



**FAST RETAILING**

Sole Sponsor  
**Morgan Stanley**

**FAST RETAILING CO., LTD.**

**迅銷有限公司\***

(Incorporated in Japan with limited liability)

Stock Code: 6288

**Listing of Hong Kong  
Depository Receipts  
by Introduction**

\* For identification  
purpose only





**IMPORTANT**

*If you are in any doubt about any of the contents of this listing document, you should obtain independent professional advice.*



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(Stock code: 6288)

**SECONDARY LISTING OF DEPOSITARY RECEIPTS  
ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED  
BY WAY OF INTRODUCTION**

**Sole Sponsor**

**Morgan Stanley**

**Morgan Stanley Asia Limited**

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This listing document is published in connection with the admission to secondary listing of the HDRs representing the shares of Fast Retailing Co., Ltd. on the Main Board of the Hong Kong Stock Exchange by way of introduction. The Shares are presently listed on the Tokyo Stock Exchange. Each HDR will represent an ownership interest in 0.01 Share.

This listing document contains particulars which are given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules and is solely for the purpose of providing information with regard to the Company and its subsidiaries.

**This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares, HDRs or other securities of the Company, nor have any such Shares, HDRs or other securities been allotted with a view to any of them being offered for sale to or subscription by the public. No new Shares in the capital of the Company will be allotted and issued in connection with, or pursuant to, this listing document. The Shares and the HDRs have not been and will not be registered under the US Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold in the United States.**

Your attention is drawn to the section headed "Risk Factors" in this listing document.

Information regarding the proposed arrangements for the secondary listing and the registration of, and for dealings and settlement of dealings in, the HDRs on the Hong Kong Stock Exchange following the Introduction is set out in the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement" in this listing document.

February 14, 2014

\* For identification purposes only

## EXPECTED TIMETABLE <sup>1,2</sup>

Announcement published on the Hong Kong Stock Exchange disclosing designated broker identity number . . . . .	February 28, 2014
Announcements published on the Hong Kong Stock Exchange disclosing the previous day closing price of the Shares on the Tokyo Stock Exchange and any recent developments and updates with regard to the liquidity arrangements . . . . .	February 28, 2014 to March 5, 2014
Dealings in the HDRs on the Hong Kong Stock Exchange expected to commence at . . . . .	9.00 a.m. on March 5, 2014

Notes:

1. All times refer to Hong Kong local time. Note that each of these times may be subject to change.
2. We will publish a separate announcement in the South China Morning Post, the Hong Kong Economic Times, the website of the Hong Kong Stock Exchange and our Company's website if there is any revision to the above timetable.

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## IMPORTANT NOTICE TO INVESTORS

*The Company has not authorized anyone to provide you with information or make any representation that is different from what is contained in this listing document in respect of the Introduction.*

*Any such information or representation must not be relied on by you as having been authorized by the Company, any other member of the Group, the Sole Sponsor, any of their respective directors, officers, employees, agents or advisers or any other person involved in the Introduction. No action has been taken to permit a public offering of the Shares or the HDRs in any jurisdiction or the distribution of this listing document in any jurisdiction other than Hong Kong.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that might be important to you. You should read this listing document in its entirety, including the Appendices hereto which constitute an integral part of this listing document, before coming to any decision in respect of the HDRs.*

*There are risks associated with any investment. Some of the particular risks relevant to the HDRs are summarized in the section headed "Risk Factors" in this listing document.*

## OVERVIEW

Our Company is a Japanese retail holding company whose Shares are listed on the TSE and we are a retailer of quality clothing for men, women, children and infants. Our Shares were first listed on the Hiroshima Stock Exchange in July 1994 before moving to the Second Section of the TSE in April 1997 and subsequently progressing to the First Section of the TSE in February 1999. As at the Latest Practicable Date, our Company had a market capitalization of approximately ¥3.67 trillion (HK\$282 billion).

Our Company was established in 1963 and the opening of the first UNIQLO store in Japan in 1984 marked the beginning of the development of a fast-growing international brand, business model and corporate growth. In addition to our mainstay UNIQLO brand, we own several other apparel brands, being our Global Brands, which comprise GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand.

According to Euromonitor, we were the largest clothing retailer in the Asia Pacific in 2012, with a 2.2% share of the US\$444.8 billion Asia Pacific clothing market. As at November 30, 2013, we operated a retail network of 856 UNIQLO stores in Japan, 512 UNIQLO stores in other parts of the world and 1,200 Global Brands stores worldwide. During the Track Record Period, our net sales have grown at a CAGR of 18.0%, from ¥820.3 billion for the year ended August 31, 2011 to ¥1,143.0 billion for the year ended August 31, 2013. In particular, our UNIQLO International business experienced strong sales growth at a CAGR of 63.7% during the Track Record Period.

The significant growth of our mainstay UNIQLO brand has been key to our overall corporate success. We believe the growth of the UNIQLO brand has been fueled largely by our determined and long-standing commitment to provide high quality and basic casualwear at affordable prices. UNIQLO's SPA (Speciality store retailer of Private label Apparel) business model has been crucial to our success because it enables us to maintain control over the entire clothes-making process from procurement of materials, product planning, design development and manufacture, through distribution, retail and inventory management. This business model has also enabled us to form close partnerships with leading material manufacturers to jointly develop new functional materials such as our HEATTECH and other product ranges.

Our mainstay UNIQLO brand offers casual apparel that is made for all, regardless of age or gender. In 2001, we began expanding UNIQLO's presence beyond Japan to other parts of Asia, Europe and the United States.

UNIQLO's products range from fleece jackets, cashmere sweaters, Ultra Light Down jackets and vests, to UTs (UNIQLO T-shirts), shirts, sweatshirts and jeans. UNIQLO also designs and manufactures an extensive line of innerwear such as AIRism and HEATTECH. UNIQLO's products are currently offered under the "LifeWear" concept. The term "LifeWear" was first introduced by UNIQLO globally during the launch of its 2013 fall and winter collection, and the term reflects UNIQLO's design approach and focus on customer needs. With its LifeWear products, UNIQLO aims to provide clothing that is innovative,

## SUMMARY

universal in design and of high quality. LifeWear is about offering clothes that promote comfort and enrich lives, allowing customers to create their own individual style.

In addition to our mainstay UNIQLO brand, we have also developed and acquired a range of other apparel labels to expand our brand portfolio and customer base, provide a platform to further the global expansion of UNIQLO and Global Brands, and maximize synergies among Group companies in terms of joint product development, shared superior design capability, and the training of global personnel.

Our low-priced, trend-focused GU casualwear brand was created in 2006 to complement the UNIQLO brand in Japan and is aimed at satisfying Japanese consumers' demand for low-priced fast fashion. Following strong growth in Japan, GU recently opened its first international store in Shanghai in September 2013. We also own several other brands as part of our Global Brands business, comprising Theory (originally launched in the United States), French fashion labels Comptoir des Cotonniers and Princesse tam.tam and the US-based premium denim label J Brand. We continue to explore the acquisition of new brands which we believe could complement our expanding global infrastructure and apparel experience, and which we believe have the potential to become internationally recognized brands.

Our corporate philosophy, the "Fast Retailing Way", designed and promoted by our current Chairman, President and CEO Mr. Tadashi Yanai, is underpinned by our corporate statement: "Changing clothes. Changing conventional wisdom. Change the world". We believe that this statement encompasses our commitment to create quality clothing.

As our international presence develops, our ultimate aim is to become a truly global company with Japanese origins. We aim to promote traditional Japanese qualities of attention to customer service and quality control. We are also committed to nurturing global personnel with strong global aspirations and making a focused contribution to societies around the world through the use of clothes for emergency aid, social business or to generate funds for broader social projects. We place particular importance on fostering a strong corporate culture and corporate management based on our "Global One" and ZEN-IN KEIEI management principles. Global One encourages employees all over the world to share our corporate ideal and to adopt the best available global method to address any particular issue. Training programs are offered according to ZEN-IN KEIEI, which loosely translates as "everyone is a potential business leader", and these programs are designed to give employees a sense of ownership, enhance their managerial skills, and encourage them to contribute to the development of the global clothing arena.

### **Business Structure and Sales Performance**

Our business is divided into three business segments: UNIQLO Japan, UNIQLO International, and the Global Brands segment which comprises our low-priced GU casualwear brand and our higher-end brands: Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand.

As at November 30, 2013, we operated a total of 856 UNIQLO stores in Japan (837 directly-operated stores and 19 franchise stores), 512 UNIQLO International stores and 1,200 Global Brands stores worldwide.

## SUMMARY

Below is a table showing net sales, segment income and the number of stores for our UNIQLO Japan, UNIQLO International and Global Brands business segments during the Track Record Period.

	Net Sales (¥ millions)			Segment Income (¥ millions)			Number of Stores			
	For the years ended August 31,			For the years ended August 31,			As at August 31,			As at November 30,
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2013
UNIQLO										
Japan . . .	600,148	620,063	683,314	106,217	102,347	96,852	843	845	853	856
UNIQLO										
International	93,717	153,176	251,191	8,952	10,999	18,350	181	292	446	512
UNIQLO										
(Total) . . .	693,865	773,239	934,505	115,169	113,346	115,202	1,024	1,137	1,299	1,368
Global										
Brands . . .	124,065	153,031	206,234	8,789	14,539	17,463	1,064	1,085	1,150	1,200

*Note:*

Our consolidated net sales data includes sales from the UNIQLO Japan, UNIQLO International and Global Brands segments, as well as sales from the Company.

Our global headquarters is located in Tokyo, Japan, and is primarily responsible for supporting global strategic business development, marketing and brand management, financial management, recruitment and training, internal controls, evaluation of sales and budgeting targets, relationships with suppliers and monitoring the performance of our brands. We also have four regional headquarters in Paris, Shanghai, Singapore and New York.

### OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth are attributable to the following competitive strengths:

- Growing recognition of UNIQLO as an international brand
- Leading clothing retailer in Asia, the world's largest and fastest growing market
- Strong portfolio of established brands
- Creating a strong platform for global expansion and long-term growth
- High quality clothing, innovation and exceptional customer value
- A Leading SPA: Optimized, highly integrated supply chain and distribution capabilities
- Experienced senior management team and strong corporate culture

### OUR STRATEGIES

Our key strategies are to:

- Increase store size and open large format stores to enhance our brand image in Japan
- Significantly expand UNIQLO's presence internationally

## SUMMARY

- Expand our GU brand concept of trendy and fun fashion at low prices in Japan and Asia
- Further develop our portfolio of higher-end brands
- Expand our digital platform

### RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” in this listing document carefully. Some of the major risks we face include:

- Our efforts to expand internationally, especially in Asia, may not be successful.
- Our international expansion plans may strain our resources and adversely affect our operations.
- Our UNIQLO business is dependent on third-party manufacturers, particularly manufacturers located in China, for the production of all of our apparel and accessories and we face risks associated with our procurement operations abroad.
- Fluctuations in currency exchange rates may lead to volatility in our results of operations.
- Significant fluctuations in currency exchange rates between the Japanese yen and foreign currencies may result in an increase in our cost of sales.
- Our business success has been driven by our Chairman and certain key senior personnel.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary financial information from our consolidated balance sheets as at, and the consolidated statements of income and consolidated statements of comprehensive income for the years ended, August 31, 2011, 2012 and 2013 set forth below is derived from the Accountants’ Report included in Appendix I in this listing document, and should be read in conjunction with the Accountants’ Report and with “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations”.



## SUMMARY

The following table presents selected data from our audited consolidated statements of income and consolidated statements of comprehensive income for the fiscal years ended August 31, 2011, 2012 and 2013.

	Year ended August 31		
	2011	2012	2013
	(¥ millions)		
Net sales .....	820,349	928,669	1,143,003
Cost of sales .....	<u>394,581</u>	<u>453,202</u>	<u>578,992</u>
Gross profit .....	<u>425,767</u>	<u>475,466</u>	<u>564,011</u>
Selling, general and administrative expenses .....	309,401	349,016	431,091
Operating income .....	116,365	126,450	132,920
Non-operating income .....	1,897	2,121	17,628
Non-operating expenses .....	<u>11,173</u>	<u>3,359</u>	<u>1,569</u>
Ordinary income .....	<u>107,090</u>	<u>125,212</u>	<u>148,979</u>
Extraordinary gains .....	228	327	390
Extraordinary losses .....	<u>13,437</u>	<u>2,149</u>	<u>7,845</u>
Income before income taxes and minority interests .....	<u>93,881</u>	<u>123,390</u>	<u>141,525</u>
Income taxes .....	<u>37,569</u>	<u>48,964</u>	<u>48,268</u>
Income before minority interests .....	<u>56,311</u>	<u>74,426</u>	<u>93,256</u>
Minority interests .....	<u>1,956</u>	<u>2,771</u>	<u>2,879</u>
Net income .....	<u><u>54,354</u></u>	<u><u>71,654</u></u>	<u><u>90,377</u></u>

	Year ended August 31		
	2011	2012	2013
	(¥ millions)		
Income before minority interests .....	56,311	74,426	93,256
Other comprehensive income .....	<u>(4,064)</u>	<u>22,075</u>	<u>112,072</u>
Comprehensive income .....	<u>52,246</u>	<u>96,501</u>	<u>205,329</u>
Comprehensive income attributable to:			
Shareholders of FAST RETAILING CO., LTD. ....	<u>50,328</u>	<u>93,833</u>	<u>199,439</u>
Minority interests .....	<u>1,918</u>	<u>2,667</u>	<u>5,890</u>

## SUMMARY

The following table presents selected data from our audited consolidated balance sheets as at August 31, 2011, 2012 and 2013.

	<b>As at August 31</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	(¥ millions)		
<b>ASSETS</b>			
Current assets .....	369,971	424,516	640,109
Non-current assets .....	163,806	170,586	245,690
 Total assets .....	 <u>533,777</u>	 <u>595,102</u>	 <u>885,800</u>
<b>LIABILITIES</b>			
Current liabilities .....	182,846	173,378	253,966
Non-current liabilities .....	31,020	26,831	52,243
 Total liabilities .....	 <u>213,866</u>	 <u>200,210</u>	 <u>306,209</u>
<b>NET ASSETS</b>			
Stockholders' equity .....	369,070	418,905	482,495
Accumulated other comprehensive income .....	(54,339)	(32,160)	76,901
Subscription rights to shares .....	510	755	1,170
Minority interest .....	4,670	7,392	19,024
 Total net assets .....	 <u>319,911</u>	 <u>394,892</u>	 <u>579,591</u>
 Total liabilities and net assets .....	 <u>533,777</u>	 <u>595,102</u>	 <u>885,800</u>

## SUMMARY

The following table presents certain key ratios and measures as at and for the fiscal years ended August 31, 2011, 2012 and 2013.

	August 31		
	2011	2012	2013
¥ millions (except where specified)			
EBITDA <sup>1</sup> .....	115,714	148,196	171,147
Interest-bearing debt .....	28,263	23,187	37,259
Free cash flow <sup>2</sup> .....	30,515	92,329	35,538
Capital expenditures .....	33,993	40,184	39,681
<b>Reference indices:</b>			
Operating income margin (%) .....	14.2	13.6	11.6
ROE (%) <sup>3</sup> .....	18.1	20.4	19.1
Equity ratio (%) <sup>4</sup> .....	59.0	65.0	63.2
Debt-equity ratio (%) <sup>5</sup> .....	9.0	6.0	6.7
Dividend payout ratio (%) <sup>6</sup> .....	33.7	37.0	32.7
<b>Other data:</b>			
Total number of stores <sup>7</sup> .....	2,088	2,222	2,449
Directly-operated stores in Japan .....	1,213	1,250	1,331
Directly-operated stores overseas .....	491	589	743
Total sales floor space (sq.m) <sup>8</sup> .....	938,896	1,170,353	1,387,367
Number of full-time employees .....	14,612	18,854	23,982

**Notes:**

1. EBITDA for any year is calculated as the sum of income before income taxes and minority interests, interest expenses, ordinary depreciation and amortization and amortization of goodwill. Under JGAAP, income before taxes and minority interests includes non-operating items such as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses. EBITDA is not a measurement of financial performance or liquidity under JGAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with JGAAP or as an alternative to cash flow from operating activities as measures of liquidity. In addition, EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. See the section headed "Financial Information — Non-JGAAP Financial Measures" in this listing document for a reconciliation of our income before taxes and minority interests for the year under JGAAP to our definition of EBITDA.
2. Free cash flow is calculated as net cash from operating activities, less net cash used in investing activities.
3. Return on equity is calculated as net income divided by period average total net assets attributable to shareholders of the Company less subscription rights to shares.
4. Equity ratio is calculated as total net assets attributable to shareholders of the Company less subscription rights to shares divided by total assets.
5. Debt-equity ratio is calculated as total interest-bearing debt divided by total net assets attributable to shareholders of the Company less subscription rights to shares.
6. Dividend payout ratio is calculated as cash dividends per share divided by basic net income per share.
7. Including franchise stores.
8. Total sales floor space includes only directly-operated stores.

### DISCLOSURE OF FINANCIAL GUIDANCE

The Financial Guidance has been prepared in accordance with guidelines published by the TSE and in line with market practice of other Japanese listed companies. The TSE strongly encourages the publication of financial guidance that is useful to investors. In accordance with such guidelines and practice, we disclose consolidated financial guidance for the current fiscal year as part of our financial results announcements and investor presentations and have done so for more than a decade. We also typically update our consolidated financial guidance on a quarterly basis and investors should refer to the

## SUMMARY

latest results announcements and investor presentations published by us. Unless required to do so, we will not update the Financial Guidance in this listing document.

You should also take note of the specific nature and purpose of the Financial Guidance as set out in the section headed “Disclosure of Financial Guidance” in this listing document.

### **Financial Guidance for the Six Months ending February 28, 2014 and the Fiscal Year ending August 31, 2014**

	Six months ending February 28, 2014		Year ending August 31, 2014	
	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>
Net sales . . . . .	728.5	18.5	1,322.0	15.7
Gross profit . . . . .	370.5	21.9	675.5	19.8
<i>to net sales (%)</i> . . . . .	50.9		51.1	
Selling, general and administrative expenses . . . . .	266.5	28.6	519.5	20.5
<i>to net sales (%)</i> . . . . .	36.6		39.3	
Operating income . . . . .	104.0	7.6	156.0	17.4
<i>to net sales (%)</i> . . . . .	14.3		11.8	
Ordinary income . . . . .	103.5	-4.0	155.0	4.0
<i>to net sales (%)</i> . . . . .	14.2		11.7	
Extraordinary gains or losses . . . . .	N/A <sup>1</sup>		-6.0	
Net income . . . . .	63.5	-3.0	92.0	1.8
<i>to net sales (%)</i> . . . . .	8.7		7.0	
			<b>¥ 902.85</b>	
			58.4	
			26.2	
			6.0	

**Notes:**

1. We have not provided any guidance for extraordinary gains or losses for the six months ending February 28, 2014.
2. This includes purchase of property, plant and equipment, purchase of intangible assets, payments for lease and guarantee deposits, and an increase in construction assistance fund receivables.

### **RECENT DEVELOPMENTS**

Based on our preliminary monthly sales bulletin, net sales for our UNIQLO Japan operations for the months ended December 31, 2013 and January 31, 2014 increased by approximately 4.1% and 18.0%, respectively, as compared to the same period in the previous year.

Under the TSE Listing Regulations, we are required to publish selected financial information based on our unaudited consolidated management accounts (which are prepared in accordance with JGAAP) as of and for the three months ended November 30 of each year. Because we published such information on the TSE prior to the date of this listing document, we have included a condensed discussion of our financial performance and position for the three months ended November 30, 2013 as compared to the three months ended November 30, 2012. See the section headed “Financial Information – Recent Developments” in this listing document.



## SUMMARY

We continued to experience growth during the three months ended November 30, 2013. The following represents our management's analysis on our results of operations for the three months ended November 30, 2013. Our Directors are responsible for the preparation and presentation of the unaudited consolidated management accounts of our Group for the three months ended November 30, 2013 in accordance with JGAAP. Our consolidated management accounts for the three months ended November 30, 2013 are unaudited but have been reviewed by our reporting accountants, Ernst & Young ShinNihon LLC in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as promulgated by the International Auditing and Assurance Standards Board.

The following table presents selected data from our unaudited consolidated statements of income for the three months ended November 30, 2012 and 2013.

	<b>Three months ended November 30</b>	
	<b>2012</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(¥ billions)</b>	
Net sales . . . . .	318.1	389.0
Gross profit . . . . .	161.6	199.6
Selling, general and administrative expenses . . . . .	105.0	135.5
Operating income . . . . .	56.6	64.0
Ordinary income . . . . .	59.7	68.6
Net income . . . . .	38.4	41.8

As at the Latest Practicable Date, there had been no material adverse change to our business and results of operations.

### **SECONDARY LISTING OF DEPOSITARY RECEIPTS BY WAY OF INTRODUCTION**

Our Shares are listed on the TSE. We are seeking the admission of the HDRs to secondary listing on the Main Board of the Hong Kong Stock Exchange by way of introduction, which does not require the approval of our Shareholders. For further details, see the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement" in this listing document.

We believe that a secondary listing on the Hong Kong Stock Exchange will enable us to achieve the following purposes:

- to offer Hong Kong investors the opportunity to invest in Hong Kong dollar denominated securities of our Company;
- to demonstrate our commitment to, and focus on, Asia; and
- to further improve our exposure to investors and customers in the rapidly growing Asian market including China.

The grant of the admission of the HDRs to secondary listing on the Main Board of the Hong Kong Stock Exchange will be conditional on us maintaining the primary listing of our Shares on the TSE. Each HDR will represent an ownership of 0.01 Shares.

## SUMMARY

We are primarily governed by the laws of Japan. The laws and regulations of Japan differ in a number of respects from comparable laws and regulations in Hong Kong. See “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 13. Large Shareholding Report” and “Appendix V – Waivers” in this listing document. There are certain differences between the shareholder protection regimes in Japan and Hong Kong.

### **PRINCIPAL TERMS OF THE DEPOSIT AGREEMENT**

JPMorgan Chase Bank, N.A., as the Depositary, will issue HDRs representing the HDSs to investors in the HDRs pursuant to the Secondary Listing. Under the Deposit Agreement, the Depositary is appointed to act on our behalf in accordance with its terms. The Depositary’s role is to issue the HDRs as our agent and to arrange for deposit of the HDSs which the HDRs represent.

The terms of the HDRs and the Deposit Agreement will cover the following:

- the distribution of Share dividends and other distributions to the HDR Holders;
- the deposit, withdrawal and cancellation of HDRs;
- the voting right of the HDR Holders;
- the amendment and termination of the Deposit Agreement;
- the limitations on obligations and liability to HDR Holders; and
- the disclosure of interest in HDSs.

For details of the terms of the HDRs and the terms of the Deposit Agreement, see the section headed “Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement” in this listing document.

### **SHAREHOLDER PROTECTIONS IN JAPAN**

As a company incorporated under the laws of Japan and listed on the TSE, our Shareholder protection system consists of shareholder protection measures that exist under Japanese laws and regulations, as well as those voluntarily adopted by our Company, which include: (1) supervision and regulation in Japan pursuant to the requirements of J-SOX, (2) corporate governance and shareholder protection policies established in accordance with the requirements of Japanese law and the TSE Listing Regulations, (3) regulations of the TSE and the FIEA and (4) protections under the Companies’ Act and FIEA. See “Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences Between the Hong Kong and Japanese Regimes in Respect of Shareholder Protection Matters — Shareholder Protections in Japan” in this listing document.

### **MAJOR OBLIGATIONS OF HDR HOLDERS UNDER JAPANESE LAW**

The major obligations of a HDR Holder under Japanese law are governed by, among others, the Foreign Exchange Act, the Takeover Regulations of Japan, certain filing requirements under the FIEA (including large shareholding reports and sale-purchase reports) and Japanese tax laws. For more information regarding the major obligations and possible consequences of non-compliance with such laws, see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters”.

#### **The Foreign Exchange Act**

Pursuant to the Foreign Exchange Act, a foreign investor, which might include a HDR Holder, who acquires listed shares which amount to 10% or more of a company’s total issued shares, is required to

## SUMMARY

make a subsequent report on such acquisition to the Minister of Finance and other ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If such foreign investor fails to make a subsequent report or makes a false subsequent report, the foreign investor may be punished by imprisonment for not more than six months or a fine of not more than ¥500,000. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor acquires shares without a prior filing or makes prior filing containing a misstatement, the foreign investor may be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both. See “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 10. Exchange Control” in this listing document.

