The consolidated gross profit margin declined by 0.4 points year-on-year in fiscal 2019, and the selling, general and administrative expense ratio improved by 0.1 points. In addition, a net foreign-exchange loss of 13.1 billion yen was recorded under finance income/costs as the appreciation in the yen currency over the financial year reduced the equivalent yen value of our long-term holdings of foreign-currency denominated assets. As a result, profit before income taxes of fiscal 2019 expanded to 252.4 billion yen (+4.0% year-on-year) and profit attributable to owners of the Parent increased to 162.5 billion yen (+5.0% year-on-year). Capital expenditure increased by 15.8 billion yen year-on-year in fiscal 2019 to 85.2 billion yen (including financing leases). Breaking down the capital expenditure figure: 13.6 billion yen was invested at UNIQLO Japan, 31.6 billion yen at UNIQLO International, 9.0 billion yen at GU, 2.7 billion yen at Global Brands, and 28.0 billion yen in systems, etc. In addition to investing in new UNIQLO International and GU stores, more funding was channeled into IT investment under our Groupwide transformative Ariake Project, and installing self-checkouts at UNIQLO stores.

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, as well as our GU brand and our global e-commerce operation. We continue to increase UNIQLO store numbers in each market and area in which we operate, and open global flagship stores and large-format stores in major cities around the world to instill deeper and more widespread empathy for UNIQLO's LifeWear concept. Within the UNIQLO International segment, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are generating growth as the key pillars of our Group's business. In terms of our GU operation, in addition to expanding the GU store network primarily in Japan, we are working to establish GU's position as the brand that offers fun fashion at amazingly low prices. We are also aiming to further expand our e-commerce operation, after global online sales rose to 258.3 billion yen in fiscal 2019, 11.6% of total sales.

UNIQLO Japan

UNIQLO Japan reported rise in revenue and fall of profit in fiscal 2019, with revenue totaling 872.9 billion yen (+0.9% year-on-year) and operating profit totaling 102.4 billion yen (-13.9% year-on-year). Full-year same-store sales, including online sales, expanded by 1.0% year-on-year. In the first half of the fiscal year from 1 September 2018 through 28 February 2019, same-store sales contracted by 0.9% year-on-year on the back of sluggish sales of Winter ranges during the warm winter weather. However, same-store sales picked up by 3.5% year-on-year in the second half from 1 March 2019 to 31 August 2019 on the back of strong sales of Summer items such as T-shirts, UT graphic T-shirts, UV-cut parkas and Kando pants. Full-year online sales increased by 32.0% year-on-year to 83.2 billion yen, and the online sales proportion of total revenue rose from 7.3% to 9.5%. On the profit front, the gross profit margin contracted by 1.7 points year-on-year, adversely affected by the warm winter and an early rundown of excess Spring Summer inventories. However, as a result of that early rundown, total inventories was greatly reduced at the end of August 2019 compared to the previous year. Meanwhile, the full-year selling, general and administrative expense ratio increased by 0.4 points year-on-year. Breaking that figure down into first and second-half performance, increased inventories resulted in a higher distribution cost ratio in the first half. However, the efficiencies gained through using RFID IC tags helped reduce in-store personnel costs and outsourcing costs in the second half, resulting in improvement in the second-half selling, general and administrative expense ratio.

UNIQLO International

In fiscal 2019, revenue from the UNIQLO International segment topped 1 trillion yen for the first time, and the segment reported a consistently high operating profit margin of 13.5%. Overall, UNIQLO International revenue and profit both increased significantly over the fiscal year, with revenue totaling 1.0260 trillion yen (+14.5% year-on-year) and operating profit increasing to 138.9 billion yen (+16.8% year-on-year).

Breaking down the strong UNIQLO International performance into individual markets, UNIQLO Greater China reported strong gains in both revenue and profit, with revenue expanding by 14.3% year-on-year to 502.5 billion yen and operating profit rising by 20.8% year-on-year to 89.0 billion yen. The region's same-store sales continued to rise as local support for the UNIQLO LifeWear clothing concept grew, and UNIQLO successfully established its position as the region's No.1 apparel brand. The region's online sales also expanded by a buoyant 30% year-on-year in fiscal 2019. Both revenue and profit of UNIQLO Southeast Asia & Oceania expanded by approximately 20% year-on-year in fiscal 2019, with revenue reaching the 170 billion yen. However, both revenue and profit declined at UNIQLO South Korea. Elsewhere, UNIQLO USA managed to significantly reduce its operating loss in fiscal 2019. UNIQLO Europe achieved rising revenue and profit, with sales reaching the 100 billion yen, and the Russian operation continuing to generate especially strong revenue and profit gains.

In terms of new-store activity, UNIQLO International opened its first store in the Netherlands in Amsterdam in September 2018, followed by a first store in Denmark in Copenhagen in April 2019, a first store in Italy in Milan in September 2019, and a first store in India in New Delhi in October 2019. All these new stores got off to a strong start.

GU

The GU business segment achieved a record performance in fiscal 2019, with revenue climbing to 238.7 billion yen (+12.7% year-on-year) and operating profit more than doubling to 28.1 billion yen (+139.2% year-on-year). Full-year same-store sales increased on the back of our decisions to switch the focus of GU's product mix to mass fashion trends and to strengthen GU marketing. The label's trendy oversized sweatshirts, knitwear, and T-shirts proved standout hit products recording sales of several million units each. GU's full-year gross profit margin improved significantly on the back of narrower discounting, and a lower cost of sales resulting from early submission of orders and aggregate purchasing of raw materials. GU's operating profit margin also improved by a considerable 6.2 points year-on-year to 11.8%.

Global Brands

Global Brands revenue declined but profit increased in fiscal 2019. While revenue declined to 149.9 billion yen (-2.9% year-on-year), the segment reported an operating profit of 3.6 billion yen, compared to a 4.1 billion yen operating loss reported in the previous year following the recording of 9.9 billion yen in impairments losses on Comptoir des Cotonniers and other labels. The Theory fashion operation reported a rise in both revenue and profit on the back of stable growth. While our Japan-based PLST brand reported a rise in revenue, operating profit came in flat due to the higher costs of increased new store openings. COMPTIOR DES COTONNIERS, Princesse Tam.Tam and J Brand reported continued losses for the fiscal year ended 31 August, 2019.

Sustainability

In keeping with our key sustainability message "Unlocking the power of clothing," Fast Retailing aims to develop commercial operations that contribute to the sustainable development of the environment and global society through our core clothing business. Fast Retailing's sustainability activities seek to promote human rights, environmental protection, and broader social contributions across six clear material areas. In October 2018, Fast Retailing signed the United Nations Global Compact outlining the principles that corporations should adhere to in the fields of human rights, working standards, environment, and anti-corruption advocated by the UN. Then, in May 2019, Fast Retailing formed a global partnership with UN Women to help improving the status of women within the apparel industry.

- Material Area 1: Create new value through products and services — Fast Retailing Group's Jean's Innovation Center, which is responsible for jeans-related research and development, has developed the technology to greatly reduce the amount of water used in jeans processing. We intend to apply this technology to all jeans produced and sold under all Group brands by 2020, and to expand our production of jeans.

- Material Area 2: Respect human rights in our supply chain — Fast Retailing set up a Human Rights Committee in July 2018 to address human rights issues across our entire supply chain spanning not only Fast Retailing, but all our production partner bases as well. We seek to resolve any significant issues reported by partner factory employees via our hotline, such as wage-related problems or sexual harassment, by asking partner factories to make improvements, working together with local NGOs, or exploring other means of action.

- Material Area 3: Respect the environment — In February 2019, we publicly committed to establish science-based targets (SBT) to help achieve long-term reductions in greenhouse gas emissions based on targets laid out in the Paris Agreement on climate change. In July 2019, we announced our intention to reduce shopping bags and product packaging volumes, and to switch to more environment-conscious alternatives. Our current aim is to reduce the amount of single-use plastic used in our shopping bags and product packaging across all Group companies worldwide by approximately 7,800 tons (85% of the total) in 2020.

- Material Area 4: Strengthen communities — In October 2018, we distributed approximately 18,000 items of clothing aid to victims of the Hokkaido Eastern Iburi earthquake. In November 2018, we donated approximately 90,000 items of clothing to refugees and displaced persons from Venezuela in Columbia through our All-Product Recycling Initiative. In addition, UNIQLO and GU store managers and employees continue to serve as instructors of our school outreach program that seeks to help children deepen their understanding of international issues, and was presented with the award for excellence at the Career Education Awards sponsored by Japan's Ministry of Economy, Trade and Industry.

- Material Area 5: Support employee fulfillment — We continue to support the active participation of female employees in the workplace, setting up a diversity promotion team in June 2019, and working to reform our human resources systems and implement empowering training programs. We have also introduced a partnership system as part of our LGBT support initiatives and broader drive to respect employee diversity and build a comfortable working environment.

- Material Area 6: Corporate governance — In December 2018, we disclosed our fundamental policy on tax affairs along with initiatives to prevent compliance-related corruption on our governance webpage. In August 2019, we established a Nomination and Remuneration Advisory Committee to discuss and advise the Board of Directors on important items relating to Fast Retailing corporate governance, such as the requirements and policy relating to nomination of candidates for director and auditor, requirements relating to the Company's chief executive officer, and smooth management succession planning.

(b) Cash Flow Information

Cash and cash equivalents as at 31 August 2019 had increased by ¥86.8 billion from the end of the preceding consolidated fiscal year, to ¥1.0865 trillion.

(Operating Cash Flows)
Net cash generated by operating activities for the year ended 31 August 2019 was ¥300.5 billion, which was an increase of ¥124.1 billion (+70.4% year-on-year) from the year ended 31 August 2018.

The principal factors were ¥13.1 billion in net foreign exchange (an increase of ¥15.2 billion from the year ended 31 August 2018), a decrease of ¥38.1 billion in inventories (an increase of ¥217.6 billion from the year ended 31 August 2018), a decrease of ¥16.4 billion in trade and other payables (a decrease of ¥26.1 billion from the year ended 31 August 2018), a decrease of ¥2.9 billion in other assets (an increase of ¥15.9 billion from the year ended 31 August 2018), an increase of ¥36.8 in other liabilities (a decrease of 109.9 billion from the year ended 31 August 2018) and income taxes paid ¥74.2 billion (an increase of ¥12.4 billion from the year ended 31 August 2018).

(Investing Cash Flows)
Net cash used in investing activities for the year ended 31 August 2019 was ¥78.7 billion, which was an increase of ¥21.5 billion (+37.7% year-on-year) from the year ended 31 August 2018. The principal factors were an increase of ¥11.3 billion in bank deposits with original maturity of three months or longer (an increase of ¥7 billion from the year ended 31 August 2018), payments for property, plant and equipment ¥41.5 billion (an increase of ¥9.6 billion from the year ended 31 August 2018), payments for intangible assets ¥24.1 billion (an increase of ¥7.6 billion from the year ended 31 August 2018).

(Financing Cash Flows)
Net cash used in financing activities for the year ended 31 August 2019 was ¥102.4 billion, which was an increase of ¥300.6 billion from the year ended 31 August 2018. The principal factors were ¥249.3 billion proceeds from issuance of corporate bonds in last fiscal year, ¥30 billion in proceeds from repayment of redemption of bonds (an increase of ¥30 billion from the year ended 31 August 2018), dividends paid to owners of the Parent was ¥48.9 billion (an increase of ¥10.7 billion from the year ended 31 August 2018) and repayments of lease obligations was ¥11.3 billion (an increase of ¥5.4 billion from the year ended 31 August 2018).

(2) Summary of Revenue and Purchasing

(a) Revenue by division

Division	Year ended 31 August 2018 (From 1 September 2017 to 31 August 2018)		Year ended 31 August 2019 (From 1 September 2018 to 31 August 2019)	
	Revenue (Millions of yen)	Percentage of total (%)	Revenue (Millions of yen)	Percentage of total (%)
Men's clothing	341,392	16.0	343,243	15.0
Women's clothing	403,407	18.9	409,105	17.9
Children's & babies' clothing	67,202	3.2	66,303	2.9
Goods and other items	22,938	1.1	22,947	1.0
Total sales of UNIQLO Japan	834,941	39.2	841,600	36.7
Franchise-related income & alteration charges	29,836	1.4	31,357	1.4
Total UNIQLO Japan operations	864,778	40.6	872,957	38.1
UNIQLO International operations	896,321	42.1	1,026,032	44.8
Total UNIQLO operations	1,761,099	82.7	1,898,990	82.9
GU operations	211,831	9.9	238,741	10.4
Global Brands operations	154,464	7.3	149,939	6.5
Other operations	2,664	0.1	2,877	0.1
Total	2,130,060	100.0	2,290,548	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 the Theory and other brands clothing), PLST operations (selling of the PLST and other brands clothing), COMPTOIR DES COTONNIERS operations (selling of the COMPTOIR DES COTONNIERS and other brands clothing), PRINCESSE TAM.TAM operations (selling of the PRINCESSE TAM.TAM and other brands clothing), and J Brand operations (selling of the J Brand and other brands clothing).
5. "Other operations" includes the real estate leasing business, etc.
6. E-commerce revenue from UNIQLO Japan
   Fiscal year ended 31 August 2018: 63,063 million yen;
   Fiscal year ended 31 August 2019: 83,228million yen.
7. The above amounts do not include consumption taxes, etc.

(b) Sales per unit

Summary		Year ended 31 August 2019 (From 1 September 2018 to 31 August 2019)	Year-on-year change (%)
Revenue		1,784,404 million yen	107.0
Sales per m^2	Sales floor area (average)	2,275,204 m^2	104.5
	Sales per m^2 (yearly)	784 thousand yen	102.3
Sales per employee	Number of employees (average)	105,588 persons	105.2
	Sales per employee (yearly)	16,899 thousand yen	101.6

(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. The number of junior employees and part-time workers are stated at the average number of registered personnel.
5. The above figures do not include consumption tax, etc.

(c) Purchases

By product category	Year ended 31 August 2019 (From 1 September 2018 to 31 August 2019)		
	Purchases (Millions of yen)	Year-on-year change (%)	Percentage of total (%)
Men's clothing	189,569	81.7	17.0
Women's clothing	223,340	79.9	20.0
Children's & babies' clothing	34,080	74.8	3.1
Goods and other items	12,260	78.8	1.1
Total UNIQLO Japan operations	459,250	80.2	41.1
UNIQLO International operations	481,833	99.6	43.1
Total UNIQLO operations	941,084	89.1	84.3
GU operations	119,052	88.6	10.7
Global Brands operations	56,589	90.6	5.1
Total	1,116,725	89.1	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 the Theory and other brands clothing), PLST operations (selling of the PLST and other brands clothing), COMPTOIR DES COTONNIERS operations (selling of the COMPTOIR DES COTONNIERS and other brands clothing), PRINCESSE TAM.TAM operations (selling of the PRINCESSE TAM.TAM and other brands clothing), and J Brand operations (selling of the J Brand and other bands 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.

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

(a) 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.

(b) Analysis of management performance for the year ended 31 August 2019

(i) Revenue and gross profit

Revenue grew to 2.2905 trillion yen, up 160.4 billion yen from the preceding consolidated fiscal year. For a detailed breakdown of revenue, see “C. Management’s Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows (1) Summary of Business Results (a) Business Results and (2) Summary of Revenue and Purchasing.”