### Takeover Regulations

Pursuant to the FIEA, as a general rule no person may purchase shares of a listed company outside of a stock exchange in Japan, if the aggregate voting right ratio after such purchase exceeds certain thresholds, and without commencing a statutory takeover bid proceeding by submitting a takeover bid registration statement and publicizing a takeover bid announcement. If a person, which might include a HDR Holder, has failed to submit a takeover bid registration statement or to publicize a takeover bid announcement, the person shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both. Also, if a person, which might include a HDR Holder, submits a takeover bid registration statement and publicizes a takeover bid announcement containing a misstatement, the person shall be punished by imprisonment for not more than ten years or by a fine of not more than ¥10 million, or both. See “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 12. Takeover Regulation in Japan” in this listing document.

### DIVIDEND POLICY

We believe that returning profits to Shareholders is one of our most important objectives. We have paid and declared dividends for the years ended August 31, 2011, 2012 and 2013 in the aggregate amount of ¥180, ¥260 and ¥290 per Share, respectively. Our policy is to offer dividends that closely reflect our business performance. We use profits to fund future business expansion, with the aim of retaining any remaining earnings to ensure healthy finances and provide good Shareholder returns. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant, and will be subject to the approval of our Board of Directors. Our ability to pay dividends is also subject to our Company having sufficient distributable reserves. For the years ended August 31, 2011, 2012 and 2013, our Board of Directors approved the payment of dividends out of our distributable reserves of ¥233 billion, ¥267 billion and ¥319 billion, respectively. There is no assurance that dividends of any amount will be declared or distributed in any given year.

Pursuant to the Companies Act and our Articles of Incorporation, through a resolution of the Board of Directors, we may declare dividends to our Shareholders subject to a limit equal to the distributable amount at the time of such resolution. Our distributable amount is calculated based on the retained earnings (*joyo kin*) recorded in the Company’s non-consolidated financial statements with certain adjustments (including the deduction of the book value of any Treasury Stock held by the Company). Cash dividends on our Shares, if any, will be paid in Japanese yen, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to HDR Holders who are residents in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable.

## DEFINITIONS

*In this listing document, unless the context otherwise requires, the following expressions shall have the following meanings.*

<b>“Accounting Auditors”</b>	Ernst & Young ShinNihon LLC
<b>“AGM”</b>	annual general meeting of our Company
<b>“Articles of Incorporation” or “Articles”</b>	our articles of incorporation that were adopted by our Shareholders on May 1, 1963 (as amended from time to time), the principal provisions of which are summarized in Appendix IV in this listing document
<b>“associate(s)”</b>	unless the context requires otherwise, has the meaning set out in the Listing Rules
<b>“Board of Directors” or “Board”</b>	the board of directors of the Company
<b>“Board of Statutory Auditors”</b>	our board of Statutory Auditors
<b>“Book-Entry Act”</b>	the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc of Japan (Act No. 75 of 2001, as amended)
<b>“Business Day”</b>	any day that is a Hong Kong Business Day or a Japanese Business Day (as the case may be)
<b>“CAGR”</b>	compound annual growth rate
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC
<b>“CCASS Clearing Participant”</b>	a person admitted to participate in CCASS as a direct clearing or a general clearing participant
<b>“CCASS Custodian Participant”</b>	a person admitted to participate in CCASS as a custodian participant
<b>“CCASS Investor Participant”</b>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
<b>“CCASS Participant”</b>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<b>“CCASS Rules”</b>	the General Rules of CCASS and CCASS Operational Procedures as amended, supplemented or otherwise modified from time to time
<b>“China” or “PRC”</b>	the People’s Republic of China, excluding, for the purpose of this listing document only, Hong Kong, Macau and Taiwan, unless otherwise specified
<b>“Commercial Code”</b>	the Commercial Code of Japan (Act No. 48 of 1899, as amended), a part of which was consolidated into the Companies Act in 2005



## DEFINITIONS

<b>“Company” or “our Company”</b>	FAST RETAILING CO., LTD., a company incorporated in Japan with limited liability on May 1, 1963
<b>“Companies Act”</b>	the Companies Act of Japan (Act No. 86 of 2005, as amended)
<b>“Companies Ordinance”</b>	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
<b>“Compensation Rules”</b>	rules promulgated by the Board of Directors for the compensation of the Company’s officers
<b>“Consolidated Financial Statements Rule”</b>	Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Finance Ministerial Order the 28 <sup>th</sup> , 1976)
<b>“Controlling Shareholders”</b>	has the meaning set out in the Listing Rules, and in the context of our Company, collectively refers to Mr. Tadashi Yanai, Mr. Kazumi Yanai, Mr. Koji Yanai, Ms. Teruyo Yanai, TTY Management B.V., Fight & Step Co., Ltd. and MASTERMIND Co., Ltd.
<b>“Custodian”</b>	Sumitomo Mitsui Banking Corporation, who has been nominated by the Depositary to hold the HDSs, or any successor appointee from time to time
<b>“Deposit Agreement”</b>	the deposit agreement entered into between the Company and the Depositary on January 17, 2014 in relation to the HDRs
<b>“Depositary”</b>	JPMorgan Chase Bank, N.A., in its capacity as depositary for the HDRs, or any successor appointee in that capacity from time to time
<b>“Designated Dealer”</b>	Morgan Stanley Hong Kong Securities Limited
<b>“Designated Period”</b>	the period of one month from the date of commencement of trading in the HDRs on the Hong Kong Stock Exchange
<b>“DGLFB”</b>	the director general of the local finance bureau in Japan
<b>“Director(s)”</b>	the director(s) of our Company or any one of them
<b>“EDINET”</b>	Electronic Disclosure for Investors’ NETwork, a public disclosure system for securities documents in Japan
<b>“EY Japan”</b>	Ernst & Young ShinNihon LLC
<b>“Euro” or “EUR”</b>	Euros, the lawful currency of the member states of the European Union
<b>“Euromonitor”</b>	Euromonitor International, an Independent Third Party provider of business intelligence on business, countries and consumers

## DEFINITIONS

<b>“FIEA”</b>	the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended)
<b>“Financial Guidance”</b>	our consolidated financial guidance in respect of the six months ending February 28, 2014 and the fiscal year ending August 31, 2014, as included in our results announcement and investor presentation dated October 10, 2013 and revised on January 9, 2014
<b>“FSA”</b>	the Financial Services Agency of Japan
<b>“FY”</b>	fiscal year ended or ending August 31, as the case may be
<b>“Global Brands”</b>	the brands operated by the Group other than UNIQLO
<b>“Great East Japan Earthquake”</b>	an earthquake that occurred on March 11, 2011 in the Tohoku district, northeast of Tokyo which had a magnitude of 9.0 on the Richter scale
<b>“Group”, “our Group”, “we”, “our” or “us”</b>	our Company and its subsidiaries
<b>“HDR(s)”</b>	Hong Kong depositary receipt(s) of our Company
<b>“HDR Holder(s)”</b>	a registered holder of any HDR(s), being their legal owner
<b>“HDR Registrar”</b>	Computershare Hong Kong Investor Services Limited or any successor appointee from time to time
<b>“HDS(s)”</b>	Hong Kong depositary shares, representing the Shares deposited with the Custodian for the account of the Depositary
<b>“HK\$” or “HK dollars” and “HK cents”</b>	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
<b>“HKSCC Nominees”</b>	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Business Day”</b>	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
<b>“Hong Kong-Japan Tax Treaty”</b>	the Agreement between the Government of the Hong Kong Special Administrative Region of the People’s Republic of China and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income dated November 9, 2010 which came into effect in Japan on August 14, 2011
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

<b>“IFRS”</b>	International Financial Reporting Standards
<b>“Independent Third Party”</b>	an individual or a company who is not connected (within the meaning of the Listing Rules) with our Company or the directors, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
<b>“Introduction”</b>	the admission of the HDRs to secondary listing and trading on the Main Board of the Hong Kong Stock Exchange
<b>“IOSCO”</b>	International Organization of Securities Commission
<b>“JASDAQ”</b>	Japan Association of Securities Dealers Automated Quotation System
<b>“JASDEC”</b>	Japan Securities Depository Center, Inc.
<b>“JGAAP”</b>	generally accepted accounting principles in Japan
<b>“Japanese Business Day”</b>	any day (other than a Saturday, Sunday or public holiday) on which banks in Japan are generally open for normal banking business
<b>“Joint Policy Statement”</b>	the Joint Policy Statement Regarding the Listing of Overseas Companies jointly issued by the Hong Kong Stock Exchange and the SFC on September 27, 2013
<b>“J-SOX”</b>	a legislative framework that obliges all listed companies in Japan to strengthen internal controls and ensure full and accurate disclosure of financial information, and provides additional rules and guidelines for the Statutory Auditors to follow
<b>“Latest Practicable Date”</b>	February 4, 2014, being the latest practicable date prior to the printing of this listing document for the purpose of ascertaining certain information contained in this listing document
<b>“Listing Committee”</b>	the Listing Committee of the Hong Kong Stock Exchange
<b>“Listing Date”</b>	the date, expected to be on or about March 5, 2014, on which the HDRs are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“Major Subsidiaries”</b>	those subsidiaries of our Company identified as material to our operations, details of which are set out in Appendix VII in this listing document
<b>“OSE”</b>	the Osaka Securities Exchange

## DEFINITIONS

<b>“Personal Information Protection Law”</b>	the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended)
<b>“Related Parties”</b>	as defined in Article 15-4 of the Consolidated Financial Statements Rule
<b>“Related Party Transactions”</b>	as defined in Article 15-4-2, paragraph 1 of the Consolidated Financial Statements Rule
<b>“Reporting Accountants”</b>	Ernst & Young ShinNihon LLC
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SARs”</b>	share acquisition rights ( <i>shinkabu yoyakuken</i> ) under the Companies Act or the Commercial Code
<b>“Secondary Listing”</b>	the secondary listing we are seeking for our HDRs on the Main Board of the Hong Kong Stock Exchange
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) of our Company
<b>“Shareholder(s)”</b>	holder(s) of Shares
<b>“Sole Sponsor”</b>	Morgan Stanley Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance and Type 9 (asset management) regulated activities under the SFO
<b>“Sponsor Agreement”</b>	the agreement entered into between the Sole Sponsor and the Company dated February 12, 2014 in connection with the Introduction
<b>“SRS”</b>	securities registration statement under the FIEA
<b>“Statutory Auditor(s)”</b>	the statutory auditor(s) of our Company or any one of them. See the section headed “Directors and Senior Management — Board of Statutory Auditors” in this listing document
<b>“Statutory Transaction”</b>	a merger, corporate split, share exchange, share transfer, business transfer and business assumption pursuant to the Companies Act
<b>“Stock Options”</b>	share options including SARs and share subscription rights issued or assumed by the Company and the consolidated subsidiaries of the Company in accordance with the Commercial Code or the Companies Act (depending on the time of issue)



## DEFINITIONS

<b>“Substantial Shareholder”</b>	has the meaning set out in the Listing Rules, and in the context of our Company, refers to Mr. Tadashi Yanai
<b>“Third Party Allotment”</b>	the issue and allotment of shares or SARs to specific persons (whether or not they are shareholders) by a Japanese company pursuant to Articles 199 and 201(1) of the Companies Act
<b>“Takeovers Code”</b>	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time)
<b>“Track Record Period”</b>	the periods comprising the three fiscal years ended August 31, 2011, 2012 and 2013
<b>“Treasury Stock”</b>	Shares repurchased in treasury pursuant to Article 155 of the Companies Act which do not carry any voting rights
<b>“TSE”</b>	the Tokyo Stock Exchange
<b>“TSE Listing Regulations”</b>	the Listing Regulations of the TSE
<b>“UNIQLO Japan”</b>	the UNIQLO brand operated by the Company in Japan
<b>“UNIQLO International”</b>	the UNIQLO brand operated by the Company in countries other than Japan
<b>“US” or “United States”</b>	United States of America
<b>“US\$” or “dollars”</b>	United States dollars, the lawful currency of the United States
<b>“US GAAP”</b>	United States generally accepted accounting principles
<b>“¥” or “Yen”</b>	Japanese yen, the lawful currency of Japan

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this listing document as they relate to the Group's business. Some of these definitions may not correspond to standard industry definitions.*

<b>"AIRism"</b>	a product line of UNIQLO that uses a high performance lightweight fabric that offers odor control functions and the ability to quickly absorb and release trapped moisture and stay cool to the touch
<b>"fast fashion"</b>	a term used to refer to the manufacture and design (on an accelerated design, production and distribution cycle) of clothing and accessories which are based on the latest fashion trends and typically offered at a lower price to mainstream consumers
<b>"HEATTECH"</b>	a product line of UNIQLO that uses a fabric developed by TORAY INDUSTRIES, INC. that offers heat retention, odor control, stretchable and anti-static properties
<b>"large format stores"</b>	UNIQLO stores with a sales floor space ranging from 1,200 to 3,300 square meters and, which include stores operating under the format of a global flagship store, megastore or global hotspot store
<b>"SPA"</b>	Specialty store retailer of Private label Apparel
<b>"Ultra Light Down"</b>	a lightweight down jackets product line of UNIQLO that features shells using ultra-fine high density nylon fabric

## FORWARD-LOOKING STATEMENTS

Certain statements in this listing document are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will” “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “guidance”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking, may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this listing document), uncertainties and other factors, some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations;
- our capital expenditure programs and future capital requirements;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- general economic conditions in Japan, China, the US, Europe and globally;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this listing document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this listing document. Any such intentions may change in light of future developments.

As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this listing document are expressly qualified by reference to this cautionary statement.

## RISK FACTORS

*Holding the HDRs is subject to a number of risks. You should carefully consider all of the information in this listing document, including, but not limited to, the risk factors described below. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The occurrence of any of the risks and uncertainties described below could cause the market price of Shares and/or the HDRs to fall significantly. Additional risks and uncertainties not presently known to us or which we deem immaterial may arise or become material in the future and may have a material adverse effect on the Group.*

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our businesses; (ii) risks relating to conducting business in Japan; and (iii) risks relating to the Introduction, the Secondary Listing and the HDRs. Additional risks and uncertainties not presently known to us, or that we deem immaterial, may also harm our results of operations, financial condition or business.

### **RISKS RELATING TO OUR BUSINESSES**

#### **Our efforts to expand internationally, especially in Asia, may not be successful.**

We currently plan to open additional UNIQLO stores outside of Japan, especially in Asia. We have limited experience operating in some countries in Asia. In many of such countries, we face major, established competitors. In addition, in many of these locations, the real estate, employment and labor, transportation and logistics, regulatory, and other operating requirements differ significantly from those in the places where we have experience. Moreover, we recognize a number of factors that could have an adverse impact on the Group's business results if our efforts to expand internationally are not successful. These factors include changes in market needs and product trends, economic fluctuations, political and social turbulence, changes in legal regulations or other conditions and difficulties in employing and training appropriate management and local employees.

#### **Our international expansion plans may strain our resources and adversely affect our operations.**

As we expand internationally, we may incur significant costs related to starting up and maintaining operations in countries where we have no or very few operations. Costs may include, but are not limited to, obtaining prime locations for stores, setting up new warehouses and hiring experienced management. For the fiscal years ended August 31, 2011, 2012 and 2013, we incurred capital expenditures of ¥33.9 billion, ¥40.1 billion and ¥39.6 billion, respectively, primarily for the expansion of the store network for UNIQLO Japan and UNIQLO International. Compared with Japan, where we have significant operations to open and operate new stores successfully, there are more challenges for us to:

- manage costs of securing sites for new stores;
- dispatch store managers to locations outside of Japan;
- expand our infrastructure to accommodate growth;
- hire, train and retain suitable employees; and
- manage inventory effectively to meet the needs of new and existing stores on a timely basis.

Our international expansion plans will place increased demands on our operational, managerial and administrative resources. These increased demands may cause us to operate our business less efficiently, which in turn could cause deterioration in the performance of our existing businesses and could have a material adverse effect on our financial condition, results of operations or business.

## RISK FACTORS

**Our UNIQLO business is dependent on third-party manufacturers, particularly manufacturers located in China, for the production of all of our apparel and accessories and we face risks associated with our procurement operations abroad.**

UNIQLO currently outsources the production of all of its apparel and accessories to third-party manufacturers located in China, Vietnam, Bangladesh and elsewhere in Asia.

As UNIQLO grows, it may not be able to find sufficient additional third-party manufacturers to manufacture its products on the same or similar terms as its existing third-party manufacturers. The percentage of purchases of the Group attributable to our top five suppliers of the Group for the years ended August 31, 2011, 2012 and 2013 was 62.6%, 63.1% and 60.2%, respectively. In addition, while UNIQLO has historically engaged third-party manufacturers, its existing third-party manufacturers may decide not to accept its purchase orders on the same or similar terms, or at all in the future. As some of its third-party manufacturers also produce products for other companies that compete with UNIQLO, its third-party manufacturers may not treat its purchase orders as a priority when allocating their production capacity to their various customers.

Difficulties or delays in the production process of UNIQLO's third-party manufacturers could result in delays or failures in delivery of products to it or the production of poor quality products. If such events occur, UNIQLO may not be able to deliver products to its retail stores on a timely basis or at all. In addition, a third-party manufacturer's inability to ship orders in a timely manner or to meet UNIQLO's quality standards could cause delays in responding to consumer demands, negatively affect consumer confidence in the quality and value of its brands and/or negatively impact its competitive position, all of which could have a material adverse effect on our financial condition, results of operations or business.

Furthermore, we are susceptible to increases in sourcing costs from manufacturers which UNIQLO may not be able to pass on to its customers. In such cases, UNIQLO may have to seek alternative manufacturing sources, which may not be available or may not be located on a timely basis or on satisfactory terms. The occurrence of any of these problems individually, or any combination thereof, could have a material adverse effect on our financial condition, results of operations or business.

UNIQLO purchases the majority of its products outside of Japan, either directly from partner factories outside of Japan, primarily in China and elsewhere in Asia, or indirectly from trading companies in Japan. A major change in the political, economic or legal environment, or a natural disaster in any of these countries could have an impact on its ability to supply products and may result in material adverse effects on our financial condition, results of operations or business.

**Fluctuations in currency exchange rates may lead to volatility in our results of operations.**

We prepare our consolidated financial statements in Japanese yen for reporting purposes. Foreign currency-denominated amounts such as the US dollar, Euro, RMB and other foreign currencies are translated into Japanese yen. We operate primarily in Japan, but we conduct a considerable amount of business overseas, in transactions or with revenues denominated in foreign currencies, particularly the US dollar, Euro, Hong Kong dollar and RMB. Foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the Japanese yen against the currencies in which these cash and cash equivalents are denominated. As a result of the appreciation of the Japanese yen, we recognized foreign exchange losses as part of our non-operating expenses of ¥8.3 billion and ¥1.1 billion for the years ended August 31, 2011 and 2012, respectively. For the year ended August 31, 2013, we recognized foreign exchange gains as part of our non-operating income of ¥15.5 billion due to the depreciation of the Japanese yen.



## RISK FACTORS

Furthermore, payments made by us for settlement of purchases with suppliers are made in Japanese yen and US dollars. Payments made by our overseas customers are made in the relevant local currency. As a result, fluctuations in currency exchange rates between the Japanese yen and these currencies may result in volatility in our results of operations and may make it difficult or impossible to compare our results of operations from period to period.

### **Significant fluctuations in currency exchange rates between the Japanese yen and foreign currencies may result in an increase in our cost of sales.**

We generally enter into forward currency contracts to hedge our currency exposure in respect of projected future purchases. We had entered into forward currency contracts with contracted amounts of ¥557.3 billion, ¥636.3 billion and ¥925.3 billion as at August 31, 2011, 2012 and 2013, respectively. Any significant fluctuations in currency exchange rates between the Japanese yen and the foreign currencies for which we have entered into forward currency contracts resulting in an increase in our cost of sales may materially and adversely affect our business, financial condition and results of operations.

### **Our business success has been driven by our Chairman and certain key senior personnel.**

Our performance depends significantly on the efforts and abilities of certain key senior personnel, led by our Chairman, President and CEO, Mr. Tadashi Yanai. These individuals have substantial experience and expertise in the clothing and apparel business and have made significant contributions to the continuing growth and success of our business. As our Chairman, President and CEO, Mr. Tadashi Yanai has a strong influence over all aspects of our business, including overall strategy, sales and marketing, design philosophy, logistics and production. Should he or other key members of our senior management team reduce or cease their involvement with us, this could have a material adverse effect on our business and results of operations.

### **Our business is highly competitive.**

We face intense competition in the segments and markets in which we operate. There is a risk that our competitors may develop new products that are more popular with our customers. We may be unable to anticipate the timing and scale of such product introductions by our competitors, which could harm our business. Our ability to compete also depends on the strength of our brands. Should the relative competitive strength of our brands deteriorate, our results of operations could be adversely affected. See the section headed “Business — Competition” in this listing document.

### **We may not be able to successfully identify acquisition targets or complete acquisitions or integrate the acquired businesses.**

Our future success depends partly on our ability to expand our product range, and to increase our market share through organic growth as well as acquisitions. We have expanded and will continue to expand our product range to capture market opportunities by acquiring other brands. If we are unable to identify suitable targets for acquisitions consistent with our strategy or if we fail to successfully integrate the new businesses into our existing business, our financial condition and results of operations could be materially and adversely affected.

Acquisitions in general involve numerous risks and uncertainties, including but not limited to:

- the suitability of the acquisition targets or our ability to complete acquisitions on acceptable terms;

## RISK FACTORS

- the availability, terms and costs of any financing required to make an acquisition;
- delays in securing or inability to secure necessary governmental approval and third-party consents;
- potential negative effects on our liquidity position;
- the diversion of resources and management attention from our existing businesses;
- potential ongoing financial obligations and unforeseen or hidden liabilities of our acquisition targets;
- the costs of and difficulties in integrating acquired businesses, managing enlarged business operations and operating in new markets, regulatory environments and geographic regions;
- our failure to deliver the expected synergies, to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses of an acquisition; and
- dilution of our earnings per Share or decrease in our margins due to the lower profitability of an acquired business.

In addition, international acquisitions involve takeovers, mergers and acquisitions, anti-trust and other laws and regulations of other jurisdictions. Our failure to comply with these foreign laws and regulations may result in a failure to complete the transactions, foreign regulatory actions, litigation and other consequences that could materially and negatively impact us. Our efforts to comply with these laws and regulations may also require us to incur high costs and/or commit more resources. Our failure to address these risks successfully may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

**Our net sales are concentrated on the UNIQLO brand and any failure to maintain the UNIQLO brand may materially and adversely affect our results of operations.**

The UNIQLO brand, through our UNIQLO Japan and UNIQLO International operations, produces the greatest portion of our net sales, contributing 84.6%, 83.3% and 81.8% of our net sales for the years ended August 31, 2011, 2012 and 2013, respectively. While we also find and foster other brands such as GU and Theory as part of our Global Brands business, we intend to continue focusing our resources to further expand our UNIQLO Japan and UNIQLO International businesses. Accordingly, we expect to continue relying strongly on the UNIQLO brand. If we fail to maintain or increase the value of the UNIQLO brand, or if the UNIQLO brand image is damaged for any reason, our business, financial condition and result of operations may be materially and adversely affected.

**Unfavorable fluctuations in the price, availability and quality of raw materials to us and third-party manufacturers that manufacture our products could cause material production delays or materially increase our cost of sales.**

The success of our overall business depends in part on our ability and the ability of third-party manufacturers that manufacture our products to timely obtain sufficient quantities of the necessary raw materials, of sufficient quality, at commercially acceptable prices. We purchase products either directly through partner factories or indirectly through Japanese trading companies, who outsource production to third-party factories. Such raw materials include denim, textiles and other materials used in the processing

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and manufacturing of our apparel and products. Generally, unfavorable fluctuations in price, quality, or availability of necessary raw materials could have a negative effect on our gross profit margins and our ability to deliver our products to the market in a timely manner. If supplies of the necessary raw materials substantially decrease or if there are significant increases in prices of such raw materials, we or our third-party manufacturers may incur additional costs to acquire sufficient quantities of these materials in order to maintain our product offering schedules. Moreover, increases in wages and labor costs in China and other countries in Asia may also lead to material increases in our cost of sales, thereby decreasing our gross profit margins. For the year ended August 31, 2012, our gross profit margin decreased to 51.2% from 51.9% for the year ended August 31, 2011. This decrease was partly attributable to, among other things, the rising cost of sales as cotton and other raw material prices increased along with factory processing fees. Any of the above may materially and adversely harm our business, financial condition, results of operations or reputation.

### **We are subject to risks associated with leasing substantial amounts of space.**

We lease substantially all of our retail stores, our Tokyo office and our distribution facilities from Independent Third Parties. As our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close would materially and adversely affect our results. Retail rent in Japan has shown a declining trend over the past few years. According to the Bank of Japan's retail rent index, the index for average retail rent in Japan declined from 101.5 in January 2005 to 95.2 in December 2013. However, retail rent has shown increases in certain international jurisdictions in which we operate over the past few years. For example, according to the Hong Kong Rating and Valuation Department's private retail rent index, average private retail rent in Hong Kong increased by approximately 5.6% from November 2012 to November 2013.

### **We are subject to certain risks relating to the warehousing and transportation of our products.**

Before delivery of our finished products to our stores, we temporarily store them in leased warehouses in Japan, China and elsewhere in the world. If any accidents, including fires, were to occur, causing damage to our finished products or our warehouses, our ability to supply finished products to our stores on time and our market reputation, financial condition, results of operations or business could be materially and adversely affected.

The delivery of our products to our stores and to our online customers is outsourced to logistics and transportation companies, who are Independent Third Parties. Relying on these Independent Third Parties increases the risk that we may fail to deliver finished products on time. The efficient operation of our stores and e-commerce operations depends on the timely receipt of products from our warehouses. Such logistics services could be suspended and thereby interrupt the supply of our finished products if unforeseen events occur which are beyond our control, such as poor handling of and damage to our finished products, transportation bottlenecks and/or labor strikes. If our finished products are not delivered on time or are delivered in a damaged state, our market reputation could be adversely affected. These Independent Third Parties may also employ personnel who may be represented by labor unions. Disruptions in the delivery of products due to work stoppages by employees or contractors of any of these third parties could delay the timely receipt of products. There can be no assurance that such stoppages or disruptions will not occur in the future. The occurrence of any of these problems alone, or together, could have a material adverse effect on our financial condition, results of operations or business.

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**Our business could suffer if a manufacturer fails to use acceptable labor, environmental and safety practices.**

While we audit and monitor the labor, environmental and safety practices of the manufacturers that produce the products we sell, some of these manufacturers may not comply with applicable laws and regulations. The violation of such laws and regulations by any of these manufacturers, or the divergence of the labor, environmental or safety practices followed by any of these manufacturers from those generally accepted as ethical in Japan or internationally could interrupt, or otherwise disrupt, the shipment of finished products to us, damage our reputation or the reputation of our brands, expose us to negative publicity or media attention and/or subject us to boycotts by our customers or activist groups.

**We rely on our trademarks and other intellectual property rights, and failure to protect our intellectual property rights may affect our ability to compete.**

Our success depends in part on our trademarks and other intellectual property rights. We rely on our ability to protect the intellectual property we own and use in our business. Such protection may be compromised by, among other things, (i) the expiration of the protection period of our registered intellectual property, (ii) infringement by others of our intellectual property rights including, for example, counterfeiting our brands, designs or products, or (iii) delay or refusal by relevant regulatory authorities to approve pending intellectual property registration applications. Any of these events or occurrences may have a material adverse effect on our operations. Any impairment of our ability to continue to sell the products of one or more of our brands, or any significant damage to the image of one or more of our brands, could materially and adversely affect our business, financial condition and results of operations.

**We rely on the proper function of our information systems, and any malfunction over extended periods could adversely affect our business.**

We rely on the uninterrupted operation of our information technology and communications systems, as well as the equivalent systems of our suppliers, for the efficient operation of our business including, but not limited to, the monitoring of inventory levels and the allocation of products to our stores. We cannot assure you that our information systems are always up to date or will always operate without interruption. In addition, we cannot guarantee that the periodic upgrades we perform on our information systems will not cause material disruptions in the proper maintenance of our financial records or timely generation of our sales invoices. Nor can we ensure that the level of security we maintain on our systems is proper and adequate or that our systems can withstand intrusions from or prevent improper usage by third parties or any unauthorized persons. Interruptions to our operations due to any of these reasons may adversely affect our results of operations.

**Our business is seasonal, leaving our operating results particularly susceptible to changes in weather conditions.**

Our net sales are typically higher for the six months ending February 28 of each fiscal year when higher priced fall/winter season items are sold. Any significant decrease in net sales during the fall and winter seasons would have a material adverse effect on us. In addition, to prepare for these seasons, we must order and keep in stock products that have a higher cost of sales than the products we carry during other times of the year. Any unanticipated decrease in demand for our products during these seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, profitability and our brand image with customers.

As a significant amount of our sales are subject to seasonal variations, we stock inventory, adjust our prices and plan sales promotions in part based on these seasonal trends. Unexpected variations in

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typical seasonal weather patterns can result in reduced demand for certain products and adversely affect our sales. For example, in 2012, Japan experienced unusually cool weather in July and August, which affected sales of summer clothing. In the event of unusual weather conditions, we may suffer reduced sales and overstock of inventories, which may materially and adversely affect our financial condition, results of operations or business. Therefore, any comparison of our interim and annual results of operations may not be meaningful.

### **The economic conditions of Japan and global economic conditions generally, and their impact on consumer spending patterns could adversely impact our results of operations.**

For the years ended August 31, 2011, 2012 and 2013, 73.2%, 66.8% and 59.8%, respectively, of our net sales were generated from UNIQLO Japan. Between 2008 and 2009, the overall Japanese retail sector experienced adverse conditions due to the downturn in the Japanese economy as a result of the global financial crisis. The downturn in the Japanese retail industry has been characterized by sluggish consumer spending, deflation and intense competition, and conditions have only recently begun to improve. Our results of operations are particularly sensitive to changes in the disposable income and the spending patterns of Japanese consumers. According to the International Monetary Fund, Japan's per capita real GDP decreased by 1.1% and 5.5% in 2008 and 2009, respectively, compared to their immediately preceding years. While Japan's per capita real GDP increased by 4.7% in 2010, it has fluctuated in recent years, decreasing 0.5% in 2011 and increasing 2.2% in 2012. We cannot assure you that Japan's economy will not experience slowdowns or decline in the future.

Spending by consumers in Japan has been affected by the stagnant economic growth and declines in wages. If consumer spending in Japan worsens, our sales may suffer and our expansion strategy may be adversely affected. We can provide no assurance that any improvement of general economic conditions in Japan will materialize, and even if such improvement does materialize, that it will have a positive impact on our financial condition, results of operations or business in the short term or at all.

Our performance is also subject to global economic conditions and their impact on levels of consumer spending. Some of the factors negatively influencing consumer spending in certain markets include high levels of unemployment, higher consumer debt levels, reductions in net worth based on market declines and uncertainty and reductions in home values, fluctuating interest rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, and general uncertainty regarding the overall future economic environment. Consumer purchases of discretionary items, including our products, generally decline during periods when disposable income is adversely affected or there is economic uncertainty. Adverse economic changes in any of the regions in which we sell our products could reduce consumer confidence, and thereby negatively affect earnings, which could have a material adverse effect on our results of operations.

The above factors, individually or in the aggregate, if materialized, could have a material adverse effect on our financial condition, results of operations or business.

### **There are inherent uncertainties regarding the interpretation and enforcement of Chinese laws and regulations which could limit the legal protections available to us.**

As at August 31, 2013, a large number of our partner factories that manufacture our products are located in China. In addition, we are seeking to rapidly expand our retail store operations in China. The Chinese government has broad discretion and authority to regulate industries in China and, in particular, to regulate investment in and operation of businesses in China by foreign persons, including us. In addition, the Chinese government exercises significant control over financial and other markets, as well as

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China's economic growth, through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting of monetary policy and provision of preferential treatment to particular industries or companies. Existing regulations or government action in China may constrain our proposed expansion of retail operations in the country. New regulations, especially in respect of labor, the environment and safety, and the readjustment of previously implemented regulations or other government action could require us to change our business operations in China, increase our costs, prevent us from repatriating profits to Japan, or limit our ability to finance or conduct activities in China.

China's commercial legal system is still under development, and even where adequate laws exist in China, enforcement of laws or contracts may be uncertain and sporadic. The relative inexperience of China's judiciary creates additional uncertainty as to the outcome of any litigation, and interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

The Chinese legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the Chinese government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations have not yet been fully developed and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in China. Our activities in China are subject to administrative review and approval by various national and local agencies of the Chinese government. Due to the changes occurring in China's legal and regulatory structure, we may not be able to secure the requisite governmental approvals for our activities, or approvals we have received may be suspended or revoked.

### **RISKS RELATING TO CONDUCTING BUSINESS IN JAPAN**

#### **Consumption tax is likely to increase in Japan, which may in turn affect consumer spending.**

The Japanese government reviews tax policy annually as part of its budgetary process. The government of Japan has announced that it intends to increase consumption tax to 8% beginning from April 2014. In addition, the government of Japan has stated that it will consider increasing consumption tax to 10% beginning from October 2015 depending on future economic conditions surrounding Japan. We cannot predict if and when the consumption tax will further increase in the future or at what rate. If the consumption tax is increased, it is likely that consumer spending will be adversely affected. For example, when the consumption tax in Japan increased in April 1997 from 3% to 5%, consumer spending was significantly adversely affected. Declines in consumer spending may result in declines in our revenues, resulting in material adverse effects on our financial condition, results of operations or business.

#### **We may suffer large losses in the event of a natural disaster, such as an earthquake, terrorist attack, outbreak of infectious disease, industrial accident or other casualty event in Japan or other markets in which we operate.**

A substantial majority of our business operations, including our retail stores, as well as our head office in Tokyo and our warehouses, are located in Japan. Japan has historically experienced numerous large earthquakes that have resulted in extensive property damage. Our overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks, industrial accidents or other casualty events affecting our suppliers or distribution network, either in Japan or overseas, could disrupt our procurement and distribution operations even in the absence of direct



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physical damage to our stores or other properties, which in turn could result in significant interruptions to our businesses.

The insurance policies we currently maintain do not include coverage for, among other things, earthquakes, volcanic eruptions, tsunamis caused by earthquakes or volcanic eruptions, nuclear accidents, terrorist incidents, civil strife, industrial strikes or other similar events. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities caused by such events. See the section headed “Business — Product Liability and Insurance Coverage” in this listing document. With or without insurance, damage to any of our retail stores, or to our suppliers or distribution network, due to fire, earthquake, typhoon, flood, terrorism, outbreaks such as avian flu, industrial accidents or other man-made or natural disasters or casualty events may materially and adversely affect our financial condition, results of operations or business.

On March 11, 2011, the Great East Japan Earthquake occurred off the coast of Japan. This was reported to be the most powerful known earthquake to have hit Japan. The earthquake triggered strong tsunami waves in the Tohoku region in Japan, causing significant property damage and a high number of casualties. It also led to the malfunctioning and explosions of three nuclear reactors in the Fukushima I Nuclear Power Plant complex.

We temporarily closed 160 UNIQLO Japan stores and 14 GU stores following the earthquake on March 11, 2011. At the end of March 2011, 14 UNIQLO and six GU stores remained closed and by the end of August 2011, all but two UNIQLO stores had reopened for business. Our warehouses and headquarters were not affected. We have since incurred losses related to the March 2011 earthquake totaling ¥0.9 billion, consisting mainly of donations and the restoration of assets in the affected areas to their original state, which has been reflected in our results of operations for the year ended August 31, 2011.

Major earthquakes in Japan may also affect the operations of our suppliers and their ability to meet the required qualifications for our products, increase our costs of delivering inventory to our stores or require us to spend additional capital expenditures, each of which could materially and adversely affect our results of operations.

### **The income tax rate in Japan is significantly higher than in certain jurisdictions such as Hong Kong and is subject to change from time to time.**

Our income tax rate in Japan on assessable profits is significantly higher than applicable tax rates in jurisdictions such as Hong Kong. Our applicable income tax rate in Japan for the fiscal years ended August 31, 2011 and 2012 and 2013 was 40.5%, 40.5% and 38.0%, respectively, of estimated assessable profits. The higher income tax rate in Japan on assessable profits may require us to generate higher levels of profits in order to generate the same level of returns on our Shares relative to an investment in the shares of similar companies based in lower tax jurisdictions. Also, the Japanese government reviews tax policy annually as part of its budgetary process. We cannot predict if and when the income tax rate will further increase in the future or at what rate. Any material increase in the income tax rate may result in material adverse effects on our financial condition, results of operations or business.

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### **RISKS RELATING TO THE INTRODUCTION, THE SECONDARY LISTING AND THE HDRs**

#### **The interests of the Controlling Shareholders may differ from the interests of, and their votes may disadvantage, our minority Shareholders.**

Immediately following the Secondary Listing, the Controlling Shareholders will indirectly control approximately 47.64% of our total issued share capital (excluding Treasury Stock). Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to composition of our Board of Directors, amount and timing of dividends and other distributions, issuance of securities and adjustment to our capital structure, amendment to our Articles of Incorporation, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may benefit our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, including HDR Holders, and minority Shareholders could be disadvantaged.

#### **An active trading market for the HDRs on the Hong Kong Stock Exchange might not develop or be sustained.**

Following the completion of the Introduction, we cannot assure you that an active trading market for the HDRs on the Hong Kong Stock Exchange will develop or be sustained. If an active trading market of the HDRs on the Hong Kong Stock Exchange does not develop or is not sustained after the Introduction, the market price and liquidity of the HDRs could be materially and adversely affected. As a result, the market price for the HDRs in Hong Kong following the completion of the Introduction may not be indicative of the trading prices of our Shares on the TSE, even allowing for currency differences.

#### **The liquidity arrangements provided by the Designated Dealer may not be effective.**

Throughout the Designated Period, the Designated Dealer intends to carry out liquidity arrangements. See the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement" in this listing document. While such arrangements are expected to increase liquidity of the HDRs to avoid a disorderly market in the HDRs arising from excess demand for HDRs not being fulfilled in Hong Kong upon and during the initial period following the Introduction, investors should be aware that such liquidity arrangements are subject to the Designated Dealer's ability to obtain sufficient numbers of Shares underlying HDRs to meet demand. There is no guarantee that such liquidity arrangements will attain and/or maintain liquidity in the HDRs at any particular level on the Hong Kong Stock Exchange, nor is there any assurance that the price of the HDRs in Hong Kong will not exhibit significant volatility.

The liquidity arrangements do not create any obligation on the Designated Dealer to undertake any stock borrowing, trades or other transactions in the HDRs. Accordingly, there is no guarantee that during the Designated Period, the price at which the HDRs is traded on the Hong Kong Stock Exchange will reflect the price at which our Shares is traded on the TSE, or that any particular volume of HDRs will trade on the Hong Kong Stock Exchange. The liquidity arrangements are not equivalent to price stabilization activities which may be undertaken in connection with an initial public offering. The liquidity arrangements will also terminate and cease to continue beyond the Designated Period. Accordingly, there may be volatility in the Hong Kong market for HDRs after the Designated Period.

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### **The characteristics of the Japanese capital markets and the Hong Kong capital markets are different.**

The TSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of Shares listed in Japan and the HDRs might not be the same, even allowing for currency differences.

Fluctuations in the price of our Shares due to circumstances peculiar to their local capital markets could materially and adversely affect the price of the HDRs, and vice versa. Because of the different characteristics of the Japanese and Hong Kong equity markets, the historic and future market prices of the Shares may not be indicative of the performance of our securities (including the HDRs) after the Secondary Listing.

### **Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions, including Hong Kong.**

We are primarily governed by Japanese laws and are principally subject to the Companies Act and the TSE Listing Regulations. Our Articles of Incorporation and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights under Japanese law may be different from those that would apply to a company incorporated in any other jurisdiction, including Hong Kong. Our general meetings of Shareholders are held in Japanese, and a Shareholder may have more difficulty in asserting their rights as a Shareholder than they would as a shareholder of a corporation organized in other jurisdictions. For further information regarding the differences between the shareholder protection regimes in Japan and Hong Kong, automatic waivers that we have been granted under the Joint Policy Statement, and waivers that we have sought from the Hong Kong Stock Exchange with respect to the Secondary Listing, see "Appendix IV — Summary of Legal and Regulatory Matters" and "Appendix V — Waivers" in this listing document.

We have obtained a ruling from the SFC that we will not be treated as a public company in Hong Kong for the purposes of the Takeovers Code and the Share Repurchases Code and hence, these codes will not apply to our Company. In addition, we have applied for, and been granted, waivers by the Hong Kong Stock Exchange from certain requirements under the Listing Rules. Neither our Shareholders nor the HDR Holders will have the benefit of those Hong Kong laws, rules, regulations and the Listing Rules for which we have applied, and been granted, waivers or exemptions from by the Hong Kong Stock Exchange and the SFC. Additionally, if any of these waivers or exemptions were to be revoked for any reason, including our non-compliance with applicable undertakings, additional legal and compliance obligations might be costly and time consuming, and might result in issues of interjurisdictional compliance, which could adversely affect us and HDR Holders.

As the SFC does not have extra-territorial jurisdiction on any of its powers of investigation and enforcement, it will also have to rely on the regulatory regimes of the TSE and FSA to enforce any corporate governance breaches committed by us in Japan. Investors should be aware that it could be difficult to enforce any judgment obtained outside Japan against us or any of our associates.

### **Trading of the HDRs may be suspended as a result of announcements of price sensitive information outside the permitted periods for submitting announcements to the Hong Kong Stock Exchange.**

Rule 2.07C(4)(a) of the Listing Rules provides that, subject to certain exceptions, electronic copies of announcements or notices must not be submitted to the Hong Kong Stock Exchange between 8:30 a.m.

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and 12:00 p.m. or between 12:30 p.m. and 4:15 p.m. on a normal Business Day, or between 8:30 a.m. and 12:00 p.m. on the eves of Christmas, New Year and the Lunar New Year when there is no afternoon session, for publication on the Hong Kong Stock Exchange's website ("**Trading Hours**"). However, in the event that any such announcement is made on a Business Day during Trading Hours, the Hong Kong Stock Exchange retains the discretion to impose a temporary suspension of the Company's securities listed on the Hong Kong Stock Exchange.

Compliance with the TSE Listing Regulations by the Company may require us to make announcements of price sensitive information on a timely basis and outside the permitted periods for submitting announcements to the Hong Kong Stock Exchange under Rule 2.07C(4)(a) of the Listing Rules. Under the TSE Listing Regulations, an announcement as a result of certain events, including any material event affecting an issuer, is required to be made immediately and regardless of whether such announcement is made during normal trading hours. No suspension in trading of our securities would generally be imposed by the TSE if trading of our HDRs on the Hong Kong Stock Exchange were to be suspended as a result of the Hong Kong Stock Exchange exercising its discretion to impose a temporary suspension of the Company's securities. This scenario could have an adverse impact on the trading of our HDRs, as it could potentially put Hong Kong investors at a disadvantage compared to investors in Japan, who may be able to deal in the Company's securities whilst Hong Kong investors would be prevented from doing so.

### **The Companies Act empowers the Board of Directors to issue additional Shares and dispose of Treasury Stock, which may result in dilution.**

Under the Companies Act, where a company offers newly issued shares either to the public or a third party, it is required to determine, among other things, the number of offered shares, the price to be paid or the method of calculating it, the content of the contribution and its value if there is an in-kind contribution, and matters related to the increase of the capital and capital reserve. In public companies, such as our Company, these matters can be determined by the board of directors, except where the shares are proposed to be issued at an "especially favorable price" to the subscribers.

See "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 9. Financing of Companies" in this listing document for more information with regard to what constitutes an "especially favorable price" to the subscribers.

In the event the Board of Directors resolves to issue additional Shares or other equity securities to meet our capital needs, and if HDR Holders choose not to, or are unable to, subscribe for the securities offered in any such additional issuances, their equity interest in our Company may be diluted.

See also the descriptions of Rules 8.18 and 13.27, Chapters 15 and 16 and Practice Notes 4 and 15 of the Listing Rules in "Appendix V — Waivers — A. Automatic Waivers — Rule 8.18" in this listing document.

### **The Company may issue Shares or SARs or dispose of its Treasury Stock, which may result in dilution, without obtaining Shareholder approval or an opinion unless such issuance or disposal is at an "especially favorable price" or on "especially favorable conditions" (for SARs).**

Under the Companies Act, we may issue Shares or SARs or dispose of our Treasury Stock without Shareholder approval, unless such issue is made at an "especially favorable price" or on "especially favorable conditions" (in the case of an issue of SARs), in which case we are required to obtain pre-approval from the Shareholders by special resolution at a general meeting.

Under the TSE Listing Regulations, if the resulting dilution of the voting interests of the Shares (including Shares to be issued upon the exercise of SARs) is expected to be 25% or more, we will need to

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either seek Shareholders' approval in advance of the proposed issue by way of ordinary resolution of Shareholders in a general meeting or obtain an opinion from independent experts to determine the necessity and appropriateness of the size and the terms of such issue, including whether or not the issue is made at an "especially favorable price" or on "especially favorable conditions". However, if the resulting dilution of the voting interests of the Shares (including Shares to be issued upon the exercise of SARs) is expected to be less than 25%, it is not mandatory for our Directors to obtain an opinion from independent experts or to demonstrate the basis upon which our Directors determine the necessity and appropriateness of the size and the terms of such issue, including whether or not the issue is made at an "especially favorable price" or on "especially favorable conditions". Therefore, in these circumstances, the Board of Directors may decide to issue Shares or SARs or dispose of Treasury Stock without Shareholders' approval and our Shareholders' and HDR Holders' equity interests in our Company may be diluted.

See "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 2. Summary of General Provisions with Respect the Corporate Matters — (c) Matters with respect to share capital, share certificates and Share Acquisition Rights (*shinkabu yoyakuken*)" and "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 9. Financing of Companies" in this listing document for more information with regard to what constitutes an "especially favorable" price or condition.

### **HDR Holders that are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are subject to Japanese withholding tax on cash distributions.**

Our tax advisor has advised us that HDR Holders interested in less than 3% of all the issued Shares of our Company that are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are subject to Japanese withholding tax of 15.315% and 15%, respectively, for any cash distributions due and paid on or before December 31, 2037 and on or after January 1, 2038. Shareholders holding 3% or more of our Shares are subject to a withholding tax in Japan of 20.42% on or before December 31, 2037 and 20% on or after January 1, 2038. HDR Holders that are either residents in Hong Kong or corporations established in Hong Kong without any permanent establishment in Japan are entitled to a reduced withholding tax rate not exceeding 10% (or not exceeding 5% for corporate Shareholders interested in 10% or more of the voting Shares of our Company for the six months preceding the record date for cash distribution) under the Hong Kong-Japan Tax Treaty. See "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 11. Taxation" in this listing document.

### **Significant differences exist between JGAAP and IFRS, which may be material to investors' assessment of our financial condition.**

Our financial information in this listing document for the fiscal years ended August 31, 2011, 2012 and 2013 is presented under JGAAP, which differs in certain significant respects from IFRS. If our results of operations were presented under IFRS, they may be significantly different from the results of operations included in this listing document. Although a summary of material differences between JGAAP and IFRS is included in the Accountants' Report in Appendix I in this listing document, it does not contain a full reconciliation of our financial information from JGAAP to IFRS.

Potential investors should consult their own professional advisers for an understanding of the differences between JGAAP and IFRS and how these differences might affect the financial information in this listing document and affect any comparison with a company presenting financial information under IFRS.

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### **HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are.**

Among other things, the following requirements or regulations might apply to HDR Holders:

- takeover regulations and certain trading regulations, including insider trading regulations, under the TSE Listing Regulations and the FIEA;
- notification requirement prior to the acquisition of shares (which might include HDRs) under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended);
- filing large shareholding reports, sale-purchase reports and short-swing regulation for major shareholders under the FIEA;
- certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended); and
- certain requirements regarding taxation under the Income Tax Act, the Corporation Tax Act and the Act on Special Measures concerning Taxation of Japan and related tax treaties.

See “Appendix IV — Summary of Legal and Regulatory Matters” in this listing document.

The Depositary will not comply with such filing, tax reporting and/or disclosure of interest obligations as set out above or any other applicable additional obligations on behalf of HDR Holders and HDR Holders should obtain independent professional advice to comply with the filing, tax reporting, disclosure of interest or other obligations under the applicable Japanese laws. However, whether and to what extent a foreign shareholder of a Japanese corporation would be obliged to follow additional rules, regulations and laws of Japan are not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor are they resolved by judicial precedents. The relevant laws and regulations relating to HDRs are complex, often ambiguous and may be subject to different interpretations. As the relevant provisions remain quite vague and their interpretation can involve a degree of uncertainty, HDR Holders may therefore be subject to additional obligations under the rules, regulations and laws of Japan.