The main reason behind the growth in revenue was significant growth in a 129.7 billion yen increase for UNIQLO International. In particular, Greater China as a whole showed strong performance with a 14.3% year-on-year increase in revenue, while sales in existing stores in Southeast Asia and Oceania continued to demonstrate double digit growth. In addition, the shift to a product structure focused on mass trends resulted in a more than two-digit increase in earnings in GU business, which contributed significantly to revenue.

Gross profit grew to 1.1195 trillion yen, up 69.6 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, gross profit was 48.9%, decreased 0.4 point from 49.3% the year before. This was primarily due to a fall in the gross margin in the UNIQLO business in Japan, stemming from the impact of a warm winter and the early clearance of spring and summer products.

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

Selling, general and administrative expenses grew to 854.3 billion yen, up 56.9 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, selling, general and administrative expenses was 37.3%, down 0.1% from 37.4% in the preceding consolidated fiscal year.

Other income and expenses are minus 7.5 billion yen, which is mainly due to the posting of foreign exchange losses and impairment losses of UNIQLO stores.

Operating income was 257.6 billion yen, up 21.4billion yen from the preceding consolidated fiscal year.

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

Finance income was 12.2 billion yen, up 2.6 billion yen and finance expense was 17.4 billion yen, up 14.2 billion yen from the preceding consolidated fiscal year.

The main reason for the increase in financial expense was that, despite recording foreign exchange gains of 2.1 billion yen in the previous consolidated fiscal year due to stable foreign exchange rates, foreign exchange losses recorded in the current consolidated fiscal year at 13.1 billion yen due to a sharp appreciation of the yen.

As a result, profit before income taxes was 252.4 billion yen, up 9.7 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, profit before income taxes was 11.0%, down 0.4% from 11.4% the year before.

(iv) Profit attributable to owners of the Parent

Income taxes were 74.4 billion yen, or 1.0 billion yen higher than the preceding consolidated fiscal year. As a result, profit attributable to owners of the Parent was 162.5 billion yen, which was 7.7 billion yen higher than the year before. Basic earnings per share for the year were 1,593.2 yen, up 75.49 yen.

(c) Sources of funding and analysis of fund liquidity

(i) Total assets

Total assets as at 31 August 2019 were ¥2.0105 trillion, which was an increase of ¥57 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥86.8 billion in cash and cash equivalents, an increase of ¥9.1 billion in other financial assets, a decrease of ¥54.2 billion in inventories and an increase of ¥14.1 billion in intangible assets.

(ii) Total liabilities

Total liabilities as at 31 August 2019 were ¥1.027 trillion, which was a decrease of ¥23.6 billion relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of ¥22.7 billion in trade and other payables, a decrease of ¥12.8 billion in other current financial liabilities, an increase of ¥9.3 billion in other current liabilities.

(iii) Total net assets

Total net assets as at 31 August 2019 were ¥983.5 billion, which was an increase of ¥80.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥113.6 billion in retained earnings and a decrease of ¥40.4 billion in other components of equity.

(iv) Status of funds

For a discussion of the status of the Group's funds, see "C. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows (1) Summary of Business Results (b) Cash Flow Information".

(4) Information Concerning Differences in Key Accounting Items in Summaries of Business Performance

Listed below are matters concerning the differences in the key items listed in consolidated financial statements prepared using IFRS and equivalent items used in consolidated financial statements prepared using the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (excluding Chapter 7 and Chapter 8; hereinafter referred to as the "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 impairment losses (other expenses) increased by 3,776 million yen in the year ended 31 August 2018. The effect on the consolidated financial statements of the Group is immaterial in the year ended 31 August 2019.

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 loss (finance loss) increased by 473 million yen in the year ended 31 August 2019 and foreign exchange gain (finance income) increased by 65 million yen in the year ended 31 August 2018 compared with those under JGAAP.

D. Major Contracts

Not applicable.

E. Research and Development

Not applicable.

5. Capital Expenditures

A. Capital Expenditures

UNIQLO Japan opened 30 new stores. UNIQLO International opened 91 stores in the Greater China, 10 in South Korea, 4 in Singapore, 2 in Malaysia, 10 in Thailand, 8 in the Philippines, 8 in Indonesia, 5 in Australia, 5 in the USA, 6 in Canada, 2 in England, 2 in France, 7 in Russia, 4 in Germany, 1 in the Netherlands and 1 in Denmark. GU opened 44 new stores. In addition, Global Brands opened 58 new stores.

As a result, the Group's capital expenditure increased by 15.8 billion yen year-on-year in fiscal 2019 to 85.2 billion yen (including financing leases). Key components of this were 13.6 billion yen was invested at UNIQLO Japan, 31.6 billion yen at UNIQLO International, 9.0 billion yen at GU, 2.7 billion yen at Global Brands, and 28.0 billion yen in systems, etc. In addition to investing in new UNIQLO International and GU stores, more funding was channeled into IT investment under our Groupwide transformative Ariake Project, and installing self-checkouts at UNIQLO stores.

The above figures do not include consumption tax, etc

B. Important Facilities

As at 31 August 2019, 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
			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	788	–	–	175	2,011	42
	Commercial establishments	Chuo-ku, Fukuoka City, etc.	–	–	58	1,437	–	0	1,495	–
	Others		29,308.87	76	6,466	6,276	–	5,301	18,121	1,347

(2) Subsidiaries in Japan

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees
			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	12,105	27,671	7,945	12,383	60,555	10,300
	UNIQLO Japan, other		19,960.76	353	1,436	3,251	883	16,565	22,491	3,321
	Total for UNIQLO Japan		22,551.82	803	13,542	30,923	8,828	28,948	83,046	13,621
G.U. CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	10,538	8,408	3,542	4,802	27,291	4,464
LINK THEORY JAPAN CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	216	454	2	235	908	967
PLST CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	–	–	774	1,077	–	452	2,304	783

(3) Overseas subsidiaries

Company name	Type of facility	Location	Area (m^2)	Capital expenditure (Millions of yen)						Number of employees
			Land	Land	Buildings	Deposits/ Guarantees	Construction assistance funds	Others	Total	
FAST RETAILING (CHINA) TRADING CO., LTD	UNIQLO International store	Shanghai, PRC	–	–	17,333	3,230	–	4,084	24,648	11,549
UNIQLO TRADING CO., LTD.	UNIQLO International store	Shanghai, PRC	–	–	1,249	327	–	194	1,771	780
FAST RETAILING (Shanghai) TRADING CO., LTD	UNIQLO International store	Shanghai, PRC	–	–	1,320	188	–	162	1,671	265
FRL Korea Co., Ltd.	UNIQLO International store	Seoul, South Korea	–	–	4,276	5,293	–	2,108	11,679	2,529
FAST RETAILING (SINGAPORE) PTE. Ltd.	UNIQLO International store	Republic of Singapore	–	–	2	18	–	3	24	22
UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International store	Bangkok, Kingdom of Thailand	–	–	1,199	928	–	1,109	3,238	1,361
PT. Fast Retailing Indonesia	UNIQLO International store	Jakarta, Indonesia	–	–	812	236	51	1,611	2,712	1,635
UNIQLO Australia Pty Ltd.	UNIQLO International store	Melbourne, Australia	–	–	2,039	6	–	378	2,424	653
Fast Retailing USA, Inc.	Office	New York, U.S.A.	–	–	5,862	399	–	5,125	11,386	2,386
UNIQLO EUROPE LIMITED	UNIQLO International store	London, United Kingdom	–	–	11,069	499	–	3,519	15,088	2,315
UNIQLO INDIA PRIVATE LIMITED	UNIQLO International store	New Delhi, Republic of India	–	–	27	140	–	380	548	441
UNIQLO VIETNAM CO., LTD	UNIQLO International store	Ho Chi Minh, Vietnam	–	–	18	56	–	371	445	204
GU (Shanghai) Trading Co., Ltd.	GU	Shanghai, PRC	–	–	272	110	–	45	428	160
Fast Retailing France S.A.S.	Office	Paris, France	–	–	–	27	–	19	47	331
COMPTOIR DES COTONNIERS S.A.S.	International store, etc.	Paris, France	–	–	532	379	–	101	1,014	563
PRINCESSE TAM.TAM S.A.S.	International store, etc.	Paris, France	–	–	329	173	–	62	565	271
J Brand, Inc.	International Stores, etc.	California, U.S.A.	–	–	156	1	–	249	408	127

(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.

C. Plans for new facility construction, old facility removal

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 2020 (1 September 2019 – 31 August 2020) are as follows.

Segment	Capital investment (Millions of yen)	Details of investment
UNIQLO Japan	7,800	New store openings, etc. (approx. 30 stores)
UNIQLO International	35,100	New store openings, etc. (approx. 168 stores)
GU	7,400	New store openings, etc. (approx. 36 stores)
Global Brand Business	3,500	New store openings, etc. (approx. 39 stores)
Others	46,300	IT-related investments
Total	100,100	

(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)				
UNIQLO EUROPE LIMITED	UNIQLO International store	UNIQLO Piazza Cordusio	Milan Italia	810	646	November 2018	September 2019	1,784	Lease Hold
UNIQLO INDIA PRIVATE LIMITED	UNIQLO International store	UNIQLO Ambience Mall Vasant Kunj store	New Delhi India	774	293	April 2019	October 2019	3,121	Lease Hold
UNIQLO New Jersey LLC.	UNIQLO International store	UNIQLO American Dream store	New Jersey USA	583	–	September 2019	November 2019	1,581	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 2019.

6. Stock Information and Dividend Policy

A. Stock Information

(1) Number of Shares

(a) Total number of shares

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

(b) Shares issued

Type	As at 31 August 2019	Number of shares issued as at submission date (Shares) (29 November 2019)	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

(a) 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 2019). 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 2019) on the submission date are shown in brackets [ ]. Details of the 10th 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	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]
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	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 [8,807]	2,299 [1,468]
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 [8,807]	2,299 [1,468]
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	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 [2,348]	5,101 [4,720]	4,057 [3,875]
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 [2,348]	5,101 [4,720]	4,057 [3,875]
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

	10th
Resolution date	10 October 2019
Class and number of recipients	Employees of the Company: 11 Employees of the Group subsidiaries: 46
Number of stock options (Shares)	3,548
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)	3,548
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 8 November 2022 to 7 November 2029
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 66,059 Paid-in capital: 33,030
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 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	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 [7,387]	8,364 [7,044]	8,447 [7,261]
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 [7,387]	8,364 [7,044]	8,447 [7,261]
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	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 [7,361]	13,458 [11,364]	13,172 [11,020]
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 [7,361]	13,458 [11,364]	13,172 [11,020]
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	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 [15,387]	33,082 [26,991]	36,275 [25,070]
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 [15,387]	33,082 [26,991]	36,275 [25,070]
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

	10th
Resolution date	10 October 2019
Class and number of recipients	Employees of the Company: 528 Employees of the Group subsidiaries: 1,389
Number of stock options (Shares)	37,424
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)	37,424
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 8 December 2019 to 7 November 2029
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 66,733 Paid-in capital: 33,367
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 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

	7th	8th	9th
Resolution date	13 October 2016	12 October 2017	11 October 2018
Class and number of recipients	Employees of the Company: 30	Employees of the Company: 29	Employees of the Company: 40
Number of stock options (Shares)	5,110	5,929	4,733
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)	5,110	5,929	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.	Same as left	Same as left
Exercise period of share subscription rights	11 November 2019	10 November 2020	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: 35,855 Paid-in capital: 17,928	Issue price: 38,823 Paid-in capital: 19,411	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.	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

	10th
Resolution date	10 October 2019
Class and number of recipients	Employees of the Company: 40
Number of stock options (Shares)	3,666
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)	3,666
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	8 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: 67,685 Paid-in capital: 33,843
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.

(b) Content of Rights Plan
Not applicable.

(c) 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

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

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

(5) Status by Type of Holder

As at 31 August 2019

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)	—	61	30	92	797	5	3,841	4,826	—
Number of shares held (Trading units)	—	368,666	24,585	84,742	191,674	6	390,480	1,060,153	58,356
Percentage of shares held (%)	—	34.77	2.32	7.99	18.08	0.00	36.83	100.00	—

(Notes) 1. The 4,011,921 shares of treasury stock include 40,119 units of shares held by individuals and others and 21 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 2019

Name or trade name	Address	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,037	21.59
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	21,012	20.59
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	11,430	11.20
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	4.68
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.65
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	3,800	3.72
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.54
Teruyo Yanai	Shibuya-ku, Tokyo	2,327	2.28
Total	—	83,841	82.15

(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 20 December 2018 by Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd., which are all as joint holders, and Nikko Asset Management Co.,Ltd., each party was holding the shares stated below as at 24 December 2018. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, of the end of the term, these shareholdings have not been included in the statement of principal shareholders above.

Name or trade name	Address	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	1,240	1.17
Nikko Asset management Co., Ltd.	Midtown Tower 9-7-1 Akasaka, Minato-ku. Tokyo	5,938	5.60

4. According to the report of large shareholdings (report of change of composition) submitted on 6 March 2019 by Daiwa Asset Management Co. Ltd. and Daiwa Securities Co. Ltd., which are all as joint holders, each party was holding the shares stated below as at 28 February 2019. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, of the end of the term, these shareholdings have not been included in the statement of principal shareholders above.

Name or trade name	Address	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Daiwa Asset Management Co. Ltd.	9-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,222	4.92
Daiwa Securities Co. Ltd.	9-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	118	0.11

5. According to the report of large shareholdings (report of change of composition) submitted on 5 April 2019 by Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd., which are all as joint holders, each party was holding the shares stated below as at 29 March 2019. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, 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 (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	2,401	2.26
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	2,896	2.73

6. According to the report of large shareholdings (report of change of composition) submitted on 19 April 2019 by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., which are all as joint holders, each party was holding the shares stated below as at 15 April 2019. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, 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 Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	1,161	1.09
Nikko Asset management Co., Ltd.	Midtown Tower 9-7-1 Akasaka, Minato-ku. Tokyo	6,214	5.86

7. According to the report of large shareholdings (report of change of composition) submitted on 20 May 2019 by Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Trust and Banking Corporation, which are all as joint holders, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Securities Co., Ltd., each party was holding the shares stated below as at 13 May 2019. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, 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 (%)
Mitsubishi UFJ Trust and Banking Corporation	1-4-5 Marunouchi Chiyoda-ku Tokyo	845	0.80
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1 Yurakucho, Chiyoda-ku, Tokyo	3,174	2.99
Mitsubishi UFJ Securities Co., Ltd.	2-5-2 Marunouchi, Chiyoda-ku, Tokyo	181	0.17

8. According to the report of large shareholdings (report of change of composition) submitted on 7 August 2019 by Nomura Securities Co., Ltd., and Nomura Asset Management Co., Ltd., which are all as joint holders, each party was holding the shares stated below as at 31 July 2019. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2019, 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	438	0.41
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	11,603	10.94

9. In addition to the above, 4,011,921 shares of treasury stock are held by the Company (3.78% of the total number of authorized shares).

(7) Voting Rights

(a) Shares issued

As at 31 August 2019

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 4,011,900	—	—
Shares with full voting rights (others)	Common stock 102,003,400	1,020,034	(Note) 1
Shares less than one unit	Common stock 58,356	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,020,034	—

(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 21 shares of treasury stock held by the Company.

(b) Treasury Stock

As at 31 August 2019

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	4,011,900	—	4,011,900	3.78
Total	—	4,011,900	—	4,011,900	3.78

B. 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 2019	40	2,292
Purchases of Treasury stock in the year ending 31 August 2019	80	5,217

(Note) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2019 and the submission date of this report.