### **HDR Holders are subject to additional obligations under the Deposit Agreement.**

The Deposit Agreement to which each HDR Holder is deemed a party provides for additional obligations on the part of the HDR Holders with respect to the payment of fees. These obligations have been fully disclosed in the section headed “Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Fees and Expenses” in this listing document.

### **Certain facts and statistics in this listing document relating to the Japanese or the global economy and the apparel industry in Japan or other parts of the world are derived from various publicly available government or official sources and may not be fully reliable.**

Certain facts and statistics in this listing document, including the Euromonitor report, relating to Japan or other parts of the world, the Japanese or global economy and the retail sector (including the apparel industry) are derived from various government or official publications and obtained in communications with various official agencies which are generally believed to be reliable. We cannot guarantee the quality or reliability of such official source materials. Moreover, to the extent that different



## RISK FACTORS

assumptions and procedures were applied in the preparation of various sets of publicly available statistics provided by various government or official publications, comparisons between such sources may be unreliable. The information has not been independently verified by the Company, the Sole Sponsor or any other party involved in the Introduction and no representation is given as to its accuracy.

**Shareholders and HDR Holders will not have the benefit of those Hong Kong laws, rules and regulations that are waived. Additionally, those waivers could be revoked, exposing us, our Shareholders and HDR Holders to additional legal and compliance obligations.**

We have applied for, and the Hong Kong Stock Exchange and the SFC have granted, a number of waivers and exemptions from Hong Kong laws, rules and regulations (including the Listing Rules), as highlighted in “Appendix V – Waivers” in this listing document.

Our Shareholders and HDR Holders will not obtain the rights and benefits of those Hong Kong laws, rules, regulations and Listing Rules for which we have applied for, and been granted, waivers and exemptions by the Hong Kong Stock Exchange and the SFC. Such waivers and exemptions include, but are not limited to, those from the restrictions or requirements relating to corporate actions such as spin-off listings of any of our subsidiaries on any stock exchanges other than the Hong Kong Stock Exchange where the approval of our Shareholders and HDR Holders is not required, and the restrictions or requirements relating to private offering and issuance of new Shares or HDRs after the Listing Date. While we do not have any current plans to undertake such corporate actions, should we decide to undertake such corporate actions in the future, our Shareholders and HDR Holders will not have the rights and benefits that would otherwise be available to them under Hong Kong laws, rules, regulations and Listing Rules and such corporate actions may result in the dilution of our Shareholders’ and HDR Holders’ interests in our Company.

Additionally, if any of these waivers were to be revoked, additional legal and compliance obligations might be costly and time consuming, and may result in our violating one set of laws or listing rules in order to comply with another set of laws or listing rules, which in turn could adversely affect us, our Shareholders and HDR Holders.

**Our Financial Guidance is not comparable to profit forecasts prepared solely for inclusion in a listing document and may not be met.**

In accordance with guidelines published by the TSE and in line with market practice of other Japanese-listed companies, we disclose consolidated financial guidance for the current fiscal year as part of our financial results announcements and investor presentations and have done so for more than a decade. We also typically update our consolidated financial guidance on a quarterly basis and investors should refer to the latest results announcements and investor presentations published by us.

Our latest Financial Guidance was made on January 9, 2014 in respect of the six months ending February 28, 2014 and the fiscal year ending August 31, 2014, which has been extracted and is set out under the section headed “Disclosure of Financial Guidance” in this listing document. The information included under the section headed “Disclosure of Financial Guidance” in this listing document differs from and is prepared on different bases and assumptions from those typically used in the preparation of a profit forecast prepared solely for inclusion in a listing document. Specifically, the assumptions and bases of our Financial Guidance are not based on a view or perception that net income or any other individual Financial Guidance will be “not less than” any particular figure.

Whether actual results will meet our expectations will depend on a large number of risks and uncertainties over which we have no control. Thus, our financial guidance for our consolidated business

## RISK FACTORS

results and dividends may vary materially from our actual results of operations depending on the economic environment, our response to market demand and price competition, and changes in exchange rates and other factors.

While our provision of financial guidance is in line with TSE best practice guidelines, there were occasions when we did not meet our financial guidance in the past and you should be aware that there are no penalties for any failure to achieve the financial guidance provided under the TSE Rules or any Japanese laws and regulations. For further details, see the section headed “Disclosure of Financial Guidance – Comparison of Financial Guidance Relating to Net Sales, Operating Income and Net Income Published by the Company during the Track Record Period against Actual Results of the Company during the Track Record Period” in this listing document.

The individual figures (other than the net income guidance for the fiscal year ending August 31, 2014) for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 contained in the Financial Guidance have not been reported on individually by the Reporting Accountants or the Sole Sponsor.

Our Financial Guidance comprises forward-looking statements, which are based on certain estimates and on management’s judgments in light of currently available information and accordingly, you should not place undue reliance on such information.

### **You may experience difficulty in effecting service of legal process and enforcing judgments against us and our management.**

We are a joint stock corporation incorporated under the laws of Japan. All of our Directors and certain members of senior management, Statutory Auditors and Accounting Auditors reside in Japan, and a substantial portion of our assets and most of the assets of these persons are located in Japan. As a result it may not be possible for holders or beneficial owners of HDRs to effect service of process outside of Japan upon any of these persons or us, or to enforce against them or us, judgments obtained in courts outside of Japan. As a result, recognition and enforcement in Japan of judgments of a court in a foreign jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

### **Our HDR price may be affected if additional Shares are issued by us or if there are substantial future sales or perceived potential sales of our Shares in the public market.**

We cannot predict the effect, if any, that any future issuance of Shares by our Company may have on the market price of our HDRs. The sale or issuance of substantial numbers of Shares by the Company, or the market perception that such issuance or sale may occur, could materially and adversely affect the prevailing market price of the HDRs.

### **HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders.**

HDR Holders only have the contractual rights set forth for their benefit under the Deposit Agreement and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to Shareholders. In particular:

- HDR Holders are not permitted to vote at Shareholders’ meetings in the capacity of HDR Holders and they may only vote by providing instructions to the Depositary;
- there is no guarantee that HDR Holders will receive voting materials in time to instruct the Depositary to vote;

## RISK FACTORS

- pursuant to Japanese law, the notice period required for Shareholders' meetings is only two weeks, and a Shareholder is permitted to propose an amendment to any agenda item scheduled to be discussed and determined at a Shareholders' meeting up to and including at the meeting itself, which may further affect a HDR Holder's ability to vote through the Depositary;
- HDR Holders, or persons who hold their HDRs through brokers, dealers or other third parties, will not have the opportunity to exercise their right to vote, although our Company and the Depositary will endeavor to make arrangements to ensure as far as practicable that all HDR Holders will be able to vote;
- as only the Custodian will be recorded as a Shareholder in the Shareholder registry of the Company, HDR Holders will not be recorded as Shareholders, and thus, dividends and other distributions will not be paid directly to them; and
- HDR Holders will depend on the Depositary and the terms of the Deposit Agreement to receive any dividends or other distributions payable to Shareholders and HDR Holders will also incur charges on any cash distribution made pursuant to the Deposit Agreement and on transfers of certificated or direct registrations of HDRs.

See the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Fees and Expenses" in this listing document.

### **HDR Holders may not receive new HDRs, rights to subscribe for additional HDRs or other distributions.**

HDR Holders may not receive new HDRs, rights to subscribe for additional HDRs or other distributions if the Company and/or the Depositary, after having considered, amongst other things, the restrictions under the applicable laws and regulations, the percentage shareholding of the HDRs represented by the existing HDRs and/or the administrative procedures to make such distribution, to the extent that is reasonable on a case by case basis, determine that it is not practicable:

- to distribute new HDRs pursuant to the distribution of Shares; or
- to offer rights to subscribe for new HDRs pursuant to the distribution of SARs; or
- to make distributions other than cash, Shares or SARs.

We will furnish the Depositary with documents which may be reasonably requested by it on a case by case basis as required for the specific circumstances in each case under applicable laws and regulations. In the absence of evidence satisfactory to the Depositary that it may lawfully distribute such rights, the Depositary will not distribute such rights to HDR Holders. Any distribution of warrants or other instruments representing such rights is subject to the discretion of the Depositary. See the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Share Dividends and Other Distributions" in this listing document.

## RISK FACTORS

**The time required for HDRs to be exchanged into Shares (and vice versa) may be longer than expected and investors may not be able to settle or effect any sales of their securities during this period.**

There is no direct trading or settlement among the stock exchanges on which the Shares and HDRs are traded. In addition, there is a time difference between Japan and Hong Kong. There might be unforeseen market circumstances or other factors which delay the exchange of HDRs into Shares (and vice versa) and investors will be prevented from settling or effecting the sale of their securities across the stock exchanges during such periods of delay. In addition, there is no assurance that any exchange of HDRs into Shares (and vice versa) will be completed in accordance with the timelines investors might anticipate.

**Investors are subject to exchange rate risk between Japanese yen and Hong Kong dollars.**

The value of an investment in the HDRs quoted in Hong Kong dollars and the value of dividend payments in respect of the HDRs could be affected by fluctuations in the Japanese yen/Hong Kong dollar exchange rates.

**Withdrawals and exchanges of HDRs into Shares traded on the TSE might adversely affect the liquidity of the HDRs.**

The Shares are currently traded on the TSE. Any HDR Holder may at any time request that the HDRs it holds be withdrawn and exchanged into Shares for trading on the TSE. Upon the exchange of HDRs into Shares, the relevant HDRs will be cancelled. For further details on the procedures for the withdrawal of HDRs, see the section headed “Listing, Terms of Depositary Receipts and Depositary Agreements, Registrars, Dealings and Settlement” in this listing document. In the event that a substantial number of HDRs are withdrawn and exchanged into Shares and subsequently cancelled, the liquidity of the HDRs on the Hong Kong Stock Exchange may be adversely affected.

**HDR Holders will be reliant on the performance of several service providers. Any breach of those service providers of their contractual obligations could have adverse consequences for an investment in the HDRs.**

An investment in HDRs will depend for its continuing viability on the performance of several service providers, including the Depositary, the HDR Registrar, the Custodian and any sub-custodian appointed in respect of the underlying Shares. A failure by any of those service providers to meet their contractual obligations, whether or not by culpable default, could detract from the continuing viability of the HDRs as an investment. The Company will not have direct contractual recourse against the Depositary, the Custodian, any sub-custodian or the HDR Registrar, hence the potential for redress in circumstances of default will be limited.

## **PRESENTATION OF FINANCIAL INFORMATION**

The financial information of the Group and the Company included in Appendix I in this listing document was prepared in accordance with JGAAP, which differs in certain material respects from both HKFRS and IFRS.

We use Japanese yen as our reporting currency. The functional currency of the Company's operations outside Japan is generally the applicable local currency. All assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Shareholders' equity accounts are translated at historical rates. The income and expenses of consolidated overseas subsidiaries are translated at the quarterly average exchange rates. A comprehensive adjustment resulting from the translation of assets, liabilities, and net assets is reported as a foreign currency translation adjustment, which is a separate component of net assets.

## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT**

This listing document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

This listing document is published solely in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorized to use or reproduce this listing document or any part thereof in connection with any offering of shares or other securities of our Company (including HDRs). Accordingly, there is no, and will not be any, public offer, solicitation, or invitation by or on behalf of our Company and/or the Sole Sponsor to subscribe for or purchase, any of the Shares or the HDRs in conjunction with the Introduction. Neither this listing document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of, and the delivery, distribution and availability of this listing document or such other document or information (or any part thereof) does not constitute, any public offer, solicitation or invitation by or on behalf of our Company and/or the Sole Sponsor, to subscribe for or purchase any of the Shares or the HDRs.

Our Company has not authorized anyone to provide any information or to make any representation not contained in this listing document. You should not rely on any information or representation not contained in this listing document as having been authorized by our Company, any member of the Group, the Sole Sponsor or any of their respective directors, officers, employees, agents or advisers or any other person involved in the Introduction.

### **NO CHANGE IN BUSINESS**

No change in the business of our Group is contemplated immediately following the Introduction.

### **APPLICATION FOR SECONDARY LISTING ON THE HONG KONG STOCK EXCHANGE BY WAY OF INTRODUCTION**

Our Shares are presently listed on the TSE. Application has been made to the Listing Committee for the grant of the admission to secondary listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the HDRs by way of introduction. Each HDR will represent an ownership interest in 0.01 Share. Subject to admission to secondary listing having been granted by the Listing Committee, the HDRs will be listed and traded on the Main Board of the Hong Kong Stock Exchange but not on any other stock exchange. Except in the form of the HDRs, none of the Shares will be listed and traded on the Hong Kong Stock Exchange.

Application has been made to the Listing Committee for granting the admission to the Secondary Listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the HDRs. Application has been made in respect of up to 500,000,000 HDRs.

The grant of admission to secondary listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the HDRs will be conditional on us maintaining the primary listing of our Shares on the TSE.



## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

### **INFORMATION ON THE INTRODUCTION**

The Introduction does not involve any offering of new Shares or HDRs a public offering of any other securities and no new proceeds will be raised pursuant to the Introduction.

In connection with the Introduction, our Company has entered into the Sponsor Agreement with the Sole Sponsor. The Sponsor Agreement is subject to the fulfillment of certain conditions, including the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the HDRs by no later than the Listing Date or any such date as may be agreed between the Company and the Sole Sponsor, and such approval and permission not subsequently having been revoked prior to the commencement of dealings in the HDRs on the Hong Kong Stock Exchange. If those conditions are not fulfilled or waived in whole or in part by the Sole Sponsor, the Sponsor Agreement will terminate.

In addition, under the Sponsor Agreement, the Sole Sponsor in its discretion may, after consultation with our Company, terminate the Sponsor Agreement at any time prior to 8:00 a.m. on the Listing Date (or any such date as may be agreed between us and the Sole Sponsor), if (a) there develops, occurs, exists or comes into force a breach by our Company of the Sponsor Agreement or an event, act or omission which gives or is likely to give rise to any liability for indemnities given by us under the Sponsor Agreement, which, individually or in the aggregate, in the opinion of the Sole Sponsor, has or will have a material adverse effect on the business, results of operations, financial or trading position or prospects of the Group taken as a whole or on the Introduction or makes or will make it inadvisable or inexpedient or impracticable for the Introduction to proceed; or (b) there has come to the notice of the Sole Sponsor that any statement contained in this listing document, the formal notice and any announcements issued by our Company in connection with the Introduction was as at their respective dates or has become or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect, or that any matter has arisen or has been discovered which would have constituted a material omission from this listing document, or that there is or will be a material adverse effect on the business, results of operations, financial or trading position or prospects of the Group taken as a whole, which, in the opinion of the Sole Sponsor, makes it or will make it impracticable or inadvisable to proceed with the Introduction. If the Sponsor Agreement is so terminated, the Introduction will not proceed.

### **DEPOSITARY RECEIPTS WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of secondary listing of, and permission to deal in, the HDRs on the Hong Kong Stock Exchange and our Company's compliance with the admission requirements of HKSCC, the HDRs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the HDRs on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Business Day after any trading day. All activities under CCASS are subject to the CCASS Rules. All necessary arrangements have been made for the HDRs to be admitted into CCASS.

### **COMMENCEMENT OF DEALINGS IN THE DEPOSITARY RECEIPTS**

Dealings in the HDRs on the Hong Kong Stock Exchange are expected to commence at 9.00 a.m. on March 5, 2014. The HDRs will be traded in board lots of 300 each and will be quoted and traded on the Main Board of the Hong Kong Stock Exchange in HK dollars.

### **REGISTER OF MEMBERS AND OF HDR HOLDERS**

Our principal share registrar and transfer agent is Mitsubishi UFJ Trust and Banking Corporation. A register of HDR Holders in Hong Kong will be maintained by Computershare Hong Kong Investor Services Limited, our registrar in Hong Kong.

## **INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION**

### **CERTAIN RESTRICTIONS**

The HDRs will only be issued upon a certification that, among other things, the person depositing Shares (or, if the depositor is a broker-dealer acting on behalf of a customer, the customer) is not a US person (as defined in Regulation S of the US Securities Act of 1933, as amended) and is outside of the United States. The Shares and the HDRs have not been and will not be registered under the US Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold in the United States.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Dealings in the HDRs registered on the register of HDR Holders in Hong Kong will be subject to Hong Kong stamp duty. Hong Kong stamp duty will be payable by the purchaser on a purchase, and by the seller on a sale, of the HDRs registered on the register of HDR Holders in Hong Kong. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the HDRs transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is normally payable on a sale and purchase of the HDRs. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.

Potential HDR Holders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, and dealing in, the HDRs. It is emphasized that none of the Group, the Sole Sponsor, any of their respective directors, executive and other officers, employees, agents or advisers or any other person involved in the Introduction accepts responsibility for any tax effects or liabilities of HDR Holders resulting from the purchase, holding or disposal of HDRs.

### **LANGUAGE**

If there is any inconsistency between the names of any of the entities mentioned in this listing document which are not in the English language and their English translations, the names in their respective original languages shall prevail. Translated names of Chinese or Japanese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this listing document and for which no official English translation exists are unofficial translations for reference only.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, amounts denominated in Yen have been translated, for the purpose of illustration only, into HK dollars in this listing document at the following rates as of the Latest Practicable Date:

HK\$7.67 : ¥100.00

No representation is made that any amounts in Yen or HK dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **ACCOUNTING AUDITORS AND REPORTING ACCOUNTANTS**

The financial information of the Group and the Company for the years ended August 31, 2011, 2012 and 2013, which is included in Appendix I in this listing document have been prepared by Ernst & Young ShinNihon LLC. The underlying consolidated financial statements of the Group and the financial statements of the Company have been prepared by the management of the Company in accordance with

## INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

JGAAP, and audited by Ernst & Young ShinNihon LLC in accordance with auditing standards generally accepted in Japan.

Rule 4.03 of the Listing Rules requires accountants' reports in listing documents and prospectuses to be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company. Ernst & Young ShinNihon LLC is not a firm of accountants that is qualified under the Professional Accountants Ordinance, and as such, our Company has applied to the Hong Kong Stock Exchange for, and been granted, a waiver for Ernst & Young ShinNihon LLC to act as the reporting accountants of our Company for the purpose of the Secondary Listing and this listing document. For further details, see "Appendix V — Waivers" in this listing document.

We have appointed Ernst & Young ShinNihon LLC as our independent auditors after the listing of the HDRs on the Hong Kong Stock Exchange. Ernst & Young ShinNihon LLC is a member of Ernst & Young Global Limited. Ernst & Young is an international accounting firm with a reputable name and extensive experience in auditing the financial information of public companies, including those listed on the Hong Kong Stock Exchange. Ernst & Young ShinNihon LLC is a member of The Japanese Institute of Certified Public Accountants, which is a recognized body of accountants. Ernst & Young ShinNihon LLC is registered as an audit corporation with the FSA, a regulatory body in Japan. The FSA is a signatory to the Multilateral Memorandum of Understanding of IOSCO (the "**IOSCO MMOU**"). Therefore, Ernst & Young ShinNihon LLC is subject to independent oversight by the FSA, which is a signatory to the IOSCO MMOU and Ernst & Young ShinNihon LLC is independent of the Company to the same extent as required by the Hong Kong Companies Ordinance. In accordance with Rule 19.48 of the Listing Rules, our annual accounts after the Secondary Listing will be audited by Ernst & Young ShinNihon LLC in accordance with International Standards of Auditing.

### **ROUNDING**

For the purposes of this listing document, financial information presented in millions/billions of Japanese yen have been rounded down to the nearest millions/billions and percentage figures have been rounded to the nearest one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

### DIRECTORS

<u>Name</u>	<u>Nationality</u>
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#### Executive Director

Mr. Tadashi Yanai	Japanese
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#### Independent Non-executive Directors

Mr. Toru Hambayashi	Japanese
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Mr. Nobumichi Hattori	Japanese
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Mr. Masaaki Shintaku	Japanese
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#### Non-executive Directors

Mr. Toru Murayama	Japanese
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Mr. Takashi Nawa	Japanese
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The business address of each of the Directors listed above is Midtown Tower 9-7-1, Akasaka Minato-ku, Tokyo 107-6231, Japan. Further information is disclosed in the section headed “Directors and Senior Management” in this listing document.

### BOARD OF STATUTORY AUDITORS\*

<u>Name</u>	<u>Nationality</u>
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Mr. Akira Tanaka	Japanese
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Mr. Masaaki Shinjo	Japanese
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Mr. Takaharu Yasumoto	Japanese
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Mr. Akira Watanabe	Japanese
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Ms. Keiko Kaneko	Japanese
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*Note:*

\* Our Company has adopted a statutory auditors system under the Companies Act in order to establish good corporate governance. We are required to adopt either: (i) Statutory Auditors and a Board of Statutory Auditors; or (ii) three committees, being a nominating committee, a compensation committee and an audit committee (“**Three Committees**”) in accordance with Articles 327 and 328 of the Companies Act. Similarly, Article 437 of the TSE Listing Regulations provides that a domestic company listed on the TSE must set up either a Board of Statutory Auditors or Three Committees. Consistent with the large majority of listed companies in Japan, we have adopted a Board of Statutory Auditors.

## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

### PARTIES INVOLVED IN THE INTRODUCTION

#### Sole Sponsor

#### **Morgan Stanley Asia Limited**

Level 46, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

#### Depository

#### **JPMorgan Chase Bank, N.A.**

Depository Receipts Group  
1 Chase Manhattan Plaza  
Floor 58  
New York, New York 10005-1401  
United States

#### Legal Advisors to the Company

*As to Hong Kong law and United States law*  
**Skadden, Arps, Slate, Meagher & Flom and  
Affiliates**

42<sup>nd</sup> Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to Japanese law*

#### **Skadden Arps Law Office**

Izumi Garden Tower 21<sup>st</sup> Floor  
1-6-1 Roppongi  
Minato-ku  
Tokyo 106-6021  
Japan

#### Legal Advisors to the Sole Sponsor

*As to Hong Kong law and United States law*

#### **Freshfields Bruckhaus Deringer**

11<sup>th</sup> Floor  
Two Exchange Square  
Central  
Hong Kong

*As to Japanese law*

#### **Freshfields Bruckhaus Deringer Law Office**

Akasaka Biz Tower 36<sup>th</sup> Floor  
5-3-1 Akasaka  
Minato-ku  
Tokyo 107-6336  
Japan

#### Legal Advisors to the Depository

*As to Hong Kong law and United States law*

#### **Paul Hastings**

22/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

**Accounting Auditors and Reporting  
Accountants**

**Ernst & Young ShinNihon LLC**

*(A member of the Japanese Institute of Certified  
Public Accountants)*

Hibiya Kokusai Building  
2-2-3 Uchisaiwai-cho  
Chiyoda-ku  
Tokyo 100-0011  
Japan

**Custodian for the Shares**

**Sumitomo Mitsui Banking Corporation**

1-2, Marunouchi 1-chome  
Chiyoda-ku  
Tokyo 100-0005  
Japan

**HDR Registrar and HDR Transfer Office**

**Computershare Hong Kong Investor  
Services Limited**

Shops 1712-1716, 17<sup>th</sup> Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong



## CORPORATE INFORMATION

<b>Registered office</b>	717-1 Sayama Yamaguchi City Yamaguchi 754-0894 Japan
<b>Principal place of business in Japan</b>	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
<b>Principal place of business in Hong Kong</b>	704-705, 7th Floor, Miramar Tower, No. 132 Nathan Road Tsim Sha Tsui Kowloon Hong Kong
<b>Joint company secretaries</b>	Mr. Mitsuru Ohki Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan  Ms. Choy Yee Man Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Authorized representative</b>	Mr. Kenichi Miyakawa 704-705, 7th Floor, Miramar Tower, No. 132 Nathan Road Tsim Sha Tsui Kowloon Hong Kong
<b>Share registrar and transfer agent</b>	<b>Mitsubishi UFJ Trust and Banking Corporation</b> 1-4-5, Marunouchi Chiyoda-ku Tokyo 100-8212 Japan
<b>Principal bankers</b>	<b>Sumitomo Mitsui Banking Corporation</b> 1-2, Marunouchi 1-chome Chiyoda-ku Tokyo 100-0005 Japan  <b>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</b> 2-7-1, Marunouchi Chiyoda-ku Tokyo 100-8388 Japan

## CORPORATE INFORMATION

**Mizuho Bank, Ltd.**

1-3-3, Marunouchi  
Chiyoda-ku  
Tokyo 100-8210  
Japan

**The Hongkong and Shanghai Banking  
Corporation Limited**

HSBC Building  
11-1, Nihonbashi 3-chome  
Chuo-ku  
Tokyo 103-0027  
Japan

**Compliance advisor**

**Anglo Chinese Corporate Finance Limited**

40<sup>th</sup> Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Company website**

***[www.fastretailing.com](http://www.fastretailing.com)***

(the information contained on the website does not form part of this listing document)

(please visit this website from time to time for latest news releases and investor relations announcements after the Listing Date)

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

*A deposit agreement has been entered into in respect of the Secondary Listing. This section includes a summary of the principal terms of the Deposit Agreement. Because it is a summary, it does not contain all the information that may be important. For more complete information, you should read the entire Deposit Agreement and the form of HDR which contains the terms of HDSs. A copy of the Deposit Agreement is available for inspection as provided in Appendix VIII in this listing document.*

*See the sections headed “Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are” and “Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are subject to additional obligations under the Deposit Agreement” in this listing document for a description of some of the potential risks associated with holding our HDRs.*

### **LISTING**

Application has been made to the Listing Committee for granting the admission to the Secondary Listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the HDRs. Application has been made in respect of up to 500,000,000 HDRs.