(4) Status of treasury stock purchased

Class	Fiscal year ended 31 August 2019		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)	41,991	159,834	2,113	8,045
Number of Treasury shares held	4,011,921	—	4,009,888	—

(Note) The breakdown of figures for the year ended 31 August 2019 reflects the exercise of 41,991 share subscription rights, a share disposal value of 159,834 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 2019 and the submission date of this report.

C. Dividend Policy

The Company regards the distribution of profits to all shareholders as one of its most important management issues, and our basic policy is to constantly improve performance and to continually distribute profits in an appropriate manner based on performance. Our policy is to pay high dividends based on performance after taking into consideration (i) demand for funds needed to expand business and improve revenues of the Group and (ii) the financial health of the Group. Our basic policy for 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.

We decided to pay a year-end dividend for the current fiscal year of ¥240 per share, and together with the ¥240 interim dividend per share, this brings the total annual dividend for the current fiscal year to ¥480, which is an increase of ¥40 year on year. We intend to effectively utilize internal reserves and free cash flow for financial investment and loans to strengthen the operational base of the Group companies, and we will endeavor to achieve continual and stable growth.

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 current 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 11 April 2019	24,492	240
Board of Directors resolution made at the meeting held on 5 November 2019	24,494	240

D. 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 2019.

7. Corporate Governance Report

A. Basic Thinking on Corporate Governance

The Company's corporate philosophy is "Changing clothes. Changing conventional wisdom. Change the world.", and we aim to achieve a transparent management structure that can handle requests from all stakeholders in a prompt manner, including customers, trading partners, and all shareholders. We plan to do this by expanding our business in a bid to become "The world's no.1 apparel company in IT, production and retail" alongside activities to promote sustainability in the clothing business.

B. Details of Company organization and internal control systems

(1) 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.

Five of the nine members of the Board of 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.

As of November 28, 2019, the Board of Statutory Auditors consists of six auditors, including three external auditors, with a full-time corporate auditor acting as chairman. 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 Staturoty Auditors are fully aware of the decision-making process of the Board of Directors, and able to fulfill their supervisory obligations. They also supervise the Directors' performance of their executive duties through regular conversations with the Directors, other executive officers, other employees, and auditors of subsidiary corporations. The Board of 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 name, purpose, authority, details of activities, and status of activities of each 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 of Directors. The committee held 4 meetings during fiscal 2019.

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 2019.

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 15 meetings during fiscal 2019.

IT Investment Committee
The IT Investment Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The IT Investment Committee is chaired by the President, and the members and observers include outside experts, external directors, and executives. The committee held 10 meetings during fiscal 2019.

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 11 meetings during fiscal 2019.

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 2019.

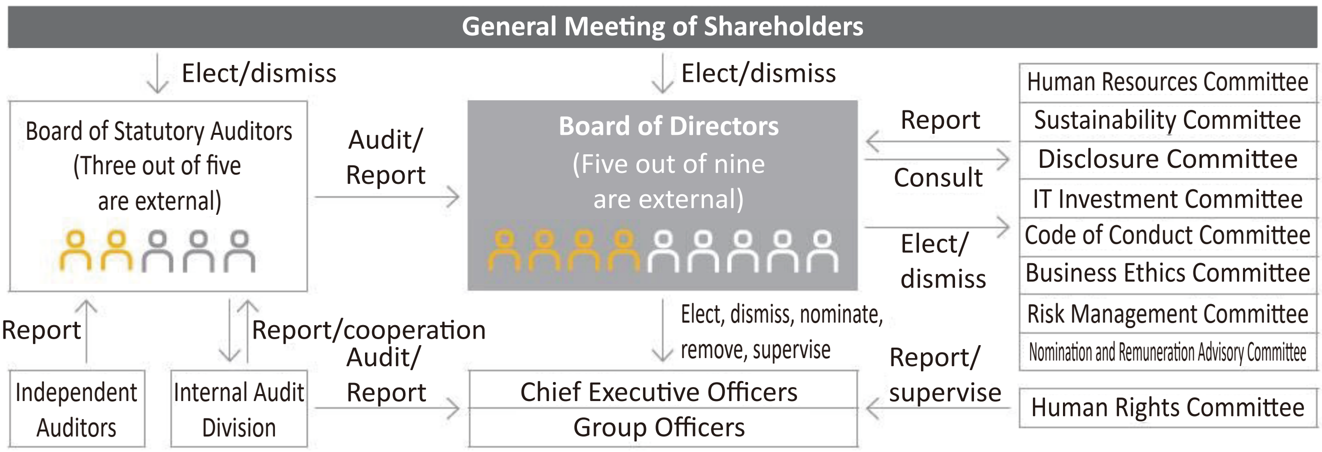
Risk Management Committee
To identify risks latent in business activities on a regular basis and to strengthen systems for detecting and managing material risks, this committee analyzes and assesses the extent of impact and frequency of risks on business, and discusses countermeasures for business areas 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. The committee held 9 meetings during fiscal 2019.

Nomination and Remuneration Advisory Committee
With the aim of strengthening Fast Retailing governance, the committee discusses and advises the Board of Directors on important items relating to Fast Retailing corporate governance, such as the requirements and nomination policy regarding candidates for director and auditor positions, the policy for determining director remuneration, requirements relating to the company’s chief executive officer, and smooth management succession planning. The committee is chaired by a director nominated by the Board of Directors, and the majority of committee members are independent external executives (both external directors and external statutory auditors). The committee held one meeting during fiscal 2019.

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 8 meetings during fiscal 2019.

Below is a diagram of our corporate governance system.

(As at 29 November 2019)



The members and chairs of the Board of Directors, Board of Statutory Auditors and other committees are as follows:

Title	Name	Board of Directors	Board of Statutory Auditors	Human Resources Committee	Sustainability Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee	Risk Management Committee	Nomination and Remuneration Advisory Committee	Human Rights Committee
Directors	Tadashi Yanai	Chairman		○	○	○	Chair				Chair	
	Takeshi Okazaki	○		△	○	Chair	○			Chair		○
	Kazumi Yanai	○										
	Koji Yanai	○										
External Directors	Toru Hambayashi	○		Chair							○	
	Nobumichi Hattori	○										
	Masaaki Shintaku	○					△					
	Takashi Nawa	○		○	○					○		○
	Naotake Ohno	○									○	
Statutory Auditors	Akira Tanaka	△	Chair	○	○			○	△		○	○
	Masaaki Shinjo	△	○				△		○			
	Masumi Mizusawa	△	○		○	△				△		○
External Statutory Auditors	Takaharu Yasumoto	△	○						○			
	Keiko Kaneko	△	○	○				○				○
	Takao Kashitani	△	○						○		○	
Senior Executive Directors	John C Jay			△	○							
	Noriaki Koyama	△		○	○			○		○		○
	Shuichi Nakajima				○				○	○		○
	Takahiro Wakabayashi				○							
	Takuya Jimbo									○		
Executive Directors	Maki Akaida									○		○
	Hidetsugu Asada									○		○
	Makoto Hoketsu						○			○		
	Yukihiro Nitta				Chair			○	Chair	○		○
	Shimpei Otani						○					
	Takahiro Tambara						○					
	Dai Tanaka						○					
	Yasuyuki Terashi							○				
	Xiaozhou Wang									○		

Title	Name	Board of Directors	Board of Statutory Auditors	Human Resources Committee	Sustainability Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee	Risk Management Committee	Nomination and Remuneration Advisory Committee	Human Rights Committee
Subsidiary Auditors	Toshiharu Ura							○				
	Kiyomi Iwamura								○			
Legal Dept. Manager	Daisuke Watanabe					○		Chair	○	○		○
Chairpersons of Internal Committee	General Manager of Public Relations Division					○						
	General Manager of Production Division								△			
	General Manager of President's Office									△		
	IR Leader					○						
External Experts	Kenji Shiratsuchi				△							
	Toru Murayama						△					
	Yoshinori Tomita											Chair

(Note) ○: Member △: Non-member attendee (including observers)

(2) Outline of External Director's limited liability agreements

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.

(3) 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 of Directors 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 officers designated by the Board.

(f) Ensuring Reliable FR Group Financial Reports

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

(g) Ensuring Proper Execution of Corporate Groups Formed by Company and FR Group Subsidiaries

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

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

(h) Employee Assistants Requested by Statutory Auditors and Ensuring 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.

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

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

8. Board of Directors

A. Board of Directors

Male: 13 persons Female: 2 persons (13.3% 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	22,037
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 March 2019	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) Counselor, Special Olympics Nippon Foundation (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 April 2019	Joined Mitsubishi Corporation Joined McKinsey & Company Professor, The Graduate School of International Corporate Strategy, Hitotsubashi University (currently Hitotsubashi University Business School) 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) Visiting Professor, Hitotsubashi University Business School (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	0
Director		Kazumi Yanai	23 April 1974	September 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
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	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (Thousand shares)
Standing Statutory Auditor		Masumi Mizusawa	22 July 1959	November 1981 March 1988 October 2001 February 2004 November 2019	Joined the International Department of Yamaichi Securities Co., Ltd. Joined the Research Department of Kleinwort Benson Securities (the Tokyo branch of Dresdner Kleinwort Wasserstein (Japan) Ltd.) Joined the Investor Relations Department of FAST RETAILING CO., LTD. General Manager, Global Corporate Management and Control Investor Relations Division, FAST RETAILING CO., LTD. (current) Statutory Auditor, FAST RETAILING CO., LTD. (current)	Note 7	0
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 June 2019	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) External Director, Daifuku Co., Ltd. (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							31,607

(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. 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 28 November 2019.

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.

7. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 28 November 2019.

B. External Statutory Auditors

(1) 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.

Statutory Auditor Keiko Kaneko serves as an external director of Daifuku Co., Ltd., a company with which Fast Retailing and its group subsidiaries engage in business in regard to warehouse automation equipment.

Shares of the Company held by External Statutory Auditors are stated in the "Number of shares held" column under the section "Board of Directors."

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.

(2) Independent Directors

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

In addition to the independence criteria set by the Tokyo Stock Exchange, Fast Retailing has set the following independence standards and qualifications for external officers, including External Directors:
A person shall not qualify as an Independent Director of Fast Retailing, if:

(a) 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;

(b) 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;

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

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

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

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

(3) Supervision or auditing by External Directors or External Statutory Auditors; mutual cooperation between internal auditing, Statutory Auditor auditing, and accounting audits; and relationship with the Internal Control Department

At meetings of the Board of Directors, the Board of Statutory Auditors, and various committees, etc., external directors and External Statutory Auditor receive reports about the operating status of internal auditing and internal control systems, the results of Statutory Auditors audit and accounting audits, and other important matters, and they offer remarks and suggestions based on their respective areas of expertise, experience, and knowledge.

At meetings of the Board of Directors, the Board of Statutory Auditors, various committees, etc., Statutory Auditors cooperate with external directors and External Statutory Auditors in a timely manner and exchange opinions as well as share information necessary for the supervision and auditing of management.

For details regarding mutual cooperation between the External Statutory Auditors, the Internal Audit Department, and the accounting auditors and the relationship with the Internal Control Department, please refer to (1) Status of Auditor's Audit under C. Status of Auditing.

C. Status of Auditing

(1) Status of Statutory Auditor's Audit

Statutory Auditors always attend Board of Directors meetings and audit the status of the execution of management. The Board of Statutory Auditors consists of three internal full-time Statutory Auditors and three external Statutory Auditors, and after receiving reports about important matters related to auditing on a regular and on-demand basis from the Internal Audit Department and accounting auditors, the Board of Statutory Auditors discusses those important matters and always maintains a state of cooperation. Both Statutory Auditor Takaharu Yasumoto and Statutory Auditor Takao Kashitani hold the qualification of certified public accountant and have substantial knowledge related to finance and accounting.

(2) Status of internal auditing

The Company has an Internal Audit Department that is independent from the executive departments, and, as of 31 August 2019, six dedicated staff members regularly verify the appropriateness and effectiveness of internal control systems and audit the status of the execution of business.

(3) Accounting audits

(a) Name of audit firm

Deloitte Touche Tohmatsu LLC

(b) Name of Certified Public Accountants

Koichi Okubo, Hirofumi Otani, Yohei Masuda

(c) Group of assistants to the independent auditors

Based on the audit plan formulated by Deloitte Touche Tohmatsu LLC, the group of assistants to the independent auditors consists of 12 CPAs, 4 successful Certified Public Accountant applicants and 26 others.

(d) Policy and reasons for selecting audit corporation

Based on the "Practical Guidelines for Auditors, etc. Concerning the Formulation of Evaluation and Selection Standards for Accounting Auditors" (Japan Audit & Supervisory Board Members Association; 13 November, 2015), the Board of Statutory Auditors selected Deloitte Touche Tohmatsu LLC to be the accounting auditor after comprehensively examining their quality control systems, audit team independence, communication systems, group audit systems, handling of fraud risks, and the like in accordance with the prescribed selection standards and evaluation standards for accounting auditors. Regarding the policy for determining the dismissal or non-reappointment of an accounting auditor, in the event that it is acknowledged that an item prescribed in an item under Article 340-1 of the Companies Act is applicable, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will dismiss the accounting auditor based on the consent of all Statutory Auditors, and in the event that it is acknowledged that it is difficult for the accounting auditor to perform an appropriate audit due to an event arising that otherwise impairs the accounting auditor's competence or independence, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will make a proposal to the General Meeting of Shareholders to dismiss or not reappoint the accounting auditor.

(e) Evaluation of the accounting auditor by Statutory Auditors and the Board of Statutory Auditors

In addition to auditing and examining the independence, quality-control status, suitability of the system for performing duties, and status of implementing accounting audits in the current fiscal year of the accounting auditor, the Board of Statutory Auditors conducts evaluations by receiving reports from the accounting auditor on the status of performing its duties and requesting explanations when necessary.

(f) Changes in independent auditor

The Company's Independent Auditor has changed as follows:

The consolidated fiscal year before last and the business year before last: ShinNihon LLC (now Ernst & Young ShinNihon LLC)

The previous accounting year and previous business year: Deloitte Touche Tohmatsu LLC

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

Overview of incoming and outgoing independent auditors

Incoming independent auditor: Deloitte Touche Tohmatsu LLC

Outgoing independent auditor: Ernst & Young ShinNihon LLC

Expected date of change

30 November 2017

Date of most recent appointment of outgoing independent auditor

8 December 2016

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

Not applicable matter.

Background and reasons behind the decision to change independent auditors

The appointment term of the Company's current independent auditor, Ernst & Young ShinNihon LLC, was set to mature at the conclusion of the FY2017 Annual General Meeting of Shareholders of the Company 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.

Opinions of the outgoing independent auditor regarding the background and reasons for the decision listed in 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.

D. Details of Independent Auditors' remuneration

Transitional measures are being applied to the provisions of Note (56) d (f) i through iii stated in Form No. 2 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc., after its amendment in accordance with the Cabinet Office Ordinance for Partial Amendment of Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc. (Cabinet Office Ordinance No. 3, 31 January 2019).

(1) Details of remuneration for Independent Auditor

Class	Year ended 31 August 2018		Year ended 31 August 2019	
	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than auditing duties (Millions of yen)	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)
Reporting Entity	219	36	248	7
Consolidated subsidiaries	40	—	56	—
Total	259	36	305	7

The non-assurance services provided by the Independent Auditor are advisory concerning the application of IFRS, and others.

(2) Other important details regarding remuneration

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

The Company and its consolidated subsidiaries paid 352 million yen as remuneration for assurance and non-assurance services, to member firms of the Deloitte global network.

Year ended 31 August 2019 (1 September 2018 — 31 August 2019)

The Company and its consolidated subsidiaries paid 727 million yen as remuneration for assurance and non-assurance services, to member firms of the Deloitte global network.

(3) Policies for determination of accounting audit remuneration

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

(4) Board of Statutory Auditors Agree Independent Auditors Remuneration

The Board of Statutory Auditors agreed to the remuneration of the independent auditors as stipulated in Article 399, Item 1 of the Companies Act, after checking auditing estimates versus actual performance in previous business years, including itemized auditing hours and remuneration, and investigating whether the estimates for the year ended 31 August 2018 were reasonable, based on the practical guidelines relating to independent auditors published by the Japan Audit & Supervisory Board Members Association.

E. Directors' Remuneration

(1) Policies and process for determination of directors' remuneration

With respect to directors' remuneration and the like, at the 58th Ordinary General Meeting of Shareholders, which was held on 28 November 2019 resolution was passed to set the upper limit for directors at 2 billion yen per year (the maximum number of directors stipulated in the Company's Articles of Incorporation is 10); and, at the 42nd Ordinary General Meeting of Shareholders, which was held on 26 November, 2003, a resolution was passed to set the upper limit for Statutory Auditors at 100 million yen per annum (the maximum number of Statutory Auditors stipulated in the Company's Articles of Incorporation was 7).

Remuneration for internal directors (this refers to a director who is not an external director; the same applies below) consists of basic remuneration and performance-linked remuneration, as stated below.

Basic remuneration is calculated based on each person's stipulated grade in accordance with various factors, including each internal director's duties, responsibilities, track record and degree of contribution to the Company, in line with the prescribed Remuneration Table. Internal directors' grades are determined by Representative Director Tadashi Yanai based on discussions held by the Nomination and Remuneration Advisory Committee, whose members predominantly consist of external directors and External Statutory Auditors.

Performance-linked remuneration is calculated within the total remuneration limit approved at the general meeting of shareholders, based on an evaluation of each internal director's performance. Based on discussions held by the Nomination and Remuneration Advisory Committee, the evaluations are determined by Representative Director Tadashi Yanai, who is entrusted with determining individual remuneration amounts for directors by the Board of Directors.

The remuneration for External Directors is fixed at 10 million yen per year. This fixed amount is determined by Representative Director Tadashi Yanai, who is entrusted with determining individual remuneration amounts for directors by the Board of Directors.

The remuneration for Statutory Auditors is determined through discussions by the Board of Statutory Auditors .

The above-mentioned Nomination and Remuneration Advisory Committee was established in July 2019. On 1 August 2019, the first committee meeting was held with all committee members in attendance and discussions were held on the overall vision for the director-evaluation method that would form the basis of remuneration amounts, as well as the ideal system for long-term performance-linked remuneration and other director remuneration.

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

Executive category	Entity category	Total amount of remuneration (Millions of yen)	Total amount of remuneration, by type (Millions of yen)			Number of executives (Persons)
			Basic Compensation	Short-term performance-linked remuneration	Long-term performance-linked remuneration	
Directors (excluding external directors)	the Company	541	334	207	—	4
	the subsidiaries	126	93	33	—	
External directors	the Company	51	51	—	—	6
Statutory Auditors (excluding External Statutory Auditors)	the Company	35	35	—	—	2
External Statutory Auditors	the Company	31	31	—	—	4
	the subsidiaries	6	6	—	—	

(a) "Short-term performance-linked remuneration" and "long-term performance-linked remuneration" are recorded as amounts expensed for reserves before taking into account performance evaluations for the fiscal period ended August 2019. The actual amount paid is determined by calculations based on the performance evaluation, etc., of the individual director.

(b) Total amount of consolidated remuneration, etc., for each officer: note that this is to be no more than 100 million yen

Name	Total amount of remuneration (Millions of yen)	Total amount of remuneration, by type (Millions of yen)		
		Basic Compensation	Short-term performance-linked remuneration	Long-term performance-linked remuneration
Executive Director Tadashi Yanai	400	240	160	—
Director Takeshi Okazaki	135	90	45	—

(3) Salaries for key personnel serving concurrently as an employee and an officer

Not applicable.

(4) Details of policies related to determining the amount of an officer’s remuneration, etc.

(a) The amount of remuneration, etc., for corporate auditors is calculated within the limit approved at the General Meeting of Shareholders as mentioned above, and it is determined through discussions by the Board of Statutory Auditors.

(b) The amount of remuneration, etc., for external directors is calculated within the limit approved at the General Meeting of Shareholders as mentioned above , and it is calculated as a fixed value for a one-year period.

(c) Remuneration for internal directors is composed of three elements (basic remuneration; short-term performance-linked remuneration; and long-term performance-linked remuneration), and the details and calculation method for each are as stated below. Each element is determined within the limit for director remuneration, etc., approved at the General Meeting of Shareholders as mentioned above.

<Basic remuneration>

This is calculated based on the grade of each internal director, in line with the prescribed Remuneration Table.

<Short-term performance-linked remuneration>

The target amount for short-term performance-linked remuneration is stipulated in accordance with the table showing short-term performance-linked remuneration for each grade. A target-management system sets performance targets, group targets, and individual targets at the start of the fiscal year. Based on this system, performance for the year is assessed using five grades, and the actual amount paid is calculated based on the Payment Criteria Table shown below.

Grade	Definition	Percentage of Target Achieved
A	Targets greatly surpassed and many superb courses of action are evident	200%
AB	Targets achieved and superb courses of action are evident	150%
B	Targets achieved, or superb courses of action adequate for achieving target are evident	100%
BC	Targets not achieved, but it is acknowledged that efforts have been made that may lead to future developments	75%
C	Targets not achieved and the anticipated course of action was lacking	50%

<Long-term performance-linked remuneration>

The target amount for long-term performance-linked remuneration is stipulated in accordance with the table showing long-term performance-linked remuneration for each grade.

A) A portion equivalent to 1/3 of the long-term performance-linked remuneration amount is granted as phantom stock in order to provide a link with the corporate value of the Fast Retailing Group. The phantom stock is cash-settled remuneration that is linked to the Company's share value, and it is exercised automatically three years after the date on which it was granted, when a corresponding cash amount based on the Company's share value on the exercise date is paid. Incidentally, neither dividends nor an amount equivalent to dividends is paid.

B) A portion equivalent to 2/3 of the long-term performance-linked remuneration amount is paid in cash in order to improve the strategy and performances of the business unit(s) managed by the officer in question. This portion is paid based on a performance evaluation of the business operations managed by the officer in the three-year period after the target is set.

B-1) 50% of the cash-allowance portion is determined based on quantitative targets. An evaluation is carried out based on the rate at which operating income budget targets are met and on operating margins for the brands and countries managed by the officer over the three year (cumulative) period, and the amount paid is calculated based on the prescribed Criteria Table.

B-2) The remaining 50% of the cash-allowance portion is determined based on qualitative targets. An evaluation is carried out of the degree to which medium-term (three year) budget targets have been met; targets that are set in the year in which the long-term performance-linked remuneration is assigned. The amount paid is then calculated based on the Payment Criteria Table shown below.

Grade	Definition	Percentage of Target Achieved
A	Target greatly surpassed and many superb courses of action are evident	200%
AB	Target achieved and superb courses of action are evident	150%
B	Target achieved, or superb courses of action adequate for achieving target are evident	100%
BC	Target not achieved, but it is acknowledged that efforts have been made that may lead to future developments	75%
C	Target not achieved and the anticipated course of action was lacking	50%

F. Status of share holdings

(1) Criteria and approach to “investment share” categories

The Company categorizes share holdings that are deemed to contribute to improving medium-to-long-term corporate value as “investment shares with a purpose other than net investment” and other shares as “investment shares for the purpose of net investment.”

(2) Investment shares for which the investment purpose is a purpose other than net investment

(a) In principle, the Group has a policy of not having any cross-holdings; however, on occasion these holdings may occur — but only in the minimum number of shares required. Each year, the Board of Directors verifies the economic rationality, etc., for any cross-holdings; this is done for each individual stock and includes any medium-to-long term trading relationships. The Board then makes a comprehensive judgment on the significance of the holdings. The specific contents of the verifications are not disclosed due to the trading relationships with the corporation(s) in which shares are held.

(b) Number of stocks and amounts included in the balance sheet

	Number of stocks	Amounts included in the balance sheet (Millions of yen)
Unlisted shares	3	173
Shares other than unlisted shares	2	1,471

(Stock for which the number of shares increased in the current business year)
No applicable matters

(Stocks for which the number of shares decreased in the current business year)
No applicable matters

(c) Information on the number of shares and balance sheet difficulties for "specified investment shares" and "deemed shares" — by individual stock

Specified Investment Shares:

<table>
<tr><th rowspan="3">Stock</th><th>Current business year</th><th>Previous business year</th><th rowspan="3">Holding purpose, quantitative holding effect, and reason for increase in number of shares</th><th rowspan="3">Holding the Company's shares</th></tr>
<tr><th>Number of shares</th><th>Number of shares</th></tr>
<tr><th>Balance sheet amount (Millions of yen)</th><th>Balance sheet amount (Millions of yen)</th></tr>
<tr><td rowspan="2">Matsuoka Corporation</td><td>286,500</td><td>286,500</td><td rowspan="2">These shares are held to try to strengthen ties in the medium-term , as a strategic partner. Moreover, each year the Board of Directors verifies the economic rationality, etc., for each individual stock, which includes any medium-to-long term trading relationships; and the Board then makes a comprehensive judgment on the significance of the holding. The specific contents of the verification is not disclosed due to the trading relationships with the corporation in which shares are held.</td><td rowspan="2">No</td></tr>
<tr><td>587</td><td>1,052</td></tr>
<tr><td rowspan="2">Crystal International Group Ltd.</td><td>20,815,000</td><td>20,815,000</td><td rowspan="2">These shares are held to try to strengthen ties in the medium-term , as a strategic partner. Moreover, each year the Board of Directors verifies the economic rationality, etc., for each individual stock, which includes any medium-to-long term trading relationships; and the Board then makes a comprehensive judgment on the significance of the holding. The specific contents of the verification are not disclosed due to the trading relationships with the corporation in which shares are held.</td><td rowspan="2">No</td></tr>
<tr><td>884</td><td>1,443</td></tr>
</table>

Deemed Shares: Not applicable.

(3) Investment shares held for the purpose
Not applicable.

9. Financial Information

A. 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.

B. Accounting Audits

The Company’s consolidated and non-consolidated financial statements for the fiscal year from 1 September 2018 – 31 August 2019 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).

C. 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.

D. Consolidated Financial Statements

(1) Consolidated statement of financial position

(Millions of yen)

	Notes	As at 31 August 2018	As at 31 August 2019
ASSETS			
Current assets			
Cash and cash equivalents	8,31	999,697	1,086,519
Trade and other receivables	9,31	52,677	60,398
Other financial assets	11,31	35,359	44,473
Inventories	10	464,788	410,526
Derivative financial assets	31	35,519	14,787
Income taxes receivable		1,702	1,492
Other assets	12	28,353	19,975
Total current assets		1,618,097	1,638,174
Non-current assets			
Property, plant and equipment	13	155,077	162,092
Goodwill	14	8,092	8,092
Intangible assets	14	46,002	60,117
Financial assets	11,31	79,476	77,026
Investments in associates accounted for using the equity method	16	14,649	14,587
Deferred tax assets	19	26,378	33,163
Derivative financial assets	31	—	9,442
Other assets	12	5,691	7,861
Total non-current assets		335,368	372,384
Total assets		1,953,466	2,010,558
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables	20,31	214,542	191,769
Other financial liabilities	11,17,29,31	171,854	159,006
Derivative financial liabilities	31	6,917	2,985
Current tax liabilities		21,503	27,451
Provisions	21	11,868	13,340
Other liabilities	12	72,722	82,103
Total current liabilities		499,410	476,658
Non-current liabilities			
Financial liabilities	11,17,29,31	502,671	499,948
Provisions	21	18,912	20,474
Deferred tax liabilities	19	13,003	8,822
Derivative financial liabilities	31	—	3,838
Other liabilities	12	16,690	17,281
Total non-current liabilities		551,277	550,365
Total liabilities		1,050,688	1,027,024
EQUITY			
Capital stock	22	10,273	10,273
Capital surplus	22	18,275	20,603
Retained earnings	22	815,146	928,748
Treasury stock, at cost	22	(15,429)	(15,271)
Other components of equity	22	34,669	(5,732)
Equity attributable to owners of the Parent		862,936	938,621
Non-controlling interests		39,841	44,913
Total equity		902,777	983,534
Total liabilities and equity		1,953,466	2,010,558

(2) Consolidated statement of profit or loss

(Millions of yen)

	Notes	Year ended 31 August 2018	Year ended 31 August 2019
Revenue	23	2,130,060	2,290,548
Cost of sales		(1,080,123)	(1,170,987)
Gross profit		1,049,936	1,119,561
Selling, general and administrative expenses	24	(797,476)	(854,394)
Other income	25	3,385	4,533
Other expenses	15,25	(20,244)	(12,626)
Share of profit and loss of associates accounted for using the equity method	16	611	562
Operating profit/(loss)		236,212	257,636
Finance income	26	9,693	12,293
Finance costs	26	(3,228)	(17,481)
Profit/(loss) before income taxes		242,678	252,447
Income taxes	19	(73,304)	(74,400)
Profit/(loss) for the year		169,373	178,046
Profit/(loss) for the year attributable to:			
Owners of the Parent		154,811	162,578
Non-controlling interests		14,562	15,467
		169,373	178,046
Earnings per share			
Basic (Yen)	28	1,517.71	1,593.20
Diluted (Yen)	28	1,515.23	1,590.55

(3) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Year ended 31 August 2018	Year ended 31 August 2019
Profit/(loss) for the year		169,373	178,046
Other comprehensive income/(loss), net of income taxes			
Items that will not be reclassified subsequently to profit or loss			
Financial assets measured at fair value through other comprehensive income/(loss)	27	—	(734)
Total items that will not be reclassified subsequently to profit or loss		—	(734)
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	34	—
Exchange differences on translating foreign operations	27	(6,285)	(33,649)
Cash flow hedges	27	17,735	11,398
Share of other comprehensive income of associates	27	—	(11)
Total items that may be reclassified subsequently to profit or loss		11,484	(22,262)
Other comprehensive income/(loss), net of Income tax		11,484	(22,997)
Total comprehensive income/(loss) for the year		180,858	155,049
Attributable to:			
Owners of the Parent		165,378	140,900
Non-controlling interests		15,480	14,148
Total comprehensive income/(loss) for the year		180,858	155,049

(4) Consolidated statement of changes in equity
For the year ended 31 August 2018

(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	Share of other comprehensive income of associates	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
Incorporation of a new subsidiary		—	—	—	—	—	—	—	—	—	—	173	173
Changes in ownership interests in subsidiaries without losing control	22	—	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