The HDRs will be denominated in HK dollars and have no par value.

### **TERMS OF HDRS**

Each HDR will be issued against a HDS held by the Custodian for the account of the Depositary on behalf of the HDR Holders. The Depositary holds the HDRs on trust for the sole benefit of the HDR Holders.

JPMorgan Chase Bank, N.A., as Depositary, will issue (as agent of the Company) HDRs representing the HDSs to investors in the HDRs pursuant to the Introduction.

Each HDS will represent an ownership interest in 0.01 Share and will be deposited with the Custodian, as agent of the Depositary, under the Deposit Agreement.

The Custodian will hold the Shares for the account of the Depositary on behalf of the HDR Holders, segregated from all other property of the Custodian.

In the future, the HDSs will also represent any securities, cash or other property deposited with the Depositary or the Custodian for the account of the Depositary on behalf of the HDR Holders. The HDSs will be registered in the HDR register in registered form and will be in either certificated form or book-entry form. Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, will be in charge of keeping the records of all registered HDR Holders.

The Depositary’s representative office is located at 29/F, Chater House, 8 Connaught Road, Central, Hong Kong.

Holders may hold HDSs either directly (in physical form) or indirectly (in electronic book-entry form) through their broker or other financial institution. If they hold HDSs directly, by having a HDS registered in their name in the HDR register, they are a HDR Holder. This description assumes direct holding of HDSs. If holders hold the HDSs through their broker or financial institution nominee, they must rely on the

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

procedures of such broker or financial institution to assert the rights of a HDR Holder described in this section. They should consult with their broker or other professional adviser to find out what those procedures are.

HDR Holders are not Shareholders. Japanese law governs the rights of Shareholders. Because the Depositary or its nominee will be the holder of record for the Shares represented by all outstanding HDSs, Shareholder rights rest with such holder of record. HDR Holders only have the contractual rights set forth for their behalf under the Deposit Agreement and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to Shareholders. For details of the differences in respect of the material Shareholder protections in Japan and Hong Kong, see “Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences Between the Hong Kong and Japanese Regimes in Respect of Shareholder Protection Matters — Shareholder Protections in Japan” in this listing document. The obligations of the Depositary and its agents are also set out in the Deposit Agreement. Because the Depositary or its nominee will actually be the registered owner of the HDSs, HDR Holders must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders. The Deposit Agreement is governed by Hong Kong law and the HDRs will be created under and governed by Hong Kong law.

### **Share Dividends and Other Distributions**

#### ***How will dividends and other distributions on the Shares underlying the HDSs be received?***

We may make various types of distributions with respect to our securities. The Depositary has agreed that, to the extent practicable, it will pay the cash dividends or other distributions it or the Custodian receives on Shares or other deposited securities, after converting any cash received into HK dollars and, in all cases, making any necessary deductions provided for in the Deposit Agreement. Any conversion of dividends paid in a currency other than HK dollars will occur at the available market rates prevailing at the time of conversion.

Except as stated below, the Depositary will deliver such distributions to HDR Holders in proportion to their interests in the following manner:

- **Cash.** The Depositary will distribute any HK dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered HDR Holders, and (iii) deduction of the Depositary’s expenses in (1) converting any foreign currency to HK dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or HK dollars to Hong Kong by such means as the Depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner; provided, however, that in the event that any of the deposited Shares is not entitled, by reason of its date of issuance, or otherwise, to receive the full amount of such cash dividend or distribution, the Depositary shall make appropriate adjustments in the amounts distributed to the HDR Holders issued in respect of such Shares; and provided, further, that in the event that the Company or the Depositary shall be required to withhold and does withhold from any cash dividend or other cash distribution in respect of any HDSs an amount on account of taxes, the amount

## LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT

distributed on the HDRs issued in respect of such deposited Shares shall be reduced accordingly. If exchange rates fluctuate during a time when the Depositary cannot convert a foreign currency, HDR Holders may lose some or all of the value of the distribution.

- **Shares.** In the case of a distribution in Shares, the Depositary will issue additional HDRs to evidence the number of HDSs representing such Shares. Only whole HDSs will be issued. Any Shares comprised in a distribution which would result in fractions of HDSs will be sold and the net proceeds will be distributed in the same manner as a cash distribution to the HDR Holder entitled thereto.
- **Rights to receive additional Shares.** In the case of a distribution of rights to subscribe for or acquire additional Shares or other similar rights, if we provide evidence satisfactory to the Depositary that it may lawfully distribute such rights, the Depositary will distribute warrants or other instruments in the discretion of the Depositary representing such rights. The Company has given no undertaking and is not obliged to provide such evidence to the Depositary in case it distributes rights to receive additional Shares. However, if we do not furnish such evidence, the Depositary may:
  - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the HDR Holders entitled thereto; or
  - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case HDR Holders will receive nothing.
- **Other distributions.** In the case of a distribution of securities or property other than those described above, the Depositary may either (i) distribute such securities or property in any manner that it deems equitable and practicable; or (ii) to the extent the Depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the Depositary determines that any distribution described above is not practicable with respect to any specific registered HDR Holder, the Depositary may choose any method of distribution that it deems practicable for such HDR Holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the HDR Holder as deposited securities, in which case the HDSs will also represent the retained items.

Any HK dollars will be distributed by checks for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the Depositary in accordance with its then current practices.

*The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any HDR Holders.*

*There can be no assurance that the Depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, Shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.*

# LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT

## Deposit, Withdrawal and Cancellation

### ***How does the Depositary register title to HDSs?***

The Depositary will register title to HDSs if Shareholders or their broker deposit Shares or evidence of rights to receive Shares with the Custodian and pay the fees and expenses owing to the Depositary.

Shares deposited with the Custodian might be required to be accompanied by certain delivery documentation, including instruments showing that such Shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The Custodian will hold all deposited Shares for the account of the Depositary on behalf of the HDR Holders. HDR Holders thus have no direct ownership interest in the Shares and only have such rights as are specified in the Deposit Agreement. The Custodian will also hold any additional securities, property and cash received on or in substitution for the deposited Shares. The deposited Shares and any such additional items are referred to as “deposited securities”.

Upon each deposit of Shares, receipt of the related delivery documentation and compliance with the other provisions of the Deposit Agreement, including the payment of the fees and charges of the Depositary and any taxes or other fees or charges owing, the Depositary will issue a HDR(s) in the name or upon the order of the person entitled thereto evidencing the number of HDSs to which such person is entitled. The HDSs will be registered in the HDR register in registered form and will be in either certificated form or book-entry form. Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, will be in charge of keeping the records of all registered HDR Holders.

### ***How do HDR Holders cancel a HDS and obtain deposited securities?***

When HDR Holders turn in their HDR certificate at the HDR Registrar’s office, or when they provide proper instructions and documentation in the case of direct registration HDSs, the Depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying deposited securities to the HDR Holder or to their written order, who have an account opened at an account managing institution. At the risk, expense and request of the HDR Holder, the Depositary may deliver deposited securities (other than Shares) at such other place as may be requested.

The Depositary may restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the Depositary or the deposit of Shares in connection with voting at a Shareholders’ meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges;
- compliance with any Hong Kong or foreign laws governmental regulations or regulations of JASDEC relating to the HDRs or to the withdrawal of deposited securities; or
- any other situation where restriction of the right to withdraw at that time is deemed advisable by the Depositary.



## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

### **Record Dates**

The Depositary may, after consultation with us, fix record dates for the determination of the registered HDR Holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of Shares;
- to give instructions for the exercise of voting rights at a meeting of Shareholders;
- to pay the fee assessed by the Depositary for administration of the HDR program and for any expenses as provided for in the Deposit Agreement; or
- to receive any notice or to act in respect of other matters,

all subject to the provisions of the Deposit Agreement.

A Japanese company typically sets record dates in its articles of incorporation for Shareholders exercising voting rights at annual general meetings and receiving interim and year-end dividends. Our Articles expressly provide the record date for Shareholders exercising voting rights at our AGM to be the end of August of each year and the record dates for Shareholders receiving our interim and year-end dividends to be the end of February and August, respectively.

Under the Companies Act, an annual general meeting must be held within three months from the record date. Since we have a financial year ending August 31, we generally hold our AGM around mid-November or late-November each year. Our interim dividends and year-end dividends are generally declared by our Board around April and November, respectively. Therefore, the record dates for determining eligible Shareholders entitled to vote at our AGM and to receive our interim dividends and year-end dividends are much earlier than those which are generally adopted in accordance with Hong Kong laws and regulations.

Shareholders who are registered as holders of our Shares or HDRs after the record dates for determining eligible Shareholders entitled to vote at our AGM and to receive our interim and year-end dividends will not have the right to vote or to receive our interim dividends or year-end dividends, respectively. It generally takes two clear business days from the date of acquisition of shares to become registered as a holder of shares in Japan, and it generally takes three business days for the Depositary and the HDR Registrar to complete a conversion of Shares to HDRs and to register a HDR Holder on the HDR Register. Additional time is also required for HDRs to be credited to the account of the CCASS participant for electronic book-entry settlement in CCASS. Accordingly, the latest time for HDR Holders to lodge HDR transfers to qualify to instruct the Depositary to vote on their behalf at general meetings or to receive interim or year-end dividends would be earlier than is generally the case for other Hong Kong-listed issuers.

Under the Companies Act, a record date for an extraordinary shareholders' meeting is set by the board of directors which is made public by public notice at least 14 days prior to the proposed record date. Shareholders who have acquired our Shares or HDRs after such record date will not have the right to vote at the relevant extraordinary shareholders' meeting.

See also the section headed "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders" in this listing document.

# LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT

## **Voting Rights**

### ***How to vote?***

We have adopted the unit share system, under which each unit will represent 100 Shares. One voting right of the Company will be entitled to each unit representing 100 Shares. If the Depositary asks to be provided with voting instructions, HDR Holders may instruct the Depositary how to exercise the voting rights for the Shares which underlie the HDSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the Depositary will distribute to the registered HDR Holders a notice stating such information as is contained in the voting materials received by the Depositary and describing how such HDR Holders may instruct the Depositary or any other person to exercise the voting rights for the Shares which underlie HDSs. For instructions to be valid, the Depositary must receive them in the manner and on or before the date specified. The Depositary will, as far as is practical, subject to the provisions of and governing the underlying Shares or other deposited securities, vote or to have its agents vote the Shares or other deposited securities as instructed. The Depositary will only vote or attempt to vote as instructed. The Depositary will not itself exercise any voting discretion. Furthermore, neither the Depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

There is no guarantee that HDR Holders will receive voting materials in time to instruct the Depositary to vote and it is possible that HDR Holders, or persons who hold their HDSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote, although in practice our Company and the Depositary will endeavor to make arrangements to ensure as far as practicable that all HDR Holders will be able to vote.

### ***Who is entitled to vote?***

We have adopted the unit share system, under which each unit will represent 100 Shares. All unit holders holding a unit representing 100 Shares are entitled to one vote at a general meeting. Accordingly, 10,000 HDRs (i.e. equivalent to one unit of 100 Shares) will constitute one vote at a general meeting. Each HDR Holder holding one HDR is entitled to one vote at the HDR level. HDR Holders may give voting instructions to the Depositary before a general meeting and the Depositary will vote for and on behalf of the HDR Holders (on a collective basis) at a general meeting in accordance with the terms of the Deposit Agreement.

Rule 2.15 of the Listing Rules provides that certain shareholders must abstain from voting in respect of certain transactions. Under the Companies Act, each shareholder of a Japanese company is entitled to a single vote in respect of each share or each unit of shares (where the unit share system is adopted) that they hold in a company and, except for the requirement for shareholders whose shares are to be purchased by the relevant company pursuant to a share repurchase to abstain from voting, there are no circumstances provided in the Companies Act or the Articles, in which this right may be restricted.

To address the differences between the requirements under the Companies Act and the Listing Rules, we will adopt certain voluntary abstention process to approve any transaction agreement that is subject to Shareholders' approval under the provisions of the Listing Rules and in which a Shareholder has a material interest. See "Appendix IV – Summary of Legal and Regulatory Matters – Part B. Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters – Shareholder Protections under the Joint Policy Statement – Voting" and "Appendix V – Waivers – B. Additional Waivers Obtained – Requirements relating to Constitutional Documents – As regards Voting" in this listing document.

# LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT

## ***What is the level of voting rights that would trigger a compulsory acquisition?***

Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buy out their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Japanese law provides instead that an offeror who has acquired two-thirds of the voting rights of a company's shares may compulsorily acquire the shares held by the remaining shareholders and the FIEA also requires the offeror to make an offer to purchase all classes of shares with voting rights of the offeree company if such offeror owns, together with its related persons, two-thirds or more of the voting rights in the offeree company after a successful takeover. See "Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters — Shareholder Protections under the Joint Policy Statement — Compulsory Acquisition" in this listing document.

## **Reports and Other Communications**

### ***Will HDR Holders be able to view our reports?***

Subject to such waivers and exemptions from compliance with the requirements of the Listing Rules as may be granted by the Hong Kong Stock Exchange to us, if we are required to send printed copies of any notices, reports, voting forms or other communications to HDR Holders under the Listing Rules or any other laws or regulations, we will make available printed copies thereof to the Depositary, who will distribute the same to the HDR Holders. Any such documents or communication will also be made available for inspection at the offices of both the Depositary and the Custodian listed in the section headed "Directors and Parties Involved in the Introduction" in this listing document. The Depositary shall have no liability for the accuracy or completeness of such documents or communication.

## **Fees and Expenses**

### ***What are the fees and expenses?***

The Depositary may charge each person holding HDSs, including, without limitation, issuances against deposits of Shares; issuances in respect of Share distributions, rights and other distributions; or issuances pursuant to a stock dividend or stock split declared by us; or pursuant to a merger, exchange of securities or any other transaction or event affecting the HDSs or deposited securities, and each person surrendering HDSs for withdrawal of deposited securities or whose HDRs are cancelled or reduced for any other reason, HK\$0.40, in accordance with the specific provisions of the Deposit Agreement, for each HDR (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of Share distributions, rights and/or other distributions prior to such deposit to pay such charge.

The following additional charges shall be incurred by the HDR Holders, by any party depositing or withdrawing Shares or by any party surrendering or receiving HDSs (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the HDRs or the deposited securities or a distribution of HDSs), whichever is applicable:

- a fee of at least HK\$0.40 per HDR twice a year for any dividend distribution made pursuant to the Deposit Agreement;
- a fee of HK\$2.50 per HDR certificate for transfers of certificated HDR(s);

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

- an aggregate fee of HK\$0.40 per HDR per calendar year (or portion thereof) for services performed by the Depositary in administering the HDRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against HDR Holders as of the record date or record dates set by the Depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of the Depositary's agents (including, without limitation, the Custodian, and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the Shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the Depositary's or the Custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of HDRs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were Shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the Depositary to those holders entitled thereto;
- stamp duty, stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at the request of HDR Holders in connection with the deposit or delivery of Shares;
- transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- fees and expenses of the Depositary (and/or its agent(s), which may be a division, branch of affiliate, so appointed in connection with such conversion) in connection with the conversion of foreign currency into HK dollars (and such fees and expenses shall be deducted out of such foreign currency),

each in accordance with the specific provisions of the Deposit Agreement.

We will pay all other charges and expenses of the Depositary and any agent of the Depositary (except the Custodian) pursuant to agreements from time to time between us and the Depositary. The charges described above may be amended from time to time by agreement between us and the Depositary.

HKSCC Nominees, as the nominee of CCASS Participants, shall not be liable for the payment or collection of any fees or charges.

### **Reclassifications, Recapitalizations and Mergers**

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

not made to HDR Holders or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the Depositary may choose to:

- (1) amend the form of HDR;
- (2) distribute additional or amended HDRs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell any securities or property received and distribute the proceeds as cash; or
- (5) none of the above.

If the Depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each HDS will then represent a proportionate interest in such property.

### **Lost, Destroyed, Stolen or Mutilated HDR Certificates**

In the event that the certificate to any certificated HDR is lost, destroyed, or stolen, unless the Depositary has notice that such HDR has been acquired by a bona fide purchaser, the Depositary shall execute and deliver a new certificated HDR in substitution for such destroyed, lost or stolen certificated HDR upon the HDR Holder thereof filing with the Depositary a request for such execution and delivery and a sufficient indemnity bond and satisfying any other reasonable requirements imposed by the Depositary. In the event that the certificate to any certificated HDR is mutilated the Depositary shall execute and deliver a new certificated HDR in exchange and substitution for any mutilated certificated HDR upon cancellation thereof.

### **TERMS OF THE DEPOSIT AGREEMENT**

The Deposit Agreement is required to be in a form acceptable to the Hong Kong Stock Exchange.

#### **Appointment and Role**

Under the Deposit Agreement, the Depositary is appointed to act on our behalf in accordance with its terms. The Depositary's role is to issue the HDRs as our agent and to arrange for deposit of the HDSs which the HDRs represent.

#### **Amendment and Termination**

##### ***How may the Deposit Agreement be amended?***

Our Company and the Depositary may only amend the terms of the HDRs and Deposit Agreement in accordance with their provisions, namely in respect of:

- any amendment that imposes or increases any fees or charges payable under a single head of fee/charge mentioned in "Terms of HDRs — Fees and Expenses" above in respect of one HDR (other than stamp duty, stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) by 25% or HK\$1.00 (whichever is the lesser increase) or less from the rate in effect

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at the time of proposed amendment shall become effective upon the expiry of 30 days' notice and HDR Holders continuing to hold HDRs shall be deemed to consent and agree to such amendment and to be bound by the relevant Deposit Agreement as amended; and

- any amendment that imposes or increases such fees in respect of one HDR by more than 25% or HK\$1.00 (whichever is the lesser increase) from the rate in effect at the time of proposed amendment or any amendment (including any amendment that relates to any matter set out in Rule 19B.16(a) to (t) of the Listing Rules) that, in the sole opinion and absolute discretion (which shall be exercised with reasonable care) of our Company, will prejudice any material rights of the HDR Holders the Depositary shall provide HDR Holders with not less than 21 days' nor more than 60 days' notice of the proposed amendment and of HDR Holders' right to vote for or against such amendment, the record date for determining entitlement to vote, all necessary details regarding the procedures for voting and the method and date by which HDR Holders will be notified of the results, and any HDR Holder who does not vote (for whatever reason) in accordance with the terms and procedures set out in such amendment notice shall be taken to have abstained from voting. A proposal for any such amendment shall be approved by a majority of votes cast in favor, and votes must be cast in respect of HDRs held by at least three HDR Holders or, if there are fewer than three HDR Holders, by all HDR Holders who cast their vote.

We may agree with the Depositary to amend the Deposit Agreement and the HDRs without the consent of the HDR Holders in circumstances other than those described above and such amendments shall become effective in accordance with the terms of any agreement between us and the Depositary.

Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement or the form of HDR to ensure compliance therewith, we and the Depositary may amend or supplement the Deposit Agreement and the HDRs at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair the right of HDR Holders to surrender their HDRs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law including the rules of the TSE and JASDEC.

### ***How may the Deposit Agreement be terminated?***

The Depositary may, and shall at our written direction, terminate the Deposit Agreement and the HDRs by mailing notice of such termination to the HDR Holders at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the Depositary shall have (i) resigned as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to registered holders unless a successor Depositary shall not be operating under the Deposit Agreement within 45 days of the date of such resignation, and (ii) been removed as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to HDR Holders unless a successor Depositary shall not be operating under the Deposit Agreement on the 90<sup>th</sup> day after our notice of removal was first provided to the Depositary. After termination, the Depositary and its agent's only responsibility will be (i) to deliver deposited securities to HDR Holders who surrender their HDRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the Depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the HDR Holders who have not yet surrendered their HDRs. After such sale, the Depositary shall have no



## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

obligations except to account for such proceeds and other cash. After the termination date, we shall be discharged from all obligations under the Deposit Agreement, except for obligations to the Depositary and its agents.

### ***How may the Custodian be replaced or removed?***

The Depositary reserves the right to add to, replace, discharge or remove a Custodian, after consultation with our Company to the extent practicable. The Depositary will give prompt notice of any such action, which will be advance notice if practicable in accordance with the Listing Rules.

The Custodian may resign from its duties hereunder by serving at least 45 days written notice to the Depositary. The Custodian ceasing to act hereunder as Custodian shall deliver, upon the instruction of the Depositary, all deposited securities held by it to a Custodian continuing to act. The Depositary shall promptly notify the Company upon receipt of a written notice of resignation from a Custodian and shall make reasonable efforts to, and in any event within 45 days of such written notice of resignation and prior to a Custodian ceasing to act as Custodian, appoint a replacement Custodian.

Notwithstanding the foregoing, if the removal of a Custodian is made by the Depositary for the protection of HDR Holders (including, but not limited to, where (i) the Custodian has committed a material breach under the custodian agreement and the breach cannot reasonably be remedied or (ii) the Custodian has become insolvent, or there are legal restrictions for the appointment of the Custodian and the Depositary and our Company could reasonably be expected to incur a loss or liability if the Custodian is not removed), the Depositary is entitled to remove the Custodian immediately.

The Company will publish an announcement regarding and in advance of the prospective change of the Custodian.

### ***How may the Depositary be replaced or removed?***

The Depositary may at any time resign by written notice to our Company, such resignation to take effect upon (and for the avoidance of doubt, the Depositary's duties as a depositary to cease only upon) the effective appointment of a successor Depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by our Company by no less than 90 days prior written notice and such termination shall take effect upon the later of (i) the 90<sup>th</sup> day after such notice or removal is first provided, (ii) the appointment of a successor depositary and its acceptance of such appointment and (iii) any subsequent withdrawal of the Listing on the Hong Kong Stock Exchange.

The Company will, as soon as practicable, publish an announcement upon receipt of any notice of resignation from the Depositary or its service of notice on the Depositary of the termination of its appointment.

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

### **Limitations on Obligations and Liability to HDR Holders**

#### ***Limits on our obligations and the obligations of the Depositary; limits on liability to HDR Holders and holders of HDSs***

Prior to the issue, registration, registration of transfer, split-up or combination of any HDR, the delivery of any distribution in respect thereof, the withdrawal of any deposited securities and from time to time, we or the Depositary or the Custodian may require:

- payment with respect thereto of (i) any stamp duty, stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of Shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the Deposit Agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the Deposit Agreement and the HDRs, as it may deem necessary or proper; and
- compliance with such regulations as the Depositary may establish consistent with the Deposit Agreement.

The issuance of HDRs, the acceptance of deposits of Shares, the registration, registration of transfer, split-up or combination of HDRs or the withdrawal of Shares, may be suspended, generally or in particular instances, when the HDR Register or any register for deposited securities or book-entry of the Shares is closed or when any such action is deemed advisable by the Depositary; provided that the ability to withdraw Shares may only be limited under the following circumstances (i) temporary delays caused by closing transfer books of the Depositary or our transfer books or the deposit of Shares in connection with voting at a Shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to HDRs or to the withdrawal of deposited securities.