For the year ended 31 August 2019

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Financial assets measured at fair value through other comprehensive income/(loss)	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Share of other comprehensive income of associates	Other components of equity: Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2018		10,273	18,275	815,146	(15,429)	37	15,429	19,202	—	34,669	862,936	39,841	902,777
Net changes during the year													
Comprehensive income/(loss)													
Profit/(loss) for the year		—	—	162,578	—	—	—	—	—	—	162,578	15,467	178,046
Other comprehensive income/(loss)	27	—	—	—	—	(734)	(29,359)	8,427	(11)	(21,678)	(21,678)	(1,318)	(22,997)
Total comprehensive income/(loss)		—	—	162,578	—	(734)	(29,359)	8,427	(11)	(21,678)	140,900	14,148	155,049
Transactions with the owners of the Parent													
Acquisition of treasury stock	22	—	—	—	(2)	—	—	—	—	—	(2)	—	(2)
Disposal of treasury stock	22	—	1,558	—	159	—	—	—	—	—	1,718	—	1,718
Dividends	22	—	—	(48,976)	—	—	—	—	—	—	(58,195)	(9,218)	(58,195)
Share-based payments	22	—	769	—	—	—	—	—	—	—	769	—	769
Incorporation of a new subsidiary		—	—	—	—	—	—	—	—	—	239	239	239
Changes in ownership interests in subsidiaries without losing control		—	—	—	—	—	—	—	—	—	353	353	353
Transfer to non-financial assets		—	—	—	—	—	—	(18,723)	—	(18,723)	(18,723)	(451)	(19,175)
Total transactions with the owners of the Parent		—	2,328	(48,976)	157	—	—	(18,723)	—	(18,723)	(65,215)	(9,076)	(74,292)
Total net changes during the year		—	2,328	113,602	157	(734)	(29,359)	(10,296)	(11)	(40,402)	75,685	5,071	80,757
As at 31 August 2019		10,273	20,603	928,748	(15,271)	(697)	(13,929)	8,906	(11)	(5,732)	938,621	44,913	983,534

(5) Consolidated statement of cash flows

(Millions of yen)

	Note	Year ended 31 August 2018	Year ended 31 August 2019
Cash flows generated from operating activities			
Profit/(loss) before income taxes		242,678	252,447
Depreciation and amortization		45,055	48,476
Impairment losses	15	12,376	3,444
Interest and dividend income		(7,560)	(12,293)
Interest expenses		3,169	4,369
Foreign exchange losses/(gains)		(2,132)	13,107
Share of profit and loss of associates accounted for using the equity method		(611)	(562)
Losses on disposal of property, plant and equipment		1,176	650
Decrease/(increase) in trade and other receivables		(2,852)	(6,302)
Decrease/(increase) in inventories		(179,469)	38,145
Increase/(decrease) in trade and other payables		9,758	(16,426)
Decrease/(increase) in other assets		(13,053)	2,932
Increase/(decrease) in other liabilities		146,867	36,881
Others, net		1,819	1,719
Cash generated from operations		257,220	366,589
Interest and dividend income received		7,409	10,533
Interest paid		(2,393)	(3,848)
Income taxes paid		(86,725)	(74,263)
Income taxes refunded		892	1,493
Net cash generated by operating activities		176,403	300,505
Cash flows used in investing activities			
Amounts deposited into bank deposits with original maturities of three months or longer		(63,490)	(103,619)
Amounts withdrawn from bank deposits with original maturities of three months or longer		59,185	92,252
Payments for property, plant and equipment		(31,962)	(41,567)
Payments for intangible assets		(16,532)	(24,177)
Payments for lease and guarantee deposits		(4,773)	(7,490)
Proceeds from collection of lease and guarantee deposits		3,064	4,304
Others, net		(2,671)	1,541
Net cash used in investing activities		(57,180)	(78,756)

(Millions of yen)

	Notes	Year ended 31 August 2018	Year ended 31 August 2019
Cash flows used in financing activities			
Proceeds from short-term loans payable	29	1,767	17,145
Repayment of short-term loans payable	29	(1,596)	(16,789)
Repayment of long-term loans payable	29	(3,308)	(4,433)
Proceeds from issuance of cooperate bonds	29	249,319	—
Repayment of redemption of bonds		—	(30,000)
Dividends paid to owners of the Parent	22	(38,244)	(48,975)
Capital contributions from non-controlling interests		3,803	592
Dividends paid to non-controlling interests		(7,827)	(8,773)
Repayments of lease obligations	29	(5,918)	(11,377)
Others, net		224	182
Net cash generated by / (used in) financing activities		198,217	(102,429)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,545)	(32,496)
Net increase/(decrease) in cash and cash equivalents		315,894	86,822
Cash and cash equivalents at the beginning of year	8	683,802	999,697
Cash and cash equivalents at the end of year	8	999,697	1,086,519

(6) 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 (the "Group") are the UNIQLO business (casual wear retail business operating under the "UNIQLO" brand in Japan and overseas), GU business and Theory business (apparel designing and retail business in Japan and overseas), etc.

2. Basis of Preparation

A. 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.

B. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 28 November 2019 by Tadashi Yanai, Chairman, President, and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

C. 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."

D. 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.

E. Use of Estimates and Judgments

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

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

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

- Valuation of inventories (3. Significant Accounting Policies (6) and Note 10)
- Recoverable amounts from cash-generating units for impairment tests (3. Significant Accounting Policies (10) and Note 15)
- Useful lives of property, plant and equipment, and intangible assets (3. Significant Accounting Policies (7), (8) and Notes 13, 14)
- Recoverability of deferred tax assets (3. Significant Accounting Policies (14) and Note 19)
- Recoverability of trade and other receivables (3. Significant Accounting Policies (4) and Note 9, 31)
- Accounting treatment and valuation of provisions (3. Significant Accounting Policies (11) and Note 21)
- Fair value measurement of financial instruments (3. Significant Accounting Policies (4) and Note 31)
- Fair value measurement for unit price for share-based payments (3. Significant Accounting Policies (12) and Note 30)

3. Significant Accounting Policies

A. Basis of Consolidation

(1) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. The Group controls enterprises when it is exposed, or has rights, to variable returns arising from its involvement in those enterprises or when the Group has rights to variable returns in those enterprises and is able to have an impact on said variable returns through its power over those enterprises. A subsidiary's financial statements are incorporated into the Group's consolidated financial statements from the date on which the Group, obtains control until the date that control ceases.

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

The reporting dates for FAST RETAILING (CHINA) TRADING CO., LTD., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD. , GU (Shanghai) Co., Ltd. and ten other companies are 31 December, 31 March or 30 June.

The management accounts the financial statements of these subsidiaries as of the Group's year-end that were prepared solely for the Group's consolidation purpose.

The financial statements of other subsidiaries are prepared using the same reporting period as the Parent company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Any difference between the adjustment to the non-controlling interest and the fair value of the consideration received is recognized directly in equity as interests attributable to owners of the Parent.

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

The number of consolidated subsidiaries as at 31 August 2019 is 133.

(2) Investments in associates

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

If the Group holds 20% or more of the voting rights of another enterprise, it is presumed that the Group has a significant influence over the other enterprise. Investments in associates are accounted 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 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 2019 is four.

B. Business combinations

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

If the cost of an acquisition exceeds the fair value of the identifiable assets and liabilities, 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.

C. Foreign Currencies

(1) Transactions and balances

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

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

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

(2) Foreign Operations

Upon consolidation, the assets and liabilities of foreign operations are translated into 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.

D. Financial Instruments

(1) Financial assets

(a) Initial recognition and measurement

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

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

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

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

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

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

(b) Subsequent measurement

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets measured at fair value

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

(c) Impairment of financial assets

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

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

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

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

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

(d) Derecognition of financial assets

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

(2) Non-derivative financial liabilities

(a) Initial recognition and measurement

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

(b) Subsequent measurements

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

(c) Derecognition of financial liabilities

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

(3) Presentation of financial assets and financial liabilities

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

(4) Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

For gains and losses on hedges, effective portions are recognized as other comprehensive income on the consolidated statement of comprehensive income, and non-effective portions are immediately recognized as net profit or loss on the Consolidated Statement of Income.

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

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

E. Cash and cash equivalents

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

F. Inventories

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

G. Property, plant and equipment (other than leased assets)

(1) Recognition and measurement

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

(2) Depreciation

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

Buildings and structures	3–30 years
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.

H. Goodwill and intangible assets (other than leased assets)

(1) Goodwill

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

Goodwill is not amortized but is allocated to identifiable 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.

(2) Intangible assets

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

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

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

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

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

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

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

I. 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.

J. Impairment

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

The recoverable amount for an asset or 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.

K. Provisions

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

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

Provision is described below:

Asset retirement obligations

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

L. Employee benefits

(1) Defined contribution system

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

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

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

(2) Short-term employee benefits

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

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

(3) Share-based payments

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

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

M. Revenue recognition

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

N. Income taxes

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

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

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

- Temporary differences arising from goodwill;

- Temporary differences arising from the initial recognition of an asset/liability which, at the time of the transaction, does not affect either the accounting profit or the taxable income (other than in a business combination); or

- Temporary differences associated with investments in subsidiaries, but only to the extent that it is possible to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

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

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

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

O. Earnings per share

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

4. Newly applied standards and interpretation guidelines

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

IFRS	Title	Summary
IFRS 9	Financial Instruments	For the matters below, IFRS 9 has replaced IAS 39: Classification, measurement, and impairment of financial assets Classification and measurement of financial liabilities Hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revisions to accounting and disclosure of revenue recognition applied to contracts with customers

In applying these standards, we have adopted the method of recognizing on the application start date the cumulative impact of applying the standards that are acknowledged as interim measures. Application of the standards has no material impact on items in the consolidated financial statements.

5. Issued but Not Yet Effective IFRS Not-yet-applied new standards and interpretation guidelines

New written standards and new interpretation to existing standards guidelines that were either newly established or revised by the date the consolidated financial statements were approved, the main standards that the Company has not applied, as of 31 August 2019, are stated below.

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IFRS 16	Leases	1 January 2019	Fiscal year ending 31 August 2020	Amendments to accounting treatment for leave arrangement
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	Fiscal year ending 31 August 2020	Clarifies the accounting for uncertainties in income tax.

IFRS 16 "Leases" replaces the former IAS 17 "Uncertainty over Income Tax Treatment" and the like. Applying this standard requires that, in principle, a "right-of-use asset" representing the right to use the underlying asset over the term of the lease and a "lease liability" representing the obligation to pay lease charges are recognized in the consolidated statement of financial position for all leases, under a single accounting model; rather than the borrower's leases being categorized as "finance leases" and "operating leases. Then, once right-of-use assets and lease liabilities have been recognized depreciation expenses for the right-of-use assets and interest pertaining to lease liabilities are recognized in the consolidated statement of income.

On the date of adoption, the Group will recognize the cumulative impact of applying the standard as an adjustment to the opening balance for retained earnings on 1 September 2019.

The main impact of applying this standard on the Group's consolidated financial statements will be as follows: We estimate that at the start of the fiscal year ending August 2020, the consolidated statement of financial position will see an increase of approximately 310 billion yen in total assets; an increase of approximately 360 billion yen in total liabilities; and a decrease of approximately 50 billion yen in retained earnings. It should be noted that the amount of the impact is currently being evaluated, so the actual amount might change.

The application of IFRIC 23 (Uncertainty over Income Tax Treatments) is expected to have no significant impact on the Company.

6. Segment Information

A. Description of reportable segments

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

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

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

UNIQLO Japan:	UNIQLO clothing business within Japan
UNIQLO International:	UNIQLO clothing business outside of Japan
GU:	GU brand clothing business in Japan and overseas
Global Brands:	Theory, PLST,COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and J Brand clothing operations

B. Method of accounting for segment revenue and results

The methods of accounting for the reportable segments are the same as those stated in "3. Significant Accounting Policies."

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

C. Segment information

Year ended 31 August 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 (Note 3)	415	944	268	9,962	11,590	—	785	12,376

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

(Note 2) "Adjustments" primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.

(Note 3) Details on the impairment losses are stated in note "15. Impairment losses".

Year ended 31 August 2019

(Millions of yen)

	Reportable segments				Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	872,957	1,026,032	238,741	149,939	2,287,671	2,877	—	2,290,548
Operating profit/(losses)	102,474	138,904	28,164	3,685	273,228	122	(15,715)	257,636
Segment income/(losses) (profit before income taxes)	101,393	139,624	27,968	3,570	272,557	123	(20,233)	252,447
Other disclosure:								
Depreciation and amortization	10,357	19,861	5,432	2,525	38,177	11	10,287	48,476
Impairment losses (Note 3)	574	1,979	364	302	3,220	—	223	3,444

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

(Note 2) "Adjustments" primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.

(Note 3) Details on the impairment losses are stated in note "15. Impairment losses".

D. Geographic Information

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

Year ended 31 August 2019

(1) External revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
1,152,661	411,542	726,344	2,290,548

(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
124,482	26,588	25,639	61,454	238,164

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 2018	As at 31 August 2019
Cash and bank balances	853,380	940,519
Money market funds (MMF), negotiable certificates of deposits	146,316	146,000
Total	999,697	1,086,519

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 2018	As at 31 August 2019
Accounts receivable — trade	46,008	51,064
Notes receivable	—	4
Other accounts receivable	7,256	9,863
Allowance for doubtful accounts	(587)	(533)
Total	52,677	60,398

See note “31. Financial Instruments” for credit risk management and the fair value of trade and other receivables.

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

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

10. Inventories

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

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Products	460,751	404,621
Materials and supplies	4,036	5,905
Total	464,788	410,526

(Note) As at 31 August 2019, the Group had inventories attributable to UNIQLO Japan, UNIQLO International and GU business segments amounting to 383,921 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 2018	Year ended 31 August 2019
Write-down of inventories to net realizable value	4,254	7,215

(Note) As at 31 August 2019, the Group had write-down of inventories to net realizable value from UNIQLO Japan, UNIQLO International and GU business segments amounting to 4,928 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 2018	As at 31 August 2019
Other financial assets:		
Loans and receivables		
Security deposits/guarantees	61,752	–
Bank deposits	32,549	–
Others	18,160	–
Allowance for doubtful accounts	(301)	–
Financial assets measured at amortized cost		
Security deposits/guarantees	–	62,398
Bank deposits	–	41,086
Others	–	16,706
Allowance for doubtful accounts	–	(337)
Net fair value gain/(loss) on available-for-sales financial assets during the year		
Stocks	2,674	–
Financial assets measured at fair value through other comprehensive income		
Stocks	–	1,645
Total	114,835	121,499
Other current financial assets total	35,359	44,473
Other non-current financial assets total	79,476	77,026

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing bank and other borrowings	544,502	513,405
Deposits	128,509	144,099
Deposits/guarantees received	1,513	1,450
Total	674,526	658,955
Other current financial liabilities total	171,854	159,006
Other non-current financial liabilities total	502,671	499,948

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

(Millions of yen)

Issue(s)	As at 31 August 2019
Crystal International Group Ltd.	884
Matsuoka Corporation	587

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

The Group sells off (derecognizes) equity instruments measured at fair value through other comprehensive income based on the efficient utilization of assets and reviews of business relationships. In the current consolidated fiscal year, the Group did not sell off any equity instruments measured at fair value through other comprehensive income.