The Deposit Agreement expressly limits the obligations and liability of the Depositary, ourselves and our respective agents. Neither we nor the Depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, Japan, Hong Kong or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, JASDEC, the provisions of or governing any deposited securities, any present or future provision of the Articles of Incorporation, any act of God, war, terrorism or other circumstance beyond our, the Depositary's or our respective agents' control shall prevent, delay or subject to any civil or criminal penalty any act which the Deposit Agreement or the HDRs provide shall be done or performed by us, the Depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the Deposit Agreement or the HDRs (including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable);

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

- it performs its obligations under the Deposit Agreement and HDRs without negligence or bad faith;
- it takes any action or refrains from taking any action in reasonable reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered HDR Holders, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the Depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the HDRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the HDRs, which in our opinion may involve us in expense or liability, unless indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The Depositary and its agents may reasonably respond to any and all demands or requests for information maintained by or on its behalf in connection with the Deposit Agreement, any HDR Holder or Holders, any HDRs or otherwise related to the Deposit Agreement or HDRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators.

The Depositary shall not be liable for the acts or omissions made by any securities depositary, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of the Custodian, if not a branch or affiliate of JPMorgan Chase Bank, N.A. The Depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale. The Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the Custodian except to the extent that the Custodian has (i) committed fraud or willful misconduct in the provision of custodial services to the Depositary or (ii) failed to use reasonable care in the provision of custodial services to the Depositary as determined in accordance with the standards prevailing in the jurisdiction in which the Custodian is located.

Additionally, none of us, the Depositary or the Custodian shall be liable for the failure by any registered HDR Holders or beneficial owner therein to obtain the benefits of credits on the basis of non-US tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the Depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of HDRs or HDSs.

The Depositary shall be under no obligation to inform the HDR Holders or any other holders of an interest in a HDS about the requirements of United States, Hong Kong, Japan or any other applicable law, rules or regulations or any changes therein or thereto. Neither the Depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the Depositary nor any of its agents shall be liable to HDR Holders or beneficial owners of interests in HDSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The Depositary may rely upon instructions from the Company or its counsel in respect of any governmental or agency approval or license required for any currency conversion, transfer or distribution. The Depositary shall not incur any liability for the content of any information submitted to it by or on behalf of the Company for distribution to the HDR Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from the Company. The Company has agreed to indemnify the Depositary and its agents under certain circumstances.

The Depositary and its agent may own and deal in any class of our or our affiliates' securities and in HDRs.

### **Disclosure of Interest in HDSs**

To the extent that the provisions of or any applicable laws and regulations governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities of the Company and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, HDR Holders (except in the case of HKSCC Nominees) must comply with all such disclosure requirements and ownership limitations and with any instructions of the Company, the Depositary or any regulator in respect thereof. We reserve the right to instruct HDR Holders to deliver their HDSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with them directly as a holder of Shares and, by holding a HDS or an interest therein, they agree to comply with such instructions.

### **Books of Depositary**

The Depositary or its agent will maintain in Hong Kong a register for the registration of issue, transfer, combination, withdrawals, split-up and cancellation of HDRs. HDR Holders may inspect such records at the HDR Registrar's office at all reasonable times, which office shall be open for such inspection by HDR Holders and our Company for the purpose of communicating with other holders in the interest of the business of our Company or a matter relating to the Deposit Agreement. Such register may be closed from time to time, when deemed expedient by the Depositary.

The Depositary will maintain facilities for the delivery and receipt of HDRs.

### **Pre-release of HDSs**

In its capacity as Depositary, the Depositary shall not lend Shares or HDSs; provided, however, that the Depositary may (i) issue HDSs prior to the receipt of Shares and (ii) deliver Shares prior to the receipt of HDSs for withdrawal of deposited securities, including HDSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "pre-release"). The Depositary may receive HDSs in lieu of Shares under (i) above (which HDSs will promptly be cancelled by the Depositary upon receipt by the Depositary) and receive Shares in lieu of HDSs under (ii) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom HDSs or Shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the Shares or HDSs that are to be delivered by the applicant under such pre-release, (b) agrees to

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indicate the Depositary as owner of such Shares or HDSs in its records and to hold such Shares or HDSs in trust for the Depositary until such Shares or HDSs are delivered to the Depositary or the Custodian, (c) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or HDSs, and (d) agrees to any additional restrictions or requirements that the Depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, US government securities or such other collateral as the Depositary deems appropriate, terminable by the Depositary on not more than five Business Days' notice and subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of HDSs and Shares involved in such pre-release at any one time to 30% of the HDSs outstanding (without giving effect to HDSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of HDSs and Shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of HDR Holders (other than the applicant).

### **Deeming provision**

In the Deposit Agreement, each HDR Holder and each person holding an interest in HDSs, upon acceptance of any HDSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the Deposit Agreement and the applicable HDR or HDRs, and
- appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable HDR or HDRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable HDR and HDRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

### **Governing Law and Jurisdiction**

The Deposit Agreement and the HDRs are governed by and construed in accordance with the laws of Hong Kong. Any dispute arising out of or in connection with the Deposit Agreement including any question regarding its existence, validity or termination, shall be finally resolved by arbitration under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted in accordance with such rules and as may be amended in accordance with the Deposit Agreement. Notwithstanding the above, any party shall have the right, at its option, to apply to the courts of Hong Kong, who shall have the exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deposit Agreement and that accordingly any proceedings arising out of or in connection with the Deposit Agreement may be brought in such courts. For any court proceedings that are permitted to be brought as mentioned above, each party to the Deposit Agreement irrevocably submits to the jurisdiction of the courts of Hong Kong.

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## **INDEMNIFICATION**

We have agreed to indemnify the Depositary, its affiliates and their respective directors, officers and employees acting in their capacities as agents of the Depositary for certain losses which it may suffer, including from losses arising from the performance of its obligations under the Deposit Agreement.

## **THE RIGHTS ACCRUED TO THE HDR HOLDERS PURSUANT TO THE DEED POLL**

Our Company and the Depositary have executed a Deed Poll in favor of the HDR Holders. Pursuant to the Deed Poll, if we breach any obligation imposed on us towards HDR Holders in the Deposit Agreement, any HDR Holder may enforce the relevant provisions of the Deposit Agreement (as if it is a party to the Deposit Agreement and in the capacity of the Depositary in respect of the number of HDRs held by the relevant HDR Holder) against us.

We are further required to indemnify the HDR Holder for any loss arising from or incurred in connection with or otherwise relating to the enforcement by such HDR Holder of any such provisions of the Deposit Agreement imposing any obligation on us towards HDR Holders.

Each HDR Holder shall be able to enforce the rights to which it is entitled to pursuant to the Deposit Agreement and the HDRs.

## **DEALINGS AND SETTLEMENT**

### **Issuance and cancellation of certificated HDRs**

The HDR Registrar shall issue a certificated HDR upon receipt of the issuance instruction from the Depositary on the first Business Day after receipt of that instruction. The certificated HDR will be ready for collection at the office of the HDR Registrar on the second Business Day thereafter.

For certificated HDR cancellation, investors are required to present the physical certificate together with the cancellation instruction and duly executed transfer form stamped by the Hong Kong stamp office to the HDR Registrar's counter during its business hours.

### **HDRs will be eligible for admission into CCASS**

Subject to the granting of Secondary Listing of, and permission to deal in, the HDRs on the Hong Kong Stock Exchange and our Company's compliance with the admission requirements of HKSCC, the HDRs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the HDRs on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the CCASS Rules. All necessary arrangements have been made for the HDRs to be admitted into CCASS.

### **Commencement of dealings in the HDRs**

The HDRs are expected to be issued and dealings in the HDRs on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on March 5, 2014.

The HDRs will be traded in board lots of 300 HDRs each and will be quoted and traded on the Main Board of the Hong Kong Stock Exchange in Hong Kong dollars. The stock code of the HDRs is 6288.



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## **INSPECTION OF THE DEPOSIT AGREEMENT AND THE RELATED DOCUMENTS**

Copies of the latest Deposit Agreement and the provisions of or governing the HDSs and any written communications from our Company will be available for inspection by the HDR Holders after the Secondary Listing at the offices of the Company and at the office of the HDR Registrar and will be available on our Company's website and the website of the Hong Kong Stock Exchange. Each of the HDR Holders will be provided with the proxy card with web link(s) to proxy materials or other relevant documents from time to time. Such proxy materials and any other relevant documents will also be available on the website of the Hong Kong Stock Exchange.

## **FILING, TAXATION AND REPORTING REQUIREMENTS UNDER JAPANESE LAW**

Among other things, the following requirements or regulations might apply to HDR Holders:

- Takeover regulations and certain trading regulations, including insider trading regulations, under the FIEA;
- Notification requirement prior to the acquisition of shares under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended);
- Filing large shareholding report, sale-purchase report and short-swing regulation for major shareholders under the FIEA;
- Certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended); and
- Certain requirements regarding taxation under the Income Tax Act, the Corporation Tax Act and the Act on Special Measures concerning Taxation of Japan and related tax treaties.

For more information, see "Appendix IV — Summary of Legal and Regulatory Matters" in this listing document.

The Depositary will not comply with such filing, tax reporting and/or disclosure of interest obligations as set out above or any other applicable additional obligations on behalf of the HDR Holders and the HDR Holders shall obtain independent professional advice in order to comply with the filing, tax reporting, disclosure of interest or other obligations under the then applicable Japanese law. For further details, see the section headed "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are" in this listing document.

## **CONVERSION OF SHARES TO HDRS**

All Japanese listed companies, including the Company, are unable to issue physical certificates with respect to their listed shares and all transfers of listed shares of Japanese listed companies must be made through the book-entry system operated by JASDEC. Under Japanese law, any transfer of Shares becomes effective only through the book-entry system operated by JASDEC, and the title to the Shares passes to the transferee at the time when the transferred number of Shares is recorded in the transferee's account opened at an account managing institution. Accordingly, a Shareholder who wishes to convert

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his Shares into HDRs will be required to instruct its account management institution to transfer his Shares to the account designated by the Depositary or its agent through the book-entry system operated by the JASDEC.

The Depositary and the HDR Registrar expect to complete the conversion of Shares to HDRs within three Business Days. Upon completion of the conversion of the Shares into HDRs, the names and address(es) of such HDR Holders will appear on the HDR Register. Once any HDR has been registered to the HDR Register, HDR Holders may choose to safe keep HDR certificates themselves or deposit the HDR certificates into CCASS via their CCASS Investor Participants' accounts or accounts of their designated CCASS Participants in accordance with CCASS Rules. Whether such HDR will be immediately credited to the account of the CCASS participant for electronic book-entry settlement in CCASS will also be subject to the CCASS Rules.

### Fees and expenses for conversion from the Listing Date

The following table sets forth the conversion services offered by the Depositary and HDR Registrar from the Listing Date:

	Conversion of Shares to HDRs	Trading of HDRs on the Hong Kong Stock Exchange
<b>Depositary fees</b>		
Maximum issuance and cancellation fee . . . . .	HK\$0.4/HDR	N/A
<b>Trading costs<sup>1</sup></b>		
Stamp duty . . . . .	N/A	0.2% (0.1% each for the buyer and the seller)

**Note:**

- Other transaction costs include broker commission, transaction levy, trading fees and safekeeping fees which depends on the transaction volume and size.

### CANCELLATION OF HDRS AND CONVERSION OF HDRS TO SHARES

Any HDR Holder whose HDRs are registered on the HDR Register will be able to obtain a request for a conversion form from the HDR Registrar for a conversion of the HDRs to Shares from the Listing Date. On the return of such form to the HDR Registrar, duly completed, together with the corresponding HDR certificates and payment for the relevant charges, the HDR Registrar will arrange for the conversion of such HDRs to Shares. HDRs held in CCASS must be withdrawn from CCASS in accordance with the CCASS Rules and registered onto the HDR Register before the conversion.

HDR Holders should note that all Japanese listed companies, including the Company, are unable to issue physical certificates with respect to the listed shares and all transfers of listed shares must be made through the book-entry system operated by JASDEC. Under Japanese law, any transfer of Shares in the Company becomes effective only through the book-entry system operated by JASDEC, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee's account opened at an account managing institution. Accordingly, HDR

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Holders who wish to convert their HDRs into Shares will require an account opened at an account managing institution for deposit of Shares converted from HDRs.

Where a duly completed request for conversion form is received by the HDR Registrar together with the corresponding HDR certificate prior to 12:00 noon (Hong Kong time) on a Business Day, the HDR Registrar expects to complete the conversion to Shares within three Business Days. This service will be available to the HDR Holder concerned. Once a HDR has been converted to Shares, it may be deposited into the relevant HDR Holder's account opened at an account managing institution in accordance with the relevant rules and regulations of Japan.

The cancellation of the HDRs and the conversion of the HDRs into Shares will be subject to the following conversion fees payable to the HDR Registrar collected on behalf of the Depositary:

	<b>Conversion of HDRs to Shares</b>
<b>Depositary fees</b>	
Maximum issuance and cancellation fee . . . . .	HK\$0.4/HDR
Cable Fees . . . . .	HK\$155/transaction

### LIQUIDITY ARRANGEMENTS

#### Intended liquidity arrangements during the Designated Period

Prior to and upon the Introduction, the Designated Dealer will seek to undertake certain trading activities in the HDRs in the circumstances described below. Certain trades envisaged to be carried out by the Designated Dealer during the Designated Period may constitute covered short selling (or be deemed to constitute short selling) under applicable Hong Kong laws and regulations. In this regard, the Sole Sponsor has applied for (on behalf of the Designated Dealer), and the Hong Kong Stock Exchange has granted, an exemption in order to permit the Designated Dealer to conduct the proposed trading activities described below which may constitute (or may be deemed to constitute) short selling of securities during the Continuous Trading Period (as defined in the Hong Kong Stock Exchange's trading rules, from 9:30 a.m. to 4:00 p.m.) in circumstances where the HDRs are not "Designated Securities" as defined in the trading rules of the Hong Kong Stock Exchange and in order to ensure compliance with such trading rules restricting short sales to only Designated Securities. In addition, the Hong Kong Stock Exchange has waived the restriction on short selling during the Pre-opening Session (as defined in the Hong Kong Stock Exchange's trading rules, from 9:00 a.m. to the commencement of the morning trading session at 9:30 a.m.) to allow the Designated Dealer to effect such trading activities in the HDRs during the daily Pre-opening Session for the duration of the Designated Period. The Sole Sponsor has also applied for (on behalf of the Designated Dealer) and has obtained from the Hong Kong Stock Exchange an exemption from the regulation that a short sale shall not be made on the Hong Kong Stock Exchange below the best current ask price except where the Designated Security is a Market Making Security (as defined in the trading rules of the Hong Kong Stock Exchange) traded under the Pilot Program (as defined in the trading rules of the Hong Kong Stock Exchange) approved by the SFC to be excluded from the application of this regulation (the above exemptions collectively, the "**Exemptions**").

No person other than the Designated Dealer is permitted to enter into short sales of HDRs on the Hong Kong Stock Exchange during the Designated Period or thereafter unless the HDRs are designated for short selling by the Hong Kong Stock Exchange. Upon the expiry of the Designated Period, the Designated Dealer will not be able to engage in further trading activities described below in respect of the

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HDRs on the Hong Kong Stock Exchange unless the HDRs are designated for short selling by the Hong Kong Stock Exchange.

Such activities and Exemptions will facilitate the Designated Dealer in conducting trading activities in respect of the HDRs on the Hong Kong Stock Exchange during the Designated Period with a view to seeking to provide liquidity to meet demand for HDRs upon and in the period immediately following the Introduction:

1. The Designated Dealer anticipates that the initial HDRs will be created by its entering into stock borrowing arrangements to borrow unrestricted Shares from certain existing shareholders of the Company who, to its knowledge, are not affiliates of the Company and using the Shares so borrowed to create HDRs to be issued to the Designated Dealer for sale by the Designated Dealer pursuant to the liquidity arrangements as described below.
2. Upon the Introduction and for a limited period of time thereafter, if there are investors in the Hong Kong market wishing to purchase HDRs, the Designated Dealer will sell HDRs to such persons from the inventory so created if supply from other market sources (e.g., existing non-affiliate Shareholders who voluntarily convert their Shares into HDRs) on the Hong Kong Stock Exchange proves to be insufficient to maintain an orderly market.
3. To maintain an orderly market, the Designated Dealer will borrow or purchase additional unrestricted Shares if the supply of HDRs from its initial pool or from other market sources (e.g., existing non-affiliate Shareholders who voluntarily convert their Shares into HDRs) proves to be insufficient to satisfy demand in Hong Kong.
4. To close out the borrowed positions, the Designated Dealer may purchase unrestricted Shares on the TSE or remove back to Japan any unutilized unrestricted Shares and transfer such Shares to the lending Shareholders.
5. The Designated Dealer will set up a designated broker identity number solely for the purposes of carrying out covered short sales (or deemed short sales) and other trades (including purchases and sales of HDRs) in Hong Kong pursuant to those arrangements, in order to assist in identification and thereby seek to enhance the transparency of such trades on the Hong Kong market. Once the designated broker identity number is available and in any event not later than the Business Day before the first day of the Introduction, the Designated Dealer will notify us of the same. Such information will then be posted on the website of our Company, and disclosed by way of an announcement on the Hong Kong Stock Exchange. It is expected that this announcement will be made on or around February 28, 2014. Any change in such designated broker identity number will be disclosed as soon as practicable using the same channels as described above.
6. During the Designated Period, investors can purchase HDRs from the Designated Dealer's inventory instead of taking three Business Days to convert shares into HDRs, and the HK\$0.4 per HDR issuance fee will be waived.
7. In addition, the Company will, as soon as practicable and in any event before the opening of trading hours on the Business Day immediately before the first day of the Introduction, release an announcement on the Hong Kong Stock Exchange to inform the investing public of the following information as at the Latest Practicable Date prior to such announcement, including the number of HDRs in respect of which the Custodian has received instructions from the

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existing Shareholders for the conversion of Shares to HDRs and the total number of HDRs which have been registered on the HDR register.

8. The Designated Dealer has entered into and will enter into such arrangements (including the trading activities described above and any other purchases and sales of HDRs) on a voluntary basis in good faith and on arm's length terms with a view to contributing towards liquidity to meet demand for HDRs in Hong Kong.
9. The Designated Dealer has a comprehensive business continuity plan which covers any potential system failures, including potential system failure in relation to the liquidity arrangements being put in place for its clients. The continuity plan is designed to mitigate the impact of business interruptions from a wide variety of potential events, including the loss of key facilities and resources. The program is organized into the following components: business continuity risk scenarios, business impact analysts, business unit planning, crisis management and work area recovery.

It is emphasized that other existing Shareholders who may have converted part or all of their Shares to HDRs in accordance with the procedure as set out in the section headed "Conversion of Shares to HDRs" above on or after the date of publication of this listing document can also carry out arbitrage trades in the HDRs. Such activities will depend on, among other things, the extent of price differentials between the stock exchanges, and the number of market participants who elect to enter into such arbitrage arrangements.

The trading activities described above of the Designated Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations. The liquidity arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Designated Dealer is not acting as Market Maker or Security Market Maker (as those terms are defined in the trading rules of the Hong Kong Stock Exchange). The Designated Dealer is effectively acting as a conduit to make available some of the trading liquidity of the unrestricted Shares on the TSE to the Hong Kong market. In particular, the Designated Dealer does not intend to seek to use buying of HDRs in Hong Kong to curtail excess supply in the market.

It should be noted that the Designated Dealer and any persons acting on its behalf may, in connection with the proposed liquidity activities, maintain a long position in the HDRs to meet demand for HDRs in the Hong Kong market if supply from other market sources proves to be insufficient to meet such demand. There is no certainty regarding the extent or time or the period for which the Designated Dealer and any persons acting for it may maintain such a long position in the HDRs.

### **Spread of holdings of HDRs**

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of HDRs available for trading on the Hong Kong Stock Exchange following the Introduction:

- Existing Shareholders may at their discretion convert their Shares to HDRs upon or after the Introduction, as described in the section headed "Conversion of Shares to HDRs" above. The issuance fee in respect of conversion of Shares, or any cancellation fees related to the Sole Sponsor's liquidity arrangement program during the one month period after the date of the

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

listing document or any supplemental listing document (as the case may be), will be waived by the Depositary to incentivize existing Shareholders to convert their Shares. Details of such arrangements are set out in the section headed “Conversion of Shares to HDRs” above. To the extent that existing Shareholders elect to convert their Shares to HDRs before or shortly after the Introduction, such HDRs may help contribute to the general liquidity of the HDRs on the Hong Kong market.

- As indicated in the section headed “Liquidity Arrangements — Intended liquidity arrangements during the Designated Period” above, it is expected that existing Shareholders will lend and make available Shares to the Designated Dealer and the Designated Dealer and/or persons acting on its behalf may also purchase Shares on TSE which, in each case, will be used principally to settle trades of the HDRs in Hong Kong.
- In conducting stock borrowing and trading activities in circumstances as described above in the section headed “Liquidity Arrangements — Intended liquidity arrangements during the Designated Period” above, the Designated Dealer is effectively acting as a conduit to transfer some of the trading liquidity of the Shares traded on TSE to the Hong Kong market.

### **Benefits of the liquidity arrangements**

It is believed that the liquidity arrangements will benefit the Introduction in the following ways:

- by having a mechanism in place to promote and facilitate liquidity to meet demand for HDRs on the Hong Kong market upon and during the initial period after the Introduction. During the Designated Period, the Designated Dealer will, at its discretion and to the extent they consider appropriate, seek to make HDRs available for sale to the Hong Kong market, to try to meet demand if supply from other market participants proves to be insufficient to maintain an orderly market; and
- by seeking to minimize the risk of a disorderly market developing from significant demand for HDRs not fulfilled in Hong Kong upon and during the initial period after the Introduction.

### **Disclosure of the liquidity arrangements**

In order to enhance transparency of the activities carried out under the liquidity arrangements described above, various measures to provide information to the market and potential investors will be undertaken as described in the section headed “Investor Awareness” below.

In addition, the Company will, as soon as practicable and in any event before the opening of trading hours on the Business Day immediately before the first day of the Introduction, release an announcement on the Hong Kong Stock Exchange to inform the investing public of the following information as at the Latest Practicable Date prior to such announcement: the number of HDRs in respect of which the Custodian has received instructions from the existing Shareholders for the conversion of Shares to HDRs and the total number of HDRs which have been registered on the HDR register.

In respect of the trades (including covered short sales and purchases or sales of HDRs) to be carried out by the Designated Dealer on the Hong Kong Stock Exchange, the Designated Dealer will set up a designated broker identity number solely for the purposes of carrying out such trades in Hong Kong, in order to assist in identification and thereby enhance transparency of the trades on the Hong Kong market.

## **LISTING, TERMS OF DEPOSITARY RECEIPTS AND DEPOSITARY AGREEMENTS, REGISTRATION, DEALINGS AND SETTLEMENT**

Information relating to such designated broker identity number will be disclosed as set out in the section headed “Liquidity Arrangements — Intended liquidity arrangements during the Designated Period” above.

### **INVESTOR AWARENESS**

The following measures may be taken to provide information about the Company, the conversion process for those existing Shareholders who want to voluntarily convert their Shares into HDRs and the liquidity arrangements described above:

- before and after the Introduction, the Company and the Sole Sponsor may conduct meetings with potential investors to brief them about the Company, the liquidity arrangements and the Introduction, and the Depositary may conduct such meetings with respect to the listing mechanics for the HDRs;
- before and after the Introduction, the Company and the Sole Sponsor may conduct media briefings and press interviews to provide information to potential investors regarding the Company, the liquidity arrangements and the Introduction, and the Depositary may conduct such media briefings and press interviews with respect to the listing mechanics for the HDRs;
- for each of the four Business Days up to the Listing Date, a daily announcement will be released on the Hong Kong Stock Exchange’s website disclosing the closing prices of the Shares traded on the TSE;
- a public announcement on share migration or conversion procedures, as summarized in the sections headed “Conversion of the Shares to HDRs” and “Liquidity Arrangements” respectively above, may be posted on the Company’s website and the Depositary’s website, and the Depositary may provide a telephone number on its website for investors with questions regarding the HDR register and the issuance and cancellation process for the HDRs;
- before and after the Introduction, the Company and the Sole Sponsor may conduct briefings in relation to the liquidity arrangements for, among others, private bank divisions and a syndicate of brokerage houses and other institutional investors; and
- copies of this listing document will be available for information purposes only during normal business hours from February 14, 2014 to March 4, 2014 (both days inclusive) at the reception counter of the Sole Sponsor at Ground Floor Reception, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and electronic copies of this listing document will be made available to the public through the websites of the Company and the Hong Kong Stock Exchange.