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

(Millions of yen)

	As at 31 August 2019
Derecognized financial assets	—
Financial assets held at the end of the fiscal year	23

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 2018	As at 31 August 2019
Other assets:		
Prepayments	13,503	16,036
Long-term prepayments	5,691	7,149
Others	14,849	4,650
Total	34,045	27,836
Current	28,353	19,975
Non-current	5,691	7,861

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Other liabilities:		
Accruals	64,089	61,486
Employee benefits accruals	6,348	7,170
Others	18,975	30,728
Total	89,413	99,385
Current	72,722	82,103
Non-current	16,690	17,281

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 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	(2,794)	(787)	—	(438)	(42)	(4,063)
At 31 August 2018	252,606	51,765	1,962	9,550	49,973	365,858
Additions	5,999	1,364	—	40,721	12,502	60,587
Disposals	(7,319)	(1,679)	—	(425)	(7,226)	(16,650)
Transfers	26,180	9,844	—	(37,637)	1,611	—
Effect of change in exchange rate	(10,982)	(3,783)	—	(2,478)	548	(16,696)
At 31 August 2019	266,484	57,512	1,962	9,730	57,409	393,099

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Furniture, equipment, and vehicles	Land	Construction in progress	Leased assets	Total
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	2,132	621	—	—	239	2,993
At 31 August 2018	(157,933)	(37,622)	(34)	—	(15,191)	(210,781)
Depreciation provided during the year	(23,919)	(6,444)	—	—	(8,416)	(38,781)
Impairment losses	(2,375)	(271)	—	—	(501)	(3,148)
Disposals	6,207	1,551	—	—	5,760	13,519
Effect of change in exchange rate	6,842	2,378	—	—	(1,036)	8,099
At 31 August 2018	(171,178)	(40,408)	(34)	—	(19,385)	(231,092)

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment, and vehicles	Land	Construction in progress	Leased assets	Total
At 31 August 2018	94,673	14,143	1,927	9,550	34,782	155,077
At 31 August 2019	94,659	17,076	1,927	10,404	38,024	162,092

(Note) As at 31 August 2019, the Group had store assets attributable to UNIQLO Japan, UNIQLO International and GU business segments amounting to 22,437 million yen, 76,976 million yen and 16,156 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 2018	5,953	28,828	—	34,782
At 31 August 2019	6,705	30,916	403	38,024

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

14. Goodwill and Intangible Assets

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

(Millions of yen)

Acquisition costs	Goodwill	Intangible assets other than goodwill				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 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	(3,429)	842	120	(30)	932	(2,497)
At 31 August 2018	39,740	70,741	21,549	22,174	114,465	154,206
External purchases	—	24,401	0	1,301	25,703	25,703
Disposals	—	(148)	—	(151)	(299)	(299)
Effect of change in exchange rate	(985)	(416)	(862)	(1,373)	(2,652)	(3,638)
At 31 August 2019	38,754	94,758	20,686	21,950	137,215	175,970

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Goodwill and Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 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	(3,429)	(387)	(90)	(9)	(486)	2,942
At 31 August 2018	(31,647)	(39,052)	(13,653)	(15,757)	(68,463)	(100,111)
Amortization provided during the year	—	(9,483)	—	(212)	(9,695)	(9,695)
Impairment losses	—	(239)	—	(55)	(295)	(295)
Disposals	—	15	—	117	132	132
Effect of change in exchange rate	985	109	540	572	1,222	2,208
At 31 August 2019	(30,661)	(48,649)	(13,113)	(15,335)	(77,097)	(107,759)

(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 2018	8,092	31,689	7,896	6,416	46,002	54,094
At 31 August 2019	8,092	45,928	7,573	6,615	60,117	68,210

B. Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets recorded in the consolidated statement of financial position are primarily for goodwill andtrademarks 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 2018	—	—	—	8,092	—	—	—	13,601
At 31 August 2019	—	—	—	8,092	—	—	—	12,854

15. Impairment Losses

During the year ended 31 August 2019, the Group recognized impairment losses on certain store assets aetc., due to reductions in profitability of the respective CGU.

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Buildings and structures	2,029	2,375
Furniture and equipment	205	271
Leased assets (Note 1)	99	501
Subtotal impairment losses on property, plant and equipment	2,335	3,148
Software	174	239
Goodwill	7,792	—
Trademark (Note 2)	1,657	—
Other intangible assets	415	55
Subtotal impairment losses on intangible assets	10,039	295
Other current assets (short-term prepayments)	0	—
Other non-current assets (long-term prepayments)	0	0
Total impairment losses	12,376	3,444

(Note 1) Leased assets include furniture and equipment.

(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 2019 amounted to 3,444 million yen, compared with 12,376 million yen during the year ended 31 August 2018, and are included in “other expenses” on the consolidated statement of profit or loss.

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

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 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 CGUs for which impairment losses were recorded are as follows:

Operating segment	CGU	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.

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 CGUs 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 CGUs (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.

Year ended 31 August 2019

(1) Property, plant and equipment

Out of total impairment losses amounting to 3,444 million yen, 3,148 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 CGU that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 15.9%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

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

Operating segment	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.
Not applicable.

16. Investments in Associates Accounted for Using the Equity Method

A. Information on associates accounted for using the equity method

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Share of profit and loss of associates accounted for using the equity method	611	562
Share of other comprehensive income of investments in associates accounted for using the equity method	—	(11)
Share of comprehensive income of investments in associates accounted for using the equity method	611	551
Carrying amount of investments in associates	14,649	14,587

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

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

The Company's maximum exposure to losses due to its investments in the associates is limited to the amount of the investments by the Company and is included in the consolidated statement of financial position as "Investments in associates," which amounted to 13,299 million yen. The Group's share of profit and comprehensive income of the associates was 619 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 70,341 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 613 million yen from the associates during the year ended 31 August 2019.

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 2018	As at 31 August 2019	As at 31 August 2018	As at 31 August 2019
Finance lease obligations				
Due within one year	8,565	9,824	7,952	9,411
Due after one year through five years	23,509	25,394	22,432	24,698
Due after five years	5,442	4,847	5,258	4,615
Total	37,517	40,066	35,643	38,726
Deductions — future finance costs	(1,873)	(1,340)	—	—
Total net finance lease payables	35,643	38,726	35,643	38,726
Current portion	—	—	7,952	9,411
Non-current portion	—	—	27,690	29,314

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

A. 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 2018	As at 31 August 2019
Due within one year	49,129	83,877
Due after one year through five years	137,288	155,022
Due after five years	107,617	105,988
Total	294,034	344,888

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 2018	Year ended 31 August 2019
Total minimum lease payments	111,980	119,059
Contingent rents	79,832	78,780
Total	191,813	197,840

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.).

B. 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 2018	As at 31 August 2019
Due within one year	14	162
Due after one year through five years	14	739
Due after five years	—	395
Total	29	1,298

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Contingent rents	1,088	1,042

19. Deferred Taxes and Income Taxes

A. Deferred taxes

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

(Millions of yen)

	As at 1 September 2017	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Recognized directly in equity	As at 31 August 2018
Temporary differences					
Accrued business tax	1,228	713	—	—	1,942
Accrued 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.

(Millions of yen)

	As at 1 September 2018	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Recognized directly in equity	As at 31 August 2019
Temporary differences					
Accrued business tax	1,942	(122)	—	—	1,819
Accrued for bonuses	4,247	395	—	—	4,642
Allowance for doubtful accounts	130	41	—	—	172
Impairment losses on non-current assets	4,165	(301)	—	—	3,864
Unrealized gains/(losses) on available-for-sale securities	(91)	—	277	—	186
Depreciation	8,120	(717)	—		7,402
Net gains/(losses) on revaluation of cash flow hedges	(7,849)	—	(1,877)	7,837	(1,889)
Temporary differences on shares of subsidiaries	(1,893)	—	—	—	(1,893)
Accelerated depreciation	(4,206)	125	—	—	(4,081)
Others	5,143	4,918	—	—	10,061
Subtotal	9,708	4,338	(1,600)	7,837	20,283
Tax losses carried forward	3,666	390	—		4,056
Net deferred tax assets/(liabilities)	13,374	4,728	(1,600)	7,837	24,340

(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 2018	As at 31 August 2019
Unrecognized tax losses carried forward	15,758	17,486
Deductible temporary differences	11,706	12,236
Total	27,465	29,723

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 2018	As at 31 August 2019
First year	—	149
Second year	162	251
Third year	273	139
Fourth year	151	333
Fifth year and thereafter	15,172	16,612
Total	15,758	17,486

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 2018 and 31 August 2019 were 354,468 million yen and 394,127 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.

B. Income taxes

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Current tax	78,234	80,666
Deferred tax	(4,929)	(6,265)
Total	73,304	74,400

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 2018	Year ended 31 August 2019
Statutory income tax rate	30.8%	30.6%
Unrecognized deferred tax assets	1.1%	1.2%
Difference in statutory income tax rates of subsidiaries	(4.3)%	(4.5)%
Impairment loss of goodwill	1.0%	—
Undistributed earnings of foreign subsidiaries	0.6%	(0.2)%
Foreign withholding tax	1.1%	1.9%
Inhabitant tax on per capita basis	0.2%	0.1%
Others	(0.3%)	0.4%
Effective tax rate	30.2%	29.5%

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 2018	As at 31 August 2019
Trade payables	161,488	127,194
Notes payables	—	18
Other payables	53,054	64,556
Total	214,542	191,769

21. Provisions

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

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Asset retirement obligations	30,781	33,814
Total	30,781	33,814
Current liabilities	11,868	13,340
Non-current liabilities	18,912	20,474

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

(Millions of yen)

	Asset retirement obligations
Balances as at 31 August 2018	30,781
Additional provisions	4,774
Amounts utilized	(1,369)
Increase in discounted amounts arising from passage of time	188
Others	(558)
Balances as at 31 August 2019	33,814

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

22. Equity and Other Equity Items

A. 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 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
Increase/(decrease) (Note)	—	—	41,951	—	2,328
Balances as at 31 August 2019	300,000,000	106,073,656	102,061,735	10,273	20,603

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

B. Treasury Stock and Capital Surplus

(1) Treasury Stock

	Number of shares (Shares)	Amount (Millions of yen)
Balances as at 1 September 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
Acquisition of treasury stock less than one unit	40	2
Exercise of stock options	(41,991)	(159)
Balances as at 31 August 2019	4,011,921	15,271

(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	3,754	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 2017	4,578	4,924	5,211	3,559	18,275
Disposal of treasury stock	—	1,558	—	—	1,558
Share-based payments	—	—	769	—	769
Capital contributions from non-controlling interests	—	—	—	—	—
Balances as at 31 August 2018	4,578	6,483	5,981	3,559	20,603

Please refer to “30. Share-based Payments” for details of share-based payments (stock options).

C. Other components of equity

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Exchange differences on translation of foreign operations	91	(4,289)
Cash flow hedges	826	2,970
Other comprehensive income	917	(1,318)

D. Dividends

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

The total amount of dividends paid was as follows:

Year ended 31 August 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

Year ended 31 August 2019

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 2 November 2018	24,484	240
Board of Directors' meeting held on 11 April 2018	24,492	240

Dividend which effective date is after fiscal 2019 is as follow:

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

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

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

Year ended 31 August 2019

	Revenue (Millions of yen)	Percent of Total (%)
Japan	872,957	38.1
Greater China	502,565	21.9
Other parts of Asia & Oceania	306,510	13.4
North America & Europe	216,956	9.5
UNIQLO (Note 1)	1,898,990	82.9
GU (Note 2)	238,741	10.4
Global Brands (Note 3)	149,939	6.5
Others (Note 4)	2,877	0.1
Total	2,290,548	100.0

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

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

(Millions of yen)

	Application start date (1 September 2018)	End of current consolidated fiscal year (31 August 2019)
Contractual liabilities		
Advances received from customers	387	598
Refund liabilities	1,597	1,026

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

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

C. Transaction prices allocated to existing performance obligations

In the Group, there are no significant transactions for which the individual forecast contract period exceeds one year. Therefore, the practical short-cut method is used, and information related to remaining performance obligations is omitted. Furthermore, in the consideration arising from contracts with customers, there are no significant monetary amounts that are not included in the transaction price.

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

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

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 2018	Year ended 31 August 2019
Selling, general and administrative expenses		
Advertising and promotion	70,310	74,436
Rental expenses	191,813	197,840
Depreciation and amortization	45,055	48,476
Outsourcing	41,005	46,197
Salaries	285,105	301,456
Others	164,186	185,987
Total	797,476	854,394

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 2018	Year ended 31 August 2019
Other income		
Others	3,385	4,533
Total	3,385	4,533

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Other expenses		
Foreign exchange losses*	1,450	6,020
Losses on retirement of property, plant and equipment	1,176	650
Impairment losses	12,376	3,444
Others	5,241	2,510
Total	20,244	12,626

*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 2018	Year ended 31 August 2019
Finance income		
Foreign exchange gains*	2,132	—
Interest income	7,545	12,202
Others	15	90
Total	9,693	12,293

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Finance costs		
Foreign exchange losses*	—	13,107
Interest expenses	3,169	4,369
Others	58	4
Total	3,228	17,481

*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 2018

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income taxes	Income taxes	Amount after income taxes
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

Year ended 31 August 2019

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income taxes	Income taxes	Amount after income taxes
Items that will not be reclassified subsequently to profit or loss					
Financial assets measured at fair value through other comprehensive income/(loss)	(1,012)	—	(1,012)	277	(734)
Total	(1,012)	—	(1,012)	277	(734)
Net gain/(loss) on revaluation of available-for-sale investments					
Exchange differences on translation of foreign operations	(33, 649)	—	(33,649)	—	(33,649)
Cash flow hedges	15,146	—	15,146	(3,748)	11,398
Share of other comprehensive income of associates	(11)	—	(11)	—	(11)
Total	(18,513)	—	(18,513)	(3,748)	(22,262)
Total comprehensive income for the year	(19,525)	—	(19,525)	(3,471)	(22,997)

28. Earnings per Share

Year ended 31 August 2018		Year ended 31 August 2019	
Equity per share attributable to owners of the Parent (Yen)	8,458.52	Equity per share attributable to owners of the Parent (Yen)	9,196.61
Basic earnings per share for the year (Yen)	1,517.71	Basic earnings per share for the year (Yen)	1,593.20
Diluted earnings per share for the year (Yen)	1,515.23	Diluted earnings per share for the year (Yen)	1,590.55

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 2018	Year ended 31 August 2019
Basic earnings per share for the year		
Profit for the year attributable to owners of the Parent (Millions of yen)	154,811	162,578
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	154,811	162,578
Average number of common stock during the year (Shares)	102,002,997	102,045,645
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	167,434	169,956
(share subscription rights)	(167,434)	(169,956)

29. Cash Flow Information

A. Liabilities of financing activities

Liabilities of financing activities are as follows:

Year ended 31 August 2018

(Millions of yen)

	Balances as at 1 September 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

Year ended 31 August 2019

(Millions of yen)

	Balances as at 1 September 2018	Variation with cash flow	Variation without cash flow		Balances as at 31 August 2019
			Foreign currency translation reserve	Others	
Short-term borrowings	954	355	(73)	—	1,236
Long-term borrowings	8,884	(4,433)	(192)	—	4,258
Corporate bonds	499,020	(30,000)	—	163	469,183
Lease obligations	35,643	(11,377)	(192)	14,653	38,726
Total	544,502	(45,455)	(458)	14,816	513,405

(Note) 30,000 million yen in 1st non-collateralized corporate bonds (interest rate: 0.110%; date of maturity: 18 December 2018) have been redeemed.

B. Information on corporate bonds as at 31 August 2018 and 2019 is as follows:

(Millions of yen)

Company name	Name of bonds	Date of issuance	As at 31 August 2018	As at 31 August 2019	Interest rate (%)	Date of maturity
FAST RETAILING CO., LTD.	1st non-collateralized corporate bonds	18 December 2015	29,995	—	0.110	18 December 2018
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	99,909	99,949	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	49,920	49,939	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	69,855	69,875	0.749	18 December 2025
FAST RETAILING CO., LTD.	5th non-collateralized corporate bonds	6 June 2018	79,845	79,877	0.110	6 June 2023
FAST RETAILING CO., LTD.	6th non-collateralized corporate bonds	6 June 2018	29,919	29,931	0.220	6 June 2025
FAST RETAILING CO., LTD.	7th non-collateralized corporate bonds	6 June 2018	99,731	99,758	0.405	6 June 2028
FAST RETAILING CO., LTD.	8th non-collateralized corporate bonds	6 June 2018	39,843	39,851	0.880	4 June 2038
Total	—	—	499,020	469,183	—	—

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.

A. Details, scale, and changes in stock options

(1) Description of stock options

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

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

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

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

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

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

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

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

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

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

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 2018	Year ended 31 August 2019
Expenses recognized Share-based payments	2,188	2,504

(2) Scale of stock options program and changes

Outstanding balance of stock options as at 31 August 2019 are converted into equivalent number of shares.

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

Stock options

	Year ended 31 August 2018	Year ended 31 August 2019
	Number of shares (Shares)	Number of shares (Shares)
Non-vested	30,120	26,455
Non-vested at beginning of the year		
Granted	59,561	45,065
Forfeited	(793)	(2,031)
Vested	(62,433)	(43,971)
Non-vested at end of the year	26,455	25,518

	Year ended 31 August 2018	Year ended 31 August 2019
	Number of shares (Shares)	Number of shares (Shares)
Vested	116,373	142,483
Outstanding at beginning of the year		
Vested	62,433	43,971
Exercised	(35,832)	(41,991)
Forfeited	(491)	(1,230)
Outstanding at end of the year	142,483	143,233

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

(b) Stock price on exercise date

Stock options exercised during the year ended 31 August 2019 are as follows:

Type	Number of shares (Shares)	Weighted-average stock price on exercise date (Yen)
Stock options	41,991	57,952

(c) Expected life of stock options

The weighted-average expected life of outstanding stock options as at 31 August 2019 was 5.83 years.

In addition, the weighted-average expected life of outstanding stock options as at 31 August 2018 was 5.96 years.

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

The methods of estimating fair value of 9th share subscription rights A type, B type, and C type granted during the year ended 31 August 2019, were as follows:

(1) Valuation model: Black-Scholes model

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

	9th share subscription rights A type	9th share subscription rights B type
Fair value	58,275 yen	58,891 yen
Share price	61,070 yen	61,070 yen
Exercise price	1 yen	1 yen
Stock price volatility (Note 1)	34%	34%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	440 yen/share	440 yen/share
Risk-free interest rate (Note 4)	(0.04%)	(0.075%)

	9th share subscription rights C type
Fair value	59,763 yen
Share price	61,070 yen
Exercise price	1 yen
Stock price volatility (Note 1)	36%
Expected life of options (Note 2)	3 years
Expected dividends (Note 3)	440 yen/share yen/share
Risk-free interest rate (Note 4)	(0.11%)

Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2012 to October 2018), 5.04 years for B type (from November 2013 to October 2018), and 3.0 years for C type (from November 2015 to October 2018).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

Also, the method of estimating fair value for the ‘8th share subscription rights A type, B type, and C type granted during the year ended 31 August 2018 is as follows:

(1) Valuation model: Black-Scholes model
(2) The following table lists the inputs in 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.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

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

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

31. Financial Instruments

A. Capital risk management

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

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

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Interest-bearing borrowings	544,502	513,405
Cash and cash equivalents	999,697	1,086,519
Net interest-bearing borrowings	(455,194)	(573,114)
Equity	902,777	983,534

To maximize corporate value, the Group engages in cash flow-oriented management. As at 31 August 2018 and 2019, the Group maintained a position where the carrying amount of cash and cash equivalents exceeded interest-bearing borrowings.

As at 31 August 2019, the Group is not subject to any externally imposed capital requirement.

B. Significant accounting policies

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

C. Categories of financial instruments

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Financial assets		
Loans and receivables		
Trade and other receivables	52,677	60,398
Other current financial assets	35,359	44,473
Other non-current financial assets	76,801	75,380
Available-for-sale investments	2,674	—
Financial assets measured at fair value through profit or loss	—	—
Financial assets measured at fair value through other comprehensive income/(loss)	—	1,645
Derivatives		
Financial assets measured at fair value through profit or loss	141	—
Financial assets designated as hedging instruments	35,377	24,230
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	214,542	191,769
Other current financial liabilities	171,854	159,006
Other non-current financial liabilities	502,671	499,948
Derivatives		
Financial liabilities measured at fair value through profit or loss	4	—
Financial liabilities designated as hedging instruments	6,913	6,824

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

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

D. Financial risk management

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

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

E. Market risk management

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

(1) Foreign currency risk

(a) Foreign currency risk management

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

In regard to 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 1,195,845 million yen as at 31 August 2019.

(b) Foreign currency sensitivity analysis

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

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

	Year ended 31 August 2018	Year ended 31 August 2019
Average exchange rate (Yen)		
USD	110.30	110.83
EUR	131.45	126.09
Impact on profit for the year (Millions of yen)		
USD	(4,056)	(3,189)
EUR	(444)	(224)
Impact on other comprehensive income (Millions of yen)		
USD	(10,399)	(10,862)
EUR	—	(96)

(c) Currency derivatives and hedges

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

Cash flow hedges

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

The monetary value of ineffective hedges is immaterial.

The details of foreign currency forward contract are as follows:

(i) Derivative transactions to which hedge accounting is not applied

	Average exchange		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019
Foreign currency forward contracts								
Within 1 year								
Buy USD (sell TWD)	30.84 (TWD/$)	— (TWD/$)	10	—	1,144	—	50	—
Buy USD (sell AUD)	1.32 (AUD/$)	— (AUD/$)	19	—	2,020	—	86	—

(ii) Derivative transactions to which hedge accounting is applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	101.89 (\/$)	101.88 (\/$)	6,368	6,425	648,881	654,561	16,755	1,862
Buy USD (sell EUR)	0.81 (€/$)	0.83 (€/$)	67	233	7,073	22,860	120	1,088
Buy USD (sell GBP)	0.81 (£/$)	0.75 (£/$)	30	70	3,174	6,200	125	501
Buy USD (sell KRW)	1,095.27 (KRW/$)	1,106.57 (KRW/$)	771	285	84,381	27,788	(387)	2,063
Buy USD (sell SGD)	1.36 (SGD/$)	1.36 (SGD/$)	97	18	10,724	1,960	(8)	30
Buy USD (sell THB)	32.67 (THB/$)	31.39 (THB/$)	11	9	1,317	980	(15)	(29)
Buy USD (sell PHP)	54.94 (PHP/$)	53.31 (PHP/$)	10	14	1,165	1,522	(9)	(8)
Buy USD (sell RUB)	63.22 (RUB/$)	— (RUB/$)	0	—	6	—	0	—
Buy USD (sell CAD)	1.34 (CAD/$)	1.31 (CAD/$)	2	12	252	1,260	4	16
Buy USD (sell AUD)	1.32 (AUD/$)	1.39 (AUD/$)	11	13	1,169	1,325	50	78
Buy USD (sell HKD)	— (HKD/$)	7.80 (HKD/$)	—	1	—	105	—	0

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019	31 August 2018	31 August 2019
Within 1 year								
Buy USD (sell JPY)	106.35 (¥/$)	103.16 (¥/$)	3,520	3,097	374,386	319,510	9,989	4,967
Buy USD (sell EUR)	0.85 (€/$)	0.84 (€/$)	159	259	17,446	25,584	27	1,943
Buy USD (sell GBP)	0.83 (£/$)	0.75 (£/$)	62	97	6,762	8,547	166	702
Buy USD (sell KRW)	1,085.98 (KRW/$)	1,081.73 (KRW/$)	45	424	4,928	40,407	65	4,657
Buy USD (sell TWD)	29.47 (TWD/$)	30.47 (TWD/$)	71	45	7,627	4,701	280	138
Buy USD (sell SGD)	1.36 (SGD/$)	1.35 (SGD/$)	167	77	18,492	8,017	163	184
Buy USD (sell THB)	32.35 (THB/$)	31.72 (THB/$)	81	90	8,948	9,993	66	(372)
Buy USD (sell MYR)	4.04 (MYR/$)	4.19 (MYR/$)	53	71	5,788	7,603	55	86
Buy USD (sell AUD)	1.32 (AUD/$)	1.39 (AUD/$)	29	61	3,147	6,062	135	414
Buy USD (sell RUB)	62.99 (RUB/$)	68.12 (RUB/$)	54	63	5,613	6,938	500	(53)
Buy USD (sell CAD)	1.27 (CAD/$)	1.31 (CAD/$)	45	56	4,925	5,926	78	98
Buy USD (sell IDR)	14,903.68 (IDR/$)	14,933.81 (IDR/$)	3	62	339	6,944	(0)	(223)
Buy USD (sell PHP)	53.09 (PHP/$)	54.31 (PHP/$)	61	96	6,769	10,714	101	(354)
Buy USD (sell INR)	— (INR/$)	72 ($/INR)	—	2	—	319	—	4
Buy USD (sell HKD)	— (HKD/$)	7.81 (HKD/$)	—	84	—	8,937	—	34
Buy EUR (sell USD)	— ($/EUR)	1.20 ($/EUR)	—	44	—	6,269	—	(414)
Buy GBP (sell USD)	— ($/GBP)	1.25 ($/GBP)	—	5	—	799	—	(10)

(2) Interest rate risk management

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

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

(3) Price risk management in equity instruments

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

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

F. Credit risk management

When the Group initiates ongoing transactions where receivables 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.

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.

Year ended August 31 2018

(1) 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 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.

(2) Allowance for doubtful accounts

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 2017	661	267	929
Provision for the year	173	46	220
Decrease (intended purposes)	(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.

Year ended 31 August 2019

(1) Credit risk exposure

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

(Millions of yen)

Number of days elapsed after due date	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period			Total
		Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Financial assets for which the credit risk has significantly increased since initial recognition	Credit-impaired financial assets	
Before due date has elapsed	129,596	49,977	77	—	179,651
Within 90 days	23	603	—	—	627
Over 90 days but within one year	11	212	—	—	224
Over one year	13	275	43	296	619
Term-end balance	129,645	51,069	121	296	181,123

(2) Allowances for Doubtful Accounts

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

(Millions of yen)

Changes in allowances for doubtful accounts	Items recorded in an amount equivalent to 12 months of expected credit losses	Items measured in an amount equivalent to the expected credit losses for the entire period			Total
		Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period	Financial assets for which the credit risk has significantly increased since initial recognition	Credit-impaired financial assets	
Starting balance	64	551	—	273	889
Increase during period	92	148	40	—	281
Decrease during period (intended use)	—	(155)	—	—	(155)
Decrease during period (reversals)	(33)	(25)	—	—	(59)
Other changes	(4)	(47)	—	(32)	(84)
Term-end balance	117	471	40	241	871

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

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

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

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

G. Liquidity risk management

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

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

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 31 August 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
As at 31 August 2019								
Non-derivative financial liabilities								
Trade and other payables	191,769	191,769	191,769	—	—	—	—	—
Current portion of long-term borrowings	4,258	4,258	4,258	—	—	—	—	—
Short-term borrowings	1,236	1,236	1,236	—	—	—	—	—
Corporate bonds	469,183	470,000	—	100,000	—	130,000	—	240,000
Long-term finance lease obligations	29,314	29,314	—	8,596	7,703	5,571	2,287	4,615
Short-term finance lease obligations	9,411	9,411	9,411	—	—	—	—	—
	144,099	144,099	144,099	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	6,824	6,824	2,985	2,127	1,711	—	—	—
Total	856,098	856,915	353,762	110,723	9,414	135,571	2,827	244,615

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

H. Fair value of financial instruments

(Millions of yen)

	As at 31 August 2018		As at 31 August 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets				
Security deposits/guarantees (Note)	61,752	62,253	62,398	63,982
Total	61,752	62,253	62,398	63,982
Financial liabilities				
Long-term borrowings (Note)	8,884	8,924	4,258	4,258
Corporate bonds (Note)	499,020	500,731	469,183	478,638
Lease obligations (Note)	35,643	36,807	38,726	38,595
Total	543,548	546,464	512,168	521,492

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

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

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

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

The fair value 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 the account time remaining to maturity, and credit risk.

The fair value measurements of Security deposits / guarantees, corporate bonds and long-term borrowings are classified as level 2.

I. Fair value hierarchy of financial instruments

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

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

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

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

(Millions of yen)

As at 31 August 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

As at 31 August 2019	Level 1	Level 2	Level 3	Total
Net gain/(loss) on revaluation of available-for-sale investments	1,471	—	173	1,645
Financial assets/ (liabilities) at FVTPL	—	—	—	—
Foreign currency forward contracts designated as hedging instruments	—	17,406	—	17,406
Net amount	1,471	17,406	173	19,051

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

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

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

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 2018	Year ended 31 August 2019
Short-term employee benefits	450	719
Total	450	719

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

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

Category	Name of company or individual	Location	Capital stock or investment (Millions of yen)	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.

Current consolidated accounting year (From 1 September 2018, through 31 August 2019)

Type	Name of Company, etc., or personal name	Location	Capital Stock or Money Invested (Millions of yen)	Business Content or Occupation	Percentage of voting right, etc. held (being held)	Relation with Associated Party	Transaction Details	Transaction Amount (millions of yen)	Item	Term-end Balance (millions of yen)
Company in which officers and close relatives hold a majority of voting rights	TTY Management B.V.	Amsterdam, Holland	71,826	Assets holdings, managing, etc.	5.2% are directly held	Rent of store properties by our subsidiary Serves concurrently as an officer	Store renting	337	Other current assets	56

Notes: 1. Of the above-mentioned amounts, any trade amounts do not include consumption taxes and the like.

2. Trading conditions and policy for determining trading conditions, etc.

Related party transactions were made on terms equivalent to those that prevail in arm’s length transactions.

3. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights.