### **Other sources of information**

Relevant information, including the previous day closing prices of the Shares in the form traded on the TSE, will be disclosed through our website at **[www.fastretailing.com](http://www.fastretailing.com)**.

Trading information in respect of the Shares can also be obtained from the website of TSE at **[www.tse.or.jp](http://www.tse.or.jp)**.



## HISTORY AND CORPORATE STRUCTURE

### HISTORY

Our Company was incorporated as a company with limited liability in Japan under the Companies Act on May 1, 1963 as Ogori Shoji Co., Ltd. by Mr. Tadashi Yanai's father, Mr. Hitoshi Yanai, with his own funds. Our Company's name was changed to FAST RETAILING CO., LTD. in 1991. We listed our Shares on the Hiroshima Stock Exchange in July 1994 and then on the Second Section of the TSE in April 1997, progressing to the First Section of the TSE in February 1999. We have been in compliance with the TSE Listing Regulations and relevant laws in all material respects since our listing on the TSE in 1997.

Our first UNIQLO store opened in 1984. Since 2001, we have expanded our worldwide operations to the UK, China, Hong Kong, South Korea, the United States, France, Singapore, Russia, Taiwan, Malaysia, Thailand, the Philippines and Indonesia. As of the end of November 2013, we had 1,368 UNIQLO stores in 14 countries and regions, comprising 856 stores in Japan and 512 stores in other overseas markets. Since 2004, we have also diversified our operational base through acquisitions, including French brands Comptoir des Cotonniers (women's fashion) and Princesse tam.tam (corsetry, lounge wear and swimwear) and US labels Theory (men's and women's fashion) and J Brand (contemporary denim). The low-priced GU fashion label, launched in 2006, is steadily becoming one of our mainstay operations.

### KEY BUSINESS MILESTONES

Set out below are some of our key business milestones:

#### 1963

May Ogori Shoji Co., Ltd. was established with 6 million Yen in capital.

#### 1984

June UNIQLO's first location, the Fukuromachi Store, opened in Hiroshima.

#### 1985

June UNIQLO's first roadside location, the Yamanota Store in Yamaguchi Prefecture, opened.

#### 1991

September Ogori Shoji Co., Ltd. changed its name to FAST RETAILING CO., LTD.

#### 1994

July Our Shares were listed on the Hiroshima Stock Exchange.

#### 1997

April Our Shares were listed on the Second Section of the TSE.

## HISTORY AND CORPORATE STRUCTURE

### 1998

- October We launched UNIQLO's ¥1,900 fleece campaign.
- November The UNIQLO Harajuku store opened in Tokyo and was the first urban UNIQLO store.

### 1999

- February The listing of our Shares progressed to the First Section of the TSE.
- April We opened a Shanghai office to enhance production management.

### 2000

- October Launch of first UNIQLO e-commerce business in Japan.

### 2001

- September The first overseas UNIQLO store opened in London as our first step toward global expansion.

### 2002

- September The first UNIQLO China store opened in Shanghai.

### 2003

- November We developed UNIQLO's first HEATTECH items.

### 2004

- January We acquired a 47.1% equity interest in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), developer of the THEORY brand.
- December We entered into a joint venture with South Korea's Lotte Shopping Co., Ltd., an Independent Third Party, to expand the UNIQLO business in the South Korean market.

### 2005

- May We acquired management control of NELSON FINANCE S.A.S., developer of the COMPTOIR DES COTONNIERS brand.
- June LINK THEORY HOLDING's shares were listed on the TSE Mothers (market of the high-growth and emerging stocks).
- September The first UNIQLO South Korea store opened in Seoul.
- September The first UNIQLO Hong Kong store opened in the Tsim Sha Tsui shopping district.

### 2006

- February We acquired PETIT VEHICULE S.A., developer of the Princesse tam.tam brand.

## HISTORY AND CORPORATE STRUCTURE

March We established G.U. Co., Ltd. to develop our low-priced GU casual clothing brand.

November Our UNIQLO New York Soho store opened as our first global flagship store.

### 2007

November Our UNIQLO 311 Oxford Street store opened in London as our second global flagship store.

December Our UNIQLO Myeongdong store opened as the first large format store in South Korea.

December The first UNIQLO France store opened in La Defense, Paris.

### 2008

August We established a joint venture with Wing Tai Retail Pte. Ltd. to expand in Singapore.

### 2009

March We introduced GU's ¥990 jeans.

We made a tender offer to acquire the remaining stake in LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), developer of the THEORY brand, after which it became a wholly-owned subsidiary of our Company.

April The first UNIQLO Singapore store opened in Tampines 1 Mall.

October Our UNIQLO Paris Opera store opened in France as our third global flagship store.

### 2010

April The first UNIQLO Russia store opened in Moscow.

May Our UNIQLO Shanghai West Nanjing Road store opened in China as our fourth global flagship store.

October Our UNIQLO Shinsaibashi store in Osaka opened as the first UNIQLO global flagship store in Japan.

October The first UNIQLO Taiwan store opened in Taipei.

November The first UNIQLO Malaysia store opened in Kuala Lumpur.

### 2011

September The first UNIQLO Thailand store opened in Bangkok.

September Our UNIQLO Mingyao Department Store opened in Taiwan as a global flagship store.

October Our UNIQLO Fifth Avenue store opened in New York as a global flagship store.

November Our UNIQLO Myeongdong Central store opened in Korea as a global flagship store.

## HISTORY AND CORPORATE STRUCTURE

### 2012

March	Our UNIQLO Ginza store opened in Tokyo as our ninth global flagship store. The third GU flagship store opened in Ginza, Tokyo.
June	The first UNIQLO Philippines store opened in Manila.
September	BICQLO Shinjuku East Exit store opened in Tokyo.
October	The first San Francisco UNIQLO store opened on the West Coast of the United States.
December	We acquired a majority stake in J Brand Holdings, LLC from Star Avenue Capital, LLC, an Independent Third Party, and members of the management of J Brand, Inc.

### 2013

April	UNIQLO Lee Theatre Store opened in Hong Kong as our tenth global flagship store.
June	The first UNIQLO Indonesia store opened in Jakarta.
July	The first two Grameen UNIQLO stores opened simultaneously in Dhaka, Bangladesh.
September	Our UNIQLO Shanghai Huaihai Road store opened in Shanghai as our eleventh global flagship store.

### OUR MAJOR ACQUISITION

On December 21, 2012, we acquired a 80.76% stake in J Brand Holdings, LLC from Star Avenue Capital, LLC, an Independent Third Party, and members of the management of J Brand, Inc., an indirect wholly-owned subsidiary of J Brand Holdings LLC, for an aggregate acquisition price of approximately US\$318 million, which was determined after arm's length negotiation. J Brand is a leading contemporary fashion brand based in Los Angeles, California with significant experience in women's and men's apparel, particularly in the denim category. The acquisition was properly and legally completed and settled and all necessary approvals from the relevant authorities for the acquisition were obtained.

### THE SECONDARY LISTING

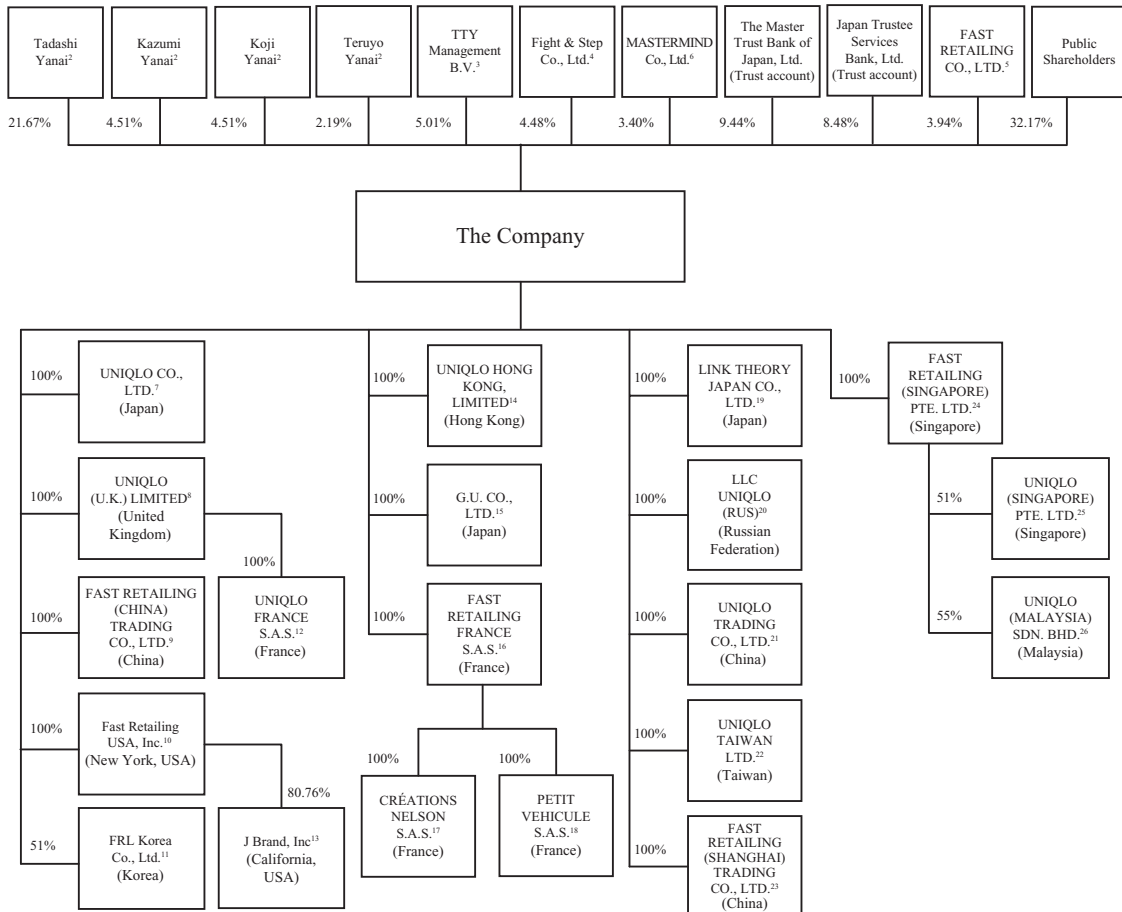
We believe that a secondary listing on the Hong Kong Stock Exchange will enable us to achieve the following purposes:

- to offer Hong Kong investors the opportunity to invest in Hong Kong dollar denominated securities of our Company;
- to demonstrate our commitment to, and focus on, Asia; and
- to further improve our exposure to investors and customers in the rapidly growing Asian market including China.

# HISTORY AND CORPORATE STRUCTURE

## CORPORATE STRUCTURE

Set out below is the corporate structure of our Company and principal subsidiaries as at the Latest Practicable Date<sup>1</sup>. Our Company and principal subsidiaries operate as apparel retailers in Japan, the UK, China, Hong Kong, South Korea, the United States, France, Singapore, Russia, Taiwan and Malaysia.



### Notes:

- The shareholding percentages shown in the corporate structure are calculated based on the total issued share capital of our Company (including Treasury Stock).
- Ms. Teruyo Yanai is the spouse of Mr. Tadashi Yanai. Mr. Kazumi Yanai and Mr. Koji Yanai are the older son and younger son of Mr. Tadashi Yanai, respectively.
- 100% owned by Mr. Tadashi Yanai.
- 100% owned by Mr. Kazumi Yanai.
- As at the Latest Practicable Date, the Company held 4,166,782 Shares as Treasury Stock.
- 100% owned by Mr. Koji Yanai.
- Incorporated on September 2, 1974.
- Incorporated on July 24, 2003. As part of our corporate restructuring, it is expected that UNIQLO FRANCE S.A.S. will merge into UNIQLO (U.K.) in March 2014 after which UNIQLO France S.A.S. will be dissolved and UNIQLO (U.K.) will change its name to UNIQLO EUROPE LTD.
- Incorporated on December 21, 2006. The English name of this principal subsidiary is for identification purpose only. The Chinese name of this principal subsidiary is 迅銷 (中國) 商貿有限公司.
- Incorporated on November 22, 2004.
- Incorporated on December 16, 2004. As at the Latest Practicable Date, FRL Korea Co., Ltd. was owned as to 49% by Lotte Shopping Co., Ltd., an Independent Third Party.

## HISTORY AND CORPORATE STRUCTURE

12. Incorporated on April 28, 2005. As part of our corporate restructuring, it is expected that UNIQLO FRANCE S.A.S. will merge into UNIQLO (U.K.) in March 2014 after which UNIQLO France S.A.S. will be dissolved.
13. Incorporated on August 31, 2005. We indirectly own a 80.76% interest in J Brand, Inc., a company incorporated under the laws of California, USA, through our ownership of 80.76% interest in J Brand Holdings LLC, a limited liability company incorporated under the laws of Delaware, USA. J Brand, Inc is a wholly-owned subsidiary of JB Intermediate Holdings, Inc., a company incorporated under the laws of Delaware, USA which in turn is a wholly-owned subsidiary of J Brand Holdings LLC. As at the Latest Practicable Date, J Brand, Inc. was indirectly owned as to 19.24% by two members of the current management of J Brand, Inc.
14. Incorporated on March 31, 2005.
15. Incorporated on February 21, 1973.
16. Incorporated on October 26, 2006.
17. Incorporated on January 1, 2000.
18. Incorporated on July 7, 1983.
19. Incorporated on December 10, 2003.
20. Incorporated on January 29, 2009.
21. Incorporated on March 30, 2010. The English name of this principal subsidiary is for identification purpose only. The Chinese name of this principal subsidiary is 優衣庫商貿有限公司.
22. Incorporated on April 6, 2010. The English name of this principal subsidiary is for identification purpose only. The Chinese name of this principal subsidiary is 台灣優衣庫有限公司.
23. Incorporated on October 22, 2012. The English name of this principal subsidiary is for identification purpose only. The Chinese name of this principal subsidiary is 迅銷（上海）商業有限公司.
24. Incorporated on August 18, 2011.
25. Incorporated on August 20, 2008. As at the Latest Practicable Date, UNIQLO (SINGAPORE) PTE. LTD. was owned as to 49% by Wing Tai Retail PTE. Ltd., an Independent Third Party.
26. Incorporated in Malaysia on June 10, 2010. As at the Latest Practicable Date, UNIQLO (MALAYSIA) SDN. BHD. was owned as to 45% by DNP Clothing Sdn. Bhd., an Independent Third Party.

## BUSINESS

*Certain facts, statistics and dates presented in the section below and elsewhere in this listing document have been derived, in part, from various official government sources and data from Euromonitor, an independent provider of business intelligence on business, countries and consumers, unless otherwise indicated. The Group believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Sole Sponsor or any other party involved in the Introduction and no representation is given as to its accuracy.*

### OVERVIEW

Our Company is a Japanese retail holding company whose Shares are listed on the TSE and we are a retailer of quality clothing for men, women, children and infants. As at the Latest Practicable Date, our Company had a market capitalization of approximately ¥3.67 trillion (HK\$282 billion). Our Company was established in 1963 and the opening of the first UNIQLO store in Japan in 1984 marked the beginning of the development of a fast-growing international brand, business model and corporate growth. In addition to our mainstay UNIQLO brand, we own several other apparel brands, being our Global Brands, which comprise GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand.

According to Euromonitor, we were the largest clothing retailer in the Asia Pacific in 2012, with a 2.2% share of the US\$444.8 billion Asia Pacific clothing market. As at November 30, 2013, we operated a retail network of 856 UNIQLO stores in Japan, 512 UNIQLO stores in other parts of the world and 1,200 Global Brands stores worldwide. During the Track Record Period, our net sales have grown at a CAGR of 18.0%, from ¥820.3 billion for the year ended August 31, 2011 to ¥1,143.0 billion for the year ended August 31, 2013. In particular, our UNIQLO International business experienced strong sales growth at a CAGR of 63.7% during the Track Record Period.

The significant growth of our mainstay UNIQLO brand has been key to our overall corporate success. We believe the growth of the UNIQLO brand has been fuelled largely by our determined and long-standing commitment to provide high quality and basic casualwear at affordable prices. UNIQLO's SPA (Speciality store retailer of Private label Apparel) business model has been crucial to our success because it enables us to maintain control over the entire clothes-making process from procurement of materials, product planning, design development and manufacture, through distribution, retail and inventory management. This business model has also enabled us to form close partnerships with leading materials manufacturers to jointly develop new functional materials such as our HEATTECH and other product ranges.

Our mainstay UNIQLO brand offers casual apparel that is made for all, regardless of age or gender. In 2001, we began expanding UNIQLO's presence beyond Japan to other parts of Asia, Europe and the United States.

UNIQLO's products range from fleece jackets, cashmere sweaters, Ultra Light Down jackets and vests, to UTs (UNIQLO T-shirts), shirts, sweatshirts and jeans. UNIQLO also designs and manufactures an extensive line of innerwear such as AIRism and HEATTECH. UNIQLO's products are currently offered under the "LifeWear" concept. The term "LifeWear" was first introduced by UNIQLO globally during the launch of its 2013 fall and winter collection, and the term reflects UNIQLO's design approach and focus on customer needs. With its LifeWear products, UNIQLO aims to provide clothing that is innovative, universal in design and of high quality. LifeWear is about offering clothes that promote comfort and enrich lives, allowing customers to create their own individual style.



## BUSINESS

In addition to our mainstay UNIQLO brand, we have also developed and acquired a range of other apparel labels to expand our brand portfolio and customer base, provide a platform to further the global expansion of UNIQLO and Global Brands, and maximize synergies among Group companies in terms of joint product development, shared superior design capability, and the training of global personnel.

Our low-priced, trend-focused GU casualwear brand was created in 2006 to complement the UNIQLO brand in Japan and is aimed at satisfying Japanese consumers' demand for low-priced fast fashion. Following strong growth in Japan, GU recently opened its first international store in Shanghai in September 2013. We also own several other brands as part of our Global Brands business, comprising Theory (originally launched in the United States), French fashion labels Comptoir des Cottonniers and Princesse tam.tam and the US-based premium denim label J Brand. We continue to explore the acquisition of new brands which we believe could complement our expanding global infrastructure and apparel experience, and which we believe have the potential to become internationally recognized brands.

Our corporate philosophy, the "Fast Retailing Way", designed and promoted by our current Chairman, President and CEO Mr. Tadashi Yanai, is underpinned by our corporate statement: "Changing clothes. Changing conventional wisdom. Change the world". We believe that this statement encompasses our commitment to create quality clothing.

As our international presence develops, our ultimate aim is to become a truly global company with Japanese origins. We aim to promote traditional Japanese qualities of attention to customer service and quality control. We are also committed to nurturing global personnel with strong global aspirations and making a focused contribution to societies around the world through the use of clothes for emergency aid, social business or to generate funds for broader social projects. We place particular importance on fostering a strong corporate culture and corporate management based on our "Global One" and ZEN-IN KEIEI management principles. Global One encourages employees all over the world to share our corporate ideal and to adopt the best available global method to address any particular issue. Training programs are offered according to ZEN-IN KEIEI, which loosely translates as "everyone is a potential business leader", and these programs are designed to give employees a sense of ownership, enhance their managerial skills, and encourage them to contribute to the development of the global clothing arena.

### **Business Structure and Sales Performance**

Our business is divided into three business segments: UNIQLO Japan, UNIQLO International, and the Global Brands segment which comprises our low-priced GU casualwear brand and our higher-end brands: Theory, Comptoir des Cottonniers, Princesse tam.tam and J Brand.

As at November 30, 2013, we operated a total of 856 UNIQLO stores in Japan (837 directly-operated stores and 19 franchise stores), 512 UNIQLO International stores and 1,200 Global Brands stores worldwide.

## BUSINESS

Below is a table showing net sales, segment income and the number of stores for our UNIQLO Japan, UNIQLO International and Global Brands business segments during the Track Record Period.

	Net Sales (¥ millions)			Segment Income (¥ millions)			Number of Stores			
	For the years ended August 31,			For the years ended August 31,			As at August 31,			As at November 30,
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2013
UNIQLO Japan . . . . .	600,148	620,063	683,314	106,217	102,347	96,852	843	845	853	856
UNIQLO										
International . . . . .	93,717	153,176	251,191	8,952	10,999	18,350	181	292	446	512
UNIQLO (Total) . . . . .	693,865	773,239	934,505	115,169	113,346	115,202	1,024	1,137	1,299	1,368
Global Brands . . . . .	124,065	153,031	206,234	8,789	14,539	17,463	1,064	1,085	1,150	1,200

*Note:*

Our consolidated net sales data includes sales from the UNIQLO Japan, UNIQLO International and Global Brands segments, as well as sales from the Company.

Our global headquarters is located in Tokyo, Japan, and is primarily responsible for supporting global strategic business development, marketing and brand management, financial management, recruitment and training, internal controls, evaluation of sales and budgeting targets, relationships with suppliers, and monitoring the performance of our brands. We also have four regional headquarters in Paris, Shanghai, Singapore and New York.

### **UNIQLO Japan**

UNIQLO Japan is one of the first casualwear companies in Japan to establish a full-fledged SPA business model which controls and supervises the entire clothes-making process from materials procurement, product planning and design, through manufacture, distribution and retail. After opening its first store in 1984, UNIQLO Japan subsequently developed its SPA business model to create and support a nationwide chain of 856 retail stores as at November 30, 2013. UNIQLO Japan stores typically have a sales floor space of between 800 and 1,200 square meters, with an average floor area per store of approximately 845 square meters as at August 31, 2013. The majority of UNIQLO Japan stores are directly-operated with a small proportion (19 stores as at November 30, 2013) operating under the employee-franchise system.

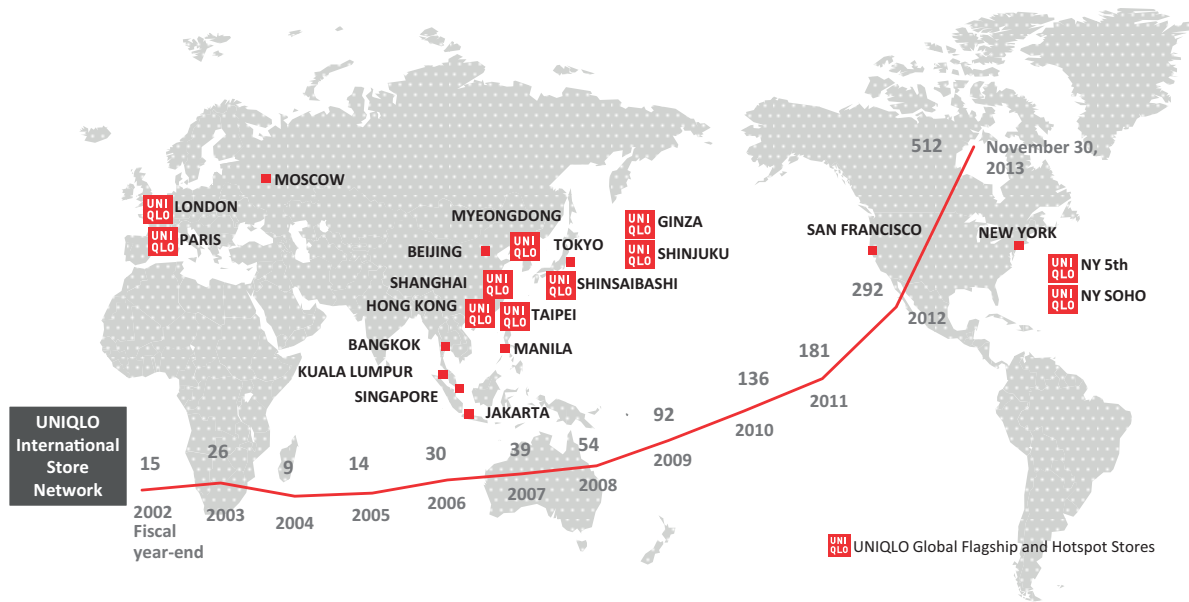
Our expansion strategy for UNIQLO Japan involves a two-pronged strategy of increasing the average size of our stores and increasing our presence in urban areas. Both strategies are designed to enhance UNIQLO's brand image by displaying our product mix in a more effective, eye-catching way. In 2005, we began actively increasing the average size of our UNIQLO Japan stores through our current "scrap and build" strategy involving the replacement of smaller and older stores with large format stores with shop floor space ranging from 1,200 to 3,300 square meters.