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 2018	As at 31 August 2019
Commitment for the acquisition of property, plant and equipment	10,046	7,382
Commitment for acquisition of intangible assets	1,461	4,340
Total	11,508	11,723

35. Contingent Liabilities

Year ended 31 August 2018

Not applicable

Year ended 31 August 2019

Not applicable

36. Subsequent Events

Not applicable

E. Others

Quarterly information for the year ended 31 August 2019

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	644,466	1,267,697	1,822,877	2,290,548
Quarterly income before income taxes and non-controlling interests (Millions of yen)	111,086	174,214	247,211	252,447
Quarterly net income (Millions of yen)	73,476	120,920	158,668	162,578
Earnings per share (Yen)	720.16	1,117.54	1,554.94	1,593.20

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings/(losses) per share (Yen)	720.16	397.40	437.41	38.32

10. Financial statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
ASSETS		
Current assets		
Cash and deposits	536,837	551,376
Operating accounts receivable	*1 19,946	48,268
Securities	146,304	146,000
Short-term loans receivable from subsidiaries and associates	120,886	103,198
Accounts receivable from subsidiaries and associates	22,305	17,271
Others	3,902	4,670
Allowance for doubtful accounts	(32)	(0)
Total current assets	850,149	870,786
Non-current assets		
Property, plant and equipment		
Buildings	12,583	14,745
Accumulated depreciation	*3 (6,361)	(7,431)
Buildings, net	6,221	7,313
Structures	364	367
Accumulated depreciation	*3 (237)	(249)
Structures, net	127	118
Tools, furniture and fixtures	1,639	1,804
Accumulated depreciation	*3 (1,455)	(1,532)
Tools, furniture and fixtures, net	184	272
Land	1,123	1,123
Leased assets	1,281	1,284
Accumulated depreciation	*3 (390)	(632)
Leased assets, net	890	652
Construction in progress	351	4,432
Total property, plant and equipment	8,899	13,914
Intangible assets		
Software	25,343	29,039
Software in progress	3,966	13,814
Others	61	60
Total intangible assets	29,371	42,914
Investments and other assets		
Investment securities	2,656	1,633
Shares of subsidiaries and associates	70,579	87,002
Investments in capital of subsidiaries and associates	9,936	10,406
Long-term loans receivable from subsidiaries and associates	17,740	17,261
Leases and guarantee deposits	6,383	7,714
Deferred tax assets	1,980	3,384
Others	1,777	792
Allowance for doubtful accounts	(6,061)	(1,051)
Total investments and other assets	104,993	127,142
Total non-current assets	143,264	183,971
Total assets	993,413	1,054,758

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
LIABILITIES		
Current liabilities		
Current portion of corporate bonds	29,986	—
Accounts payable	10,964	11,032
Accrued expenses	1,297	1,813
Deposits received	*1 8,162	33,581
Provision for bonuses	2,440	2,676
Income taxes payable	749	5,836
Others	1,457	1,973
Total current liabilities	55,058	56,914
Non-current liabilities		
Corporate bonds payable	470,013	470,000
Guarantee deposits received	2,277	2,247
Provision for loss on guarantees	330	204
Provision for loss on business of subsidiaries and associates	—	422
Others	2,503	3,262
Total non-current liabilities	475,125	476,137
Total liabilities	530,184	533,051
NET ASSETS		
Shareholders' equity		
Capital stock	10,273	10,273
Capital surplus		
Legal capital surplus	4,578	4,578
Other capital surplus	4,816	6,335
Total capital surplus	9,395	10,914
Retained earnings		
Legal retained earnings	818	818
Other retained earnings		
General reserve	185,100	185,100
Retained earnings brought forward	268,286	325,423
Total retained earnings	454,204	511,341
Treasury stock	(15,429)	(15,271)
Total shareholders' equity	458,445	517,258
Valuation and translation adjustments		
Valuation differences on available-for-sale securities	(427)	(1,533)
Total valuation and translation adjustments	(427)	(1,533)
Share subscription rights	5,211	5,981
Total net assets	463,229	521,706
Total liabilities and net assets	993,413	1,054,758

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Operating revenue		
Management income from operating companies	*1 48,709	55,011
Dividends income from subsidiaries and affiliates	*1 144,334	129,899
Total operating revenue	193,044	184,910
Operating expenses		
Selling, general and administrative expenses		
Salaries	6,147	7,128
Bonuses	573	1,417
Allowance for bonuses	1,762	1,834
Rental expenses	7,698	8,231
Depreciation	7,933	10,165
Outsourcing expenses	20,386	23,703
Others	12,022	13,328
Total operating expenses	*1 56,524	65,808
Operating profit	136,519	119,101
Non-operating income		
Interest income	3,451	5,233
Interest on securities	128	201
Foreign exchange gains	1,557	—
Others	120	562
Total non-operating income	5,258	5,997
Non-operating expenses		
Interest expenses	1,318	1,968
Foreign exchange losses	—	17,103
Others	799	26
Total non-operating expenses	2,118	19,098
Ordinary profit	139,660	106,000
Extraordinary losses		
Losses on retirement of non-current assets	*2 641	44
Loss on valuation of shares of subsidiaries and associates	7,486	1,341
Provision of allowance for doubtful accounts for subsidiaries and associates	6,061	583
Impairment losses	—	243
Others	1,704	296
Total extraordinary losses	15,894	2,507
Income/(loss) before income taxes	123,766	103,492
Income taxes — current	2,694	(1,608)
Income taxes — deferred	(1,086)	(1,013)
Total income taxes	1,608	(2,621)
Profit	122,158	106,113

(3) Statement of changes in net asset

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)
Net income	—	—	—	—	—	—	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)
Net income	—	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

Year ended 31 August 2019

(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	4,816	9,395	818	185,100	268,286	454,204
Changes during the year								
Dividends	—	—	—	—	—	—	(48,976)	(48,976)
Net income	—	—	—	—	—	—	106,113	106,113
Acquisition of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	1,519	1,519	—	—	—	—
Net changes of items other than those in shareholders' equity	—	—	—	—	—	—	—	—
Net changes during the year	—	—	1,519	1,519	—	—	57,136	57,136
Balance at the end of year	10,273	4,578	6,335	10,914	818	185,100	325,423	511,341

	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	(15,429)	458,445	(427)	(427)	5,211	463,229
Changes during the year						
Dividends	—	(48,976)	—	—	—	(48,976)
Net income	—	106,113	—	—	—	106,113
Acquisition of treasury stock	(2)	(2)	—	—	—	(2)
Disposal of treasury stock	159	1,679	—	—	—	1,679
Net changes of items other than those in shareholders' equity	—	—	(1,106)	(1,106)	769	(336)
Net changes during the year	157	58,813	(1,106)	(1,106)	769	58,476
Balance at the end of year	(15,271)	517,258	(1,533)	(1,533)	5,981	521,706

(4) Notes

(Significant accounting policies)

1. Valuation methods for securities

(a) Investments in subsidiaries and affiliates:

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

(b) Available-for-sale securities:

(i) Listed securities:

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

(d) Allowances for Affiliated Company Operating Losses

In order to prepare for losses pertaining to affiliated company operations, we take the financial position of our affiliated companies into consideration and list the estimate losses that may be incurred.

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.

(Change of presentation method)

From the start of the current business year, we have been applying the "Partial Amendments to Accounting Standard for Tax Effect Account" (ASBJ Statement No. 28 of February 16, 2018; hereinafter referred to as the "Partial Amendments to Tax Effect Accounting Standard") , and the method we use has changed so that deferred tax assets are presented under the category of Investments & Other Assets, and deferred tax liabilities are presented under the category of Non-current Liabilities. As a result, on the balance sheet of the previous business year, the 1,018 million yen in deferred tax assets under current assets is included in the 1,980 million yen in deferred tax assets under investments and other assets.

Furthermore, in the notes on tax effect accounting we have added the content described in the comment for "Accounting Standards for Tax Effect Accounting" (Note 8) (1) (excluding total valuation allowance) as stipulated in Paragraph 4 of the Partial Amendments to Tax Effect Accounting Standard.

Of that content, however, content pertaining to the previous business year is not stated in accordance with the transitional treatment stipulated in Article 7 of the Partial Amendments to Tax Effect Accounting Standard.

(Notes to balance sheet)

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

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Trade accounts receivable	19,878	48,201
Deposits received	7,817	33,188

2. Contingent liabilities

(Millions of yen)

	As at 31 August 2018	As at 31 August 2019
Guarantees for office and retail store leases	62,788	50,452
Guarantees on loans payable to financial institutions	9,208	10,472

3. Accumulated depreciation includes accumulated impairment losses.

(Notes to statement of income)

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Ordinary revenue:		
Management income from operating companies	46,473	52,881
Dividends income from subsidiaries and affiliates	144,334	129,899
Ordinary expense:	1,003	1,462

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

(Millions of yen)

	Year ended 31 August 2018	Year ended 31 August 2019
Buildings	228	4
Software	65	2
Others	347	36

(Marketable securities)

As at 31 August 2018

The fair values of the shares of subsidiaries and affiliates (subsidiaries 55,705 million yen and affiliates 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.

As at 31 August 2019

The fair values of the shares of subsidiaries and affiliates (subsidiaries 72,707 million yen and affiliates 14,295 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 2018	As at 31 August 2019
Deferred tax assets:		
Provisions for bonuses	802	812
Depreciation	562	586
Loss on shares of subsidiaries and associates	48,654	50,736
Impairment losses	1,009	482
Allowance for doubtful accounts	1,865	321
Valuation differences on available-for-sale securities	449	765
Unused tax losses carried forward	2,827	3,638
Software	1,213	2,022
Others	3,316	4,905
Subtotal	60,700	64,271
Valuation allowance pertaining to tax loss carried forward	—	(3,638)
Valuation allowance pertaining to total of future deductible temporary difference	—	(54,524)
Valuation allowance subtotal	(56,450)	(58,163)
Total deferred tax assets	4,250	6,107
Deferred tax liabilities:		
Temporary differences on shares of subsidiaries	(1,893)	(1,893)
Others	(376)	(830)
Total deferred tax liabilities	(2,269)	(2,723)
Net deferred tax liabilities	1,980	3,384

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 2018	As at 31 August 2019
Statutory income tax rate	30.8%	30.6%
(adjustments)		
Non-taxable dividend income	(34.9)	(36.3)
Increase/(decrease) in valuation allowance	3.3	1.6
Foreign withholding tax	2.0	1.9
Others	0.1	(0.3)
Effective tax rates after applying tax effect accounting	1.3	(2.5)

(Business Combination)

Not applicable.

(Notes on Significant Subsequent Events)

Not applicable.

(5) Supplementary information

Details of fixed asset

(Millions of yen)

Types of assets	Balances as at 1 September 2018	Increase	Decrease	Depreciation, amortization during the year	Balances as at 31 August 2019	Accumulated depreciation or amortization as at 31 August 2019
Property, plant and equipment						
Buildings	6,221	2,221	4	1,124	7,313	7,431
Structures	127	3	—	11	118	249
Tools, furniture, and equipment	184	170	5	77	272	1,532
Land	1,123	—	—	—	1,123	34
Leased assets	890	25	16	246	652	632
Construction in progress	351	4,892	810	—	4,432	—
Total property, plant and equipment	8,899	7,313	837	1,460	13,914	9,880
Intangible assets						
Software	25,343	12,679	279	8,703	29,039	—
Software in progress	3,966	22,527	12,679	—	13,814	—
Others	61	—	—	1	60	—
Total intangible assets	29,371	35,206	12,958	8,704	42,914	—

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

Types of assets	Amount (Millions of yen)	Contents
Software	12,679	Construction cost for new system
Software in progress	22,527	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	12,679	Construction cost for new systems (transferred to software as the new system was launched)

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)	32	0	32	0
Allowance for doubtful accounts (non-current)	6,061	583	5,593	1,051
Provision for bonuses	2,440	2,676	2,440	2,676
Provision for loss on guarantees	330	—	126	204
Allowances for Affiliated Company Operating Losses	—	422	—	422

(Note1) The increase in the Allowance for doubtful accounts for the current fiscal year is mainly for affiliated 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) 113 million yen of this period’s reduction in Provision for loss on guarantees is being transferred to Allowances for Affiliated Company Operating Losses.

(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 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

Valuation of inventories at the lower of cost or net realizable value	
Key audit matter	**Audit procedures performed**
As disclosed in Note 10 to the consolidated financial statements, the Group's total inventories as at 31 August 2019 are comprised of JPY383,921 million related to the UNIQLO Japan segment, the UNIQLO International segment and the GU segment, in the aggregate, representing 19.1% of the Group's total assets. In addition, the amount of write-down of inventories to net realizable value was JPY4,928 million for the segments. The sales pattern for inventories is to establish an initial price, and then subsequently adjust the price based on the season, weather and customer tastes and demand. Inventories are valued at the lower of cost or net realizable value. Selling price, a component of net realizable value, is frequently adjusted in response to fast-changing market conditions, economic conditions of countries where the Group operates and fashion trends, and adjusted selling price is reflected and maintained in an IT system. Given the nature of the Group's businesses, changes to inventory, such as adjustments to selling prices, are frequently made to a large volume of inventories at a Stock Keeping Units ("SKUs") level. Inventory management is thus highly dependent on the IT system. In addition, accuracy of the inventory valuation report is also dependent upon the IT system given the automated nature. As such, due to the potential impact it may have on the accounting for the write-down of inventories to net realizable value, there are increased risks around the appropriateness of the system configurations (e.g., calculation formula, report logic, parameters, etc.), in addition to the overall maintenance of the IT system. We did not identify slow-moving inventories as a key audit matter in our audit because the amount of inventory loss resulting from slow-moving inventories has remained at an immaterial level due to the Group's strategic sales price setting. We identified valuation of inventories at the lower of cost or net realizable value as a key audit matter in our audit given that the value of inventories is material, the valuation of inventories is highly automated and involvement of our professionals with expertise in information technology ("IT experts") is necessary.	In response to this key audit matter, our audit included, amongst others, the following procedures: • Evaluation of the techniques for the measurement of cost and approaches to inventory valuation established by management, including compliance with IFRSs. • Assessment of the design, implementation and operating effectiveness of the relevant controls in place to address the accuracy and completeness of the inputs for selling price and cost of inventories. • Involvement of our IT experts to evaluate the accuracy and completeness of the inventory valuation report by testing the system interface controls, the report logic and parameters input, as well as the general IT controls over the IT systems, including testing of user access controls, change management controls and IT operations controls. • Evaluation of the determination of net realizable value and the amount of write-down of inventories to net realizable value calculated within the inventory valuation report on a representative sample basis.

Assessment whether any indication that store assets may be impaired based on store performance results	
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 the GU segment amounting to JPY22,437 million, JPY76,976 million and JPY16,156 million, respectively, in the aggregate representing 5.7% of the Group's total assets as at 31 August 2019. In addition, as disclosed in Notes 15 to the consolidated financial statements, the Group's impairment losses attributable to store assets were JPY3,148 million for the year ended 31 August 2019. Each segment operates as many as 774, 1,379 and 421 stores as at 31 August 2019, respectively, and the performance results of each store are maintained in an IT system. In principle, each store is considered as an individual cash-generating unit ("CGU"). Management uses the performance results of stores (a IT system-generated report) as a key input when assessing whether there is any indication that store assets may be impaired ("impairment indicators"). As such, due to the potential impact it may have on the assessment of the impairment indicators, there are increased risks around the appropriateness of the system configurations (e.g., report logic, parameters, etc.), in addition to the overall maintenance of the IT system. We identified this matter as a key audit matter in our audit given that the value of store assets is material, the creation of information used in assessment of the impairment indicators is highly automated and that the involvement of our IT experts is necessary.	In response to this key audit matter, our audit included, amongst others, the following procedures: • Evaluation of the assessment of impairment indicators, identification of the CGU and allocation method of relevant headquarter costs to each CGU established by management, including compliance with IFRSs. • Involvement of our IT experts to evaluate accuracy and completeness of the impairment indicators identification report by testing source data of store performance results along with the report logic to allocate headquarter costs, report logics used to identify impairment indicators, and parameters inputs, as well as the general IT controls over the IT systems, including testing of user access controls, change management controls and IT operations controls. • Examination of the impairment indicators identification report for the completeness of stores for proper inclusion.

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

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

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 Yohei Masuda.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
29 November 2019

(TRANSLATION)

INDEPENDENT AUDITOR's REPORT

29 November 2019

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:

Yohei Masuda

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 58th fiscal year from 1 September 2018 to 31 August 2019, 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 2019, 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.

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 58th fiscal year (September 1, 2018 — August 31, 2019), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items

None