In 1998, we launched our first urban store in Tokyo's trendy fashion district of Harajuku. Since then, we have been expanding UNIQLO Japan's store network in Tokyo, Osaka, Nagoya and other metropolitan areas in Japan. In 2005, we opened the first store in Tokyo's shopping district of Ginza. In 2010, we opened our first Japanese global flagship store in Osaka, which was followed by the opening of another global flagship store in Ginza in 2012. Our new urban stores are either standalone stores located on prime urban real estate or housed within prominent established department stores and shopping malls. In addition to our global flagship stores, we have also devised a new concept for global "hotspot" stores which are designed to enhance the consumer's shopping experience by offering entertainment through

additional displays, collections and cooperating with partnership retailers. Our first global hotspot store was opened in Tokyo's Shinjuku district in 2012 in conjunction with home electronics retailer BIC CAMERA INC.

**UNIQLO International**

In 2001, we began actively expanding the UNIQLO brand outside of Japan with the opening of our first store in London. Our first global flagship store opened in New York in 2006, with global flagship stores following shortly afterwards in London, Paris and Shanghai. As at November 30, 2013, UNIQLO operated 512 stores outside of Japan spanning the United States, the United Kingdom, France, China, Hong Kong, Taiwan, South Korea, Singapore, Russia, Malaysia, Thailand, the Philippines and Indonesia. All of our UNIQLO International stores are directly-operated and are located in major cities, often in large shopping malls and high-end department stores. We also seek out potential partners in new markets with local knowledge who can assist in a focused expansion of the UNIQLO brand in the relevant market. As such, several of our UNIQLO operations in Asia are joint ventures, in which we own a majority stake, with locally-experienced partners: South Korea (Lotte Shopping Co., Ltd.), Singapore (Wing Tai Retail PTE. Ltd.), Malaysia (DNP Clothing Sdn Bhd), Thailand (Mitsubishi Corporation), the Philippines (Marketwatch Investments Co., Inc., a subsidiary of SM Retail Inc.) and Indonesia (Mitsubishi Corporation). Our UNIQLO operations in the United States, Europe, China, Hong Kong and Taiwan are conducted through our wholly-owned subsidiaries. Below is a diagram showing our UNIQLO International store network as at November 30, 2013.



The expansion of the UNIQLO brand outside of Japan has proved successful especially in Asia where a rapid acceleration of new store openings has enhanced the brand's presence. UNIQLO operations in China, Hong Kong, Taiwan and South Korea have been especially strong and our more recent expansion into Southeast Asia has also met with great success. During the Track Record Period, UNIQLO International operations have grown faster than UNIQLO Japan operations.

We believe that the Asian region excluding Japan offers great business potential in terms of geographical expansion, continued economic growth and a rapidly growing middle class population. We intend to further expand our UNIQLO International business by opening approximately 80 to 100 new stores each year in China, Hong Kong and Taiwan and accelerating new store openings in other parts of Asia. We intend to further expand our operations in the United States by forming retail networks and opening approximately 10 to 20 stores a year on and around the East and the West Coasts of the United States, centered on New York and San Francisco, respectively. As at November 30, 2013, we had

477 stores in Asia, with 251, 115, and 42 stores in China, Korea and Taiwan, respectively, and 18 and 17 stores in Europe and the United States, respectively.

### **Global Brands**

In addition to operating stores under our mainstay brand, UNIQLO, we operate a portfolio of other brands under our Global Brands business segment, comprising our low-priced GU casualwear brand and our higher-end brands of Theory, Comptoir des Cottonniers, Princesse tam.tam and J Brand. These apparel brands have been created or acquired in locations around the world with the aim of expanding our brand portfolio to satisfy a broader customer base, and to create synergies with our pre-existing portfolio to facilitate further global expansion of UNIQLO and our other brands.

Our Global Brands portfolio comprises the following:

**GU:** We launched GU in 2006 as a label offering fun, fashionable apparel at low prices because we believe the market for low-priced fast fashion has potential to grow in Japan. Leveraging on our long-standing experience as a SPA through our UNIQLO business, GU offers the latest fashion trends for men and women at low prices. We believe that, in developed nations such as the United States and the United Kingdom, companies offering low-priced clothing have enjoyed the greatest growth in recent years. We believe that there is a potential for strong future growth in the low-priced, fast-fashion apparel segment in Japan. The GU brand has proven to be popular among a wide range of customers, especially young women. We believe that the brand's TV commercials featuring popular Japanese artists and the multi-storey GU flagship store which opened in Tokyo's Ginza shopping district in 2012 attract potential customers. GU faces competition in Japan from a number of fast fashion brands, but we believe that we can use our infrastructure and experience to grow GU as a second mainstay brand alongside UNIQLO, both within Japan and ultimately across our international markets. To that end, we introduced our GU brand to international markets in September 2013 with the opening of the first GU store outside of Japan in Shanghai, China. We believe that the two brands do not compete with each other because their brand concepts are different. In contrast to UNIQLO, which focuses on providing high quality, basic casualwear at affordable prices, GU focuses more on delivering the latest fashion trends to customers quickly and at a low price. For example, on December 5, 2013, a pair of regular fit straight jeans sold under the UNIQLO brand was priced at ¥3,990, whereas a pair of regular fit straight jeans sold under the GU brand was priced at ¥990.

**Theory:** The collection of Theory brands offers sophisticated, fashionable dress-casual tailored clothing and accessories for men and women at relatively higher prices. The Theory brand was created in New York City in 1997 and introduced into Japan in 1999 by Link International Co. Ltd. (now Link Theory Japan Co., Ltd.). In addition to the main Theory brand, Link Theory Japan also operates a number of sub-brands: Theory Men, HELMUT LANG, Theory Luxe and PLST. As at November 30, 2013, we operated 425 stores under these brands, with 281 stores in Japan and 144 in international locations, including 40 stores in the United States.

We also operate the following apparel brands as wholesaler and retailer:

**Comptoir des Cottonniers:** Founded in France in 1995, Comptoir des Cottonniers is a women's fashion brand that was developed as a chain of boutique stores. We acquired the entire share capital of Créations Nelson S.A.S., the owner of the Comptoir des Cottonniers brand, in 2005. As at November 30, 2013, we operated a total of 372 Comptoir des Cottonniers stores, with 223 stores in France.

**Princesse tam.tam:** Founded in 1985, Princesse tam.tam is a French corsetry, lounge wear and swimwear brand for women. We acquired the Princesse tam.tam brand in 2006. As at November 30, 2013, we operated a total of 152 Princesse tam.tam stores and also sold its products through our wholesale network.

**J Brand:** J Brand is a premium jeans specialty brand with over 2,000 sales points in 20 different countries. J Brand was founded in 2004 in California. We acquired an 80.76% interest in J Brand in December 2012, and we subsequently opened our first directly-operated J Brand store in Japan in the Hankyu department store, a focal point for fashion-conscious consumers located in Osaka's shopping district of Umeda in October 2013.

### **OUR COMPETITIVE STRENGTHS**

We are one of the largest clothing retailers in the world in terms of retail sales for 2012 according to Euromonitor. We believe that there is future growth potential for our business by further expanding our global UNIQLO store network and establishing UNIQLO as a leading global apparel label. We also see growth potential in the development of our other brands such as GU into internationally recognized brands in their own right. We believe that our success to date and potential for future growth are attributable to the following competitive strengths:

#### **Growing recognition of UNIQLO as an international brand**

Our mainstay UNIQLO brand, with its reputation for high quality, basic casualwear, including clothing using technologically advanced fabrics, has carved a highly competitive position in the clothing market in Japan, and the UNIQLO brand is now becoming increasingly well-known around the world.

We are of the view that UNIQLO's strong reputation in the apparel retail market has also helped us negotiate favorable terms on new store openings with developers and operators of well-known fashion retail buildings and shopping centers in Japan, other parts of Asia and elsewhere in the world.

The opening of global flagship stores, megastores and global hotspot stores in prime locations around the world has increased the global awareness of the UNIQLO brand. These stores aim to showcase the best of UNIQLO through innovative store design, an expansive display of product colors and styles, designer collaborations, high quality customer service and the provision of memorable shopping experiences for our customers. UNIQLO now boasts global flagship stores in New York, London, Paris, Shanghai, Seoul, Taipei, Osaka, Tokyo and Hong Kong, which serve to act both as shopping destinations to attract a broader range of customers and as ideal locations from which to transmit UNIQLO's brand message to a broad audience around the world.

We believe that customers around the world have grown to appreciate UNIQLO's commitment to the provision of "made for all" basic, high quality casualwear at reasonable prices and that UNIQLO's SPA business model enables us to relay customer opinions voiced on the shop floor directly and swiftly back to our design teams. We then work to respond with incremental changes to continue to improve our product ranges and to fulfill our customers' needs globally.

We believe that the appointment of top-class professional athletes such as tennis player Novak Djokovic, Japanese tennis player Kei Nishikori, wheelchair tennis player Shingo Kunieda and golfer Adam Scott as UNIQLO Global Brand Ambassadors have contributed greatly to establishing UNIQLO as an international brand. These athletes are required to wear UNIQLO clothing during competitions, tournaments and sporting events.

#### **Leading clothing retailer in Asia, the world's largest and fastest growing market**

According to Euromonitor, we were the largest clothing retailer in Japan in terms of retail sales from 2004 through 2012. In 2012, we had a 9.4% share of the US\$94.2 billion Japanese clothing market. We began expanding our UNIQLO operations in Asia in 2002 and have been the largest clothing retailer in the

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Asia Pacific region based on retail sales since 2004. We had a 2.2% share of the US\$444.8 billion Asia Pacific clothing market in 2012 according to Euromonitor. As at November 30, 2013, we had a total of 856 UNIQLO stores in Japan and 477 UNIQLO stores in other parts of Asia, covering China, Hong Kong, Taiwan, South Korea, the Philippines, Singapore, Malaysia, Thailand and Indonesia. We have 11 years of retail operation experience in China, one of the largest and one of the fastest growing clothing markets in the world, where we operated 251 stores as at November 30, 2013.

We believe that the Asian clothing market will continue to grow as the economy continues to grow and the size of the middle class population continues to expand rapidly in the region. We are favorably positioned to benefit from this demographic development because of our experience of operating in Asia. We have expanded our operations in Asian markets such as China faster and more extensively than in other regions. Going forward, we plan to accelerate expansion of our retail networks in Asia to maintain our leading position in existing markets and expand aggressively into other high-growth, underpenetrated markets in the region.

### **Strong portfolio of established brands**

In addition to our mainstay UNIQLO brand, we also have a range of strong established higher-end labels such as Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand. These brands appeal to more fashion-conscious customers seeking higher-priced clothing. These brands all have well-established operations and are growing. With a diversified portfolio of internationally recognized brands, we believe we can keep abreast of developing fashion trends and broaden our appeal among different groups of customers.

The strong reputation of our UNIQLO brand and our accrued experience in operating as a SPA has helped us greatly with the launch of our GU brand in 2006 to address the demand for low-priced fast fashion in Japan. Having introduced GU into the international markets in September 2013 with a first store located in Shanghai, China, we are now in a position to further expand our GU operations internationally and develop GU into a second mainstay brand alongside UNIQLO.

### **Creating a strong platform for global expansion and long-term growth**

With nearly 30 years of experience at UNIQLO, we have accumulated substantial industry know-how and expertise in the Japanese apparel retail market. This valuable experience and expertise is now serving as a strong and stable platform for expanding UNIQLO and our Global Brands globally and securing new solid sources of sustainable long-term revenue and growth.

Over the last two decades, our UNIQLO business has experienced rapid growth in Japan and more recently in China and other parts of Asia. We will continue to expand our presence in Asia, but we will also look to enhance UNIQLO's brand recognition in the United States and Europe by opening global flagship stores as well as developing store networks in and around major cities.

UNIQLO's rapid expansion in China illustrates how we have used our accrued experience in Japan to develop a large-scale retail network in another country. We are of the view that we already have the necessary platforms in place in China to attract and train high-caliber store managers and that we have the infrastructure to ensure efficient distribution channels internationally.

In the United States, we have used the expertise acquired in Japan to set clear phases of development for UNIQLO in that market. Having invested heavily in the marketing stage with our global flagship stores, we are now entering the phase of establishing chain networks of more profitable regular-



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sized stores, with sales floor areas of approximately 800 square meters in and around New York and San Francisco.

In Europe, we are gradually expanding UNIQLO's presence following on from our opening of global flagship stores in London and Paris. Our latest global flagship store is set to open in Berlin in 2014, and we will consider opening other global flagship stores in other major European cities at a later date.

We also intend to expand our GU brand internationally in the future.

By extension, the addition of other apparel labels to our brand portfolio is also likely to help enhance prospects for our future growth by facilitating synergies among our brands. This could involve the sharing of local market knowledge and fashion trends, design prowess, new store development, and even the opening of multi-brand stores. We expect to reap benefits from our acquisition of J Brand by capturing an advanced knowledge of denim fashion trends, a deeper understanding of the denim industry, and the acquisition of new skills for the design and manufacture of superior denim items, all of which can be subsequently transferred to UNIQLO and our Global Brands.

### **High quality clothing, innovation and exceptional customer value**

The UNIQLO brand is committed to providing "made for all" high quality, basic casual clothing and the development of highly functional materials which offer exceptional value for our customers. This, we believe, is the key to the UNIQLO brand's ongoing success.

UNIQLO aims to provide clothing that has universal and lasting appeal to people across all ages, professions, ethnicities and lifestyles. To this aim, UNIQLO clothing is constantly updated with new design elements and superior fabrics that incorporate new technologies.

Given UNIQLO's SPA business model and clothing concept, UNIQLO typically dispatches large production orders of over one million pieces to its partner factories. Due to the volume of our production orders, we have established strong relationships with our partners and materials manufacturers, which we believe have enabled us to ensure consistent, high quality end products and to procure materials of superior quality. UNIQLO's practice in this respect is markedly different from clothing businesses which might select small amounts of fabric to suit a particular clothing design and satisfy a short-term fashion trend. UNIQLO believes that any scale benefits should be reinvested into the pursuit of even higher-quality or more competitive products. This long-standing corporate strategy prioritizes a stable gross margin and long-term planning capability over short-term gains from economies of scale.

In the pursuit of the highest quality, UNIQLO has developed close relationships with its fabric suppliers. We believe this allows UNIQLO to customize fabrics to a much larger degree than other apparel retailers. For example, UNIQLO sources denim to specific spinning standards and dyeing specifications from Kaihara Corporation. UNIQLO also procures other superior-quality fabrics and fibers such as cashmere, merino wool, premium cotton and silk at favorable prices.

In the pursuit of innovative new materials and exceptional customer value, we have entered into strategic partnerships with fabric manufacturers such as synthetic fiber manufacturer TORAY INDUSTRIES, INC. These strategic partnerships have enabled us to jointly develop new materials that offer customers exciting new value. Our innovative HEATTECH range is an excellent example of this. The highly functional HEATTECH material was developed in order to provide thin but warm, comfortable, odorless, anti-static, stretchable innerwear for winter. By continually updating and improving the fabrics used in our HEATTECH line, we have been able to expand HEATTECH products from innerwear to outerwear.



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Our AIRism products are another successful example of highly functional innerwear offering comfortable, breathable, all-year innerwear with a light, dry feel and perspiration-absorbing function. AIRism's high-performance fabric was born out of the innovative concept of using ultra-fine fibers to regulate the circulation of air trapped inside clothes. As a result, AIRism offers several comfort-enhancing features across men's and women's lines. They include UNIQLO's dry and odor control functions as well as the ability to quickly absorb and release trapped moisture and stay cool to the touch.

### **A Leading SPA: Optimized, highly integrated supply chain and distribution capabilities**

UNIQLO Japan is one of the first casualwear companies in Japan to establish a full-fledged SPA business model. The SPA business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management. Using the SPA business model, we seek to closely control our production levels for a given season. By maintaining a close dialogue between our frontline sales staff, our merchandising team and our production team, we work to adjust a portion of our production levels during a season in response to consumer trends and preferences.

UNIQLO products are developed internally by our in-house design team, although we occasionally develop collaborative collections with third-party designers to broaden UNIQLO's brand appeal. The majority of UNIQLO products is manufactured by approximately 70 partners, located mainly in China and other countries such as Vietnam, Bangladesh and Indonesia, with which we seek to develop deep, long-term collaborative relationships. The UNIQLO production department, located in Shanghai, is responsible for control over the quality of our products by working closely with our partners. Members of the production department visit partners, share production advice and help to ensure that our strict employment and environmental standards are adopted and upheld.

Strong relationships developed with our fabric suppliers enable us to secure large amounts of high quality fabrics at favorable costs. Our relationships with strategic partners such as synthetic fiber manufacturer TORAY INDUSTRIES, INC. allow us to jointly develop technologically advanced fabrics aimed at catering to the needs of customers worldwide. Our ability to induce incremental adjustments and improvements in the supply and development of high quality fabrics has resulted in increased annual sales for UNIQLO's highly functional product ranges, and we believe this represents a long-term source of sustainable and expanding revenue.

### **Experienced senior management team and strong corporate culture**

We have an experienced senior management team with international and in-depth industry knowledge and an established track record for developing and running global retail businesses and brands. Our senior management team is led by our current Chairman, President and CEO, Mr. Tadashi Yanai, who has spearheaded our growth into one of the world's leading clothing companies. We have nine senior executive officers who channel their expertise into the management of specific areas and segments of the business. In addition, over the past decade, we have welcomed a number of external directors onto our management board who contribute a wealth of expert experience in a variety of fields. We believe this management structure has enabled us to steer our global expansion and investment decisions while minimizing risk.

We are always looking to nurture future leaders and store managers and the Fast Retailing Management and Innovation Center has developed a range of management training programs and leadership schemes for this purpose. We strongly believe that, as a brand which prides itself on its superior standard of customer service, our employees are one of our most important assets. We believe

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that as the value of the UNIQLO brand continues to rise around the world, we are able to attract increasing numbers of high-caliber personnel.

We also maintain a strong focus on fostering a common corporate culture across our entire management and staff wherever they are located in the world. We encourage all staff to share our corporate mission of “Changing clothes. Changing conventional wisdom. Change the world.” Our training and staff conventions are geared towards giving all staff the power to think and act like managers (ZEN-IN KEIEI) and to seek out the best global method or form of global cooperation to perfect any one task (“Global One”). We believe that developing a sense of pride in our corporate achievements and corporate mission is vital to the successful attainment of our targets for future business growth.

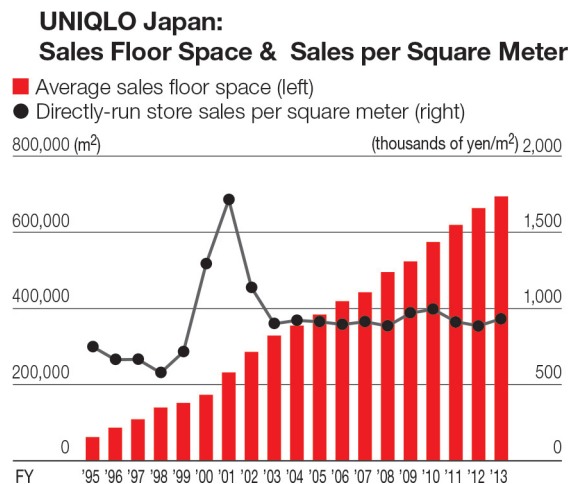
### OUR STRATEGIES

Our key strategies are as follows:

#### Increase store size and open large format stores to enhance our brand image in Japan

In order to maintain our leadership position and increase UNIQLO sales in Japan, we plan to continue implementing our strategies to increase the average size of our stores, and also to open more large format stores in densely-populated urban areas where UNIQLO has potential to increase its presence.

Since 2005, we have been actively increasing the average size of our UNIQLO Japan stores in order to display our product mix in a more effective, eye-catching way. We are doing this through our current “scrap and build” strategy, which involves the replacement of smaller and older stores that have shop floor spaces ranging from 800 to 1,200 square meters with typical large format stores ranging from 1,200 to 3,300 square meters. As at November 30, 2013, the number of large format UNIQLO stores in Japan had risen to 190 stores. One commonly acknowledged feature of the Japanese apparel industry is that sales per square meter tend to decrease as sales floor area increases. However, we have been able to develop a business model that successfully maintains profitability at UNIQLO Japan stores even as total sales floor space continues to expand.



*Notes:*

Average sales floor space represents the average available sales-floor area at directly-operated stores for UNIQLO Japan and is calculated as (number of months in operation x sales floor area)/12 months.

Net sales per square meter for UNIQLO Japan is calculated as net sales at directly-operated stores for UNIQLO Japan (excluding sales generated by franchise stores and online platforms) divided by average sales floor space.

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Over the past ten years, UNIQLO Japan's average sales floor space has increased from 316,493 square meters for the year ended August 31, 2003 to 694,261 square meters for the year ended August 31, 2013, while sales per square meter at directly-operated stores have held steady at approximately ¥900,000 per square meter.

We are transforming UNIQLO's brand image in Japan from a chain of multiple-sized, suburban roadside stores into a leading, international brand that showcases attractive large format stores, including global flagship stores, in the nation's major cities. These global flagship stores are designed to showcase UNIQLO on a grand scale, in terms of color range and product mix, exciting store design and displays, technologically innovative materials, collaborative collections, high quality customer service and the provision of a memorable shopping experience.

In October 2010, we opened our first UNIQLO global flagship store in Japan in Shinsaibashi, Osaka with a sales floor area of 2,600 square meters. In March 2012, we opened a global flagship store of approximately 5,000 square meters in the Ginza shopping district where many of the world's best-known international brands are located. Going forward, our strategy is to open more large format stores in major Japanese cities.

In addition to our new global flagship stores in Japan, we have a variety of store concepts such as the BICQLO store, our first global "hotspot" store which opened in 2012 in Shinjuku, Tokyo. Developed jointly by UNIQLO and leading consumer electronics retailer BIC CAMERA INC., the BICQLO store seeks to make the shopping experience more fun for customers by offering an imaginative and innovative mix of clothing and consumer electronics under one roof, along with a host of other in-store entertainment. Our GU brand is also now featured in the BICQLO store following the opening of a relatively large in-store GU sales space of 1,200 square meters in October 2013.

### **Significantly expand UNIQLO's presence internationally**

The key driver for future growth of our UNIQLO business internationally is the opening of new stores, including in China, Hong Kong, Taiwan, Southeast Asia, Oceania, the United States and Europe. A rise in recognition of the UNIQLO brand amongst customers in these markets, particularly in China and Southeast Asia, will further drive growth in the business.

### ***China, Hong Kong and Taiwan***

According to Euromonitor, the clothing market in China is expected to grow from US\$224.6 billion in 2012 to US\$335.3 billion at a CAGR of 8.3% to become the largest clothing market in the world by 2017. Economic growth and consumer purchasing power are both expected to expand further in China and we expect that demand for UNIQLO casualwear will also increase.

China, Hong Kong and Taiwan are extremely important markets for UNIQLO. They contribute strongly to UNIQLO's overall sales and profit and also help strengthen UNIQLO's reputation as an emerging international brand. UNIQLO now has four global flagship stores in this region: the UNIQLO Shanghai West Nanjing Road store opened in Shanghai in 2010, the UNIQLO Mingyao Department Store opened in Taipei in 2011, the UNIQLO Lee Theatre store opened in Hong Kong in 2013, and the UNIQLO Shanghai store opened in Shanghai also in 2013.

We are committed to increasing our market share in China, Hong Kong and Taiwan by increasing store numbers in locations where we already have a presence, and also by extending our geographical coverage to encompass the other major cities. For the 15 months ended November 30, 2013, we opened 110 new stores and closed four stores in China, opened three new stores in Hong Kong, and opened 25 new stores in Taiwan, bringing the total number of stores in this region to 312 at the end of November 2013, compared to 178 at the end of August 2012. Our current plan is to open approximately 80 to 100 new stores each year in this region.

### ***Southeast Asia and Oceania***

During the Track Record Period, we successfully expanded UNIQLO operations in Southeast Asia, and we will continue to actively promote and expand our operations going forward in Singapore, Malaysia, the Philippines, Thailand and Indonesia. Clothing markets in these countries are typically in an early stage of development relative to Japan. We believe we can grasp the advantage by rapidly expanding UNIQLO's presence in Southeast Asia and further enhancing UNIQLO's reputation as a leading Asian apparel brand. In order to develop UNIQLO's Southeast Asian operations, we have chosen to form strategic joint ventures with locally experienced partners. This has enabled us to launch the UNIQLO brand more efficiently and effectively in Southeast Asian markets. These joint ventures, in which we own a majority stake, have proved invaluable in terms of enabling the sharing of local expertise. We have formed joint ventures with Wing Tai Retail PTE. Ltd. in Singapore, DNP Clothing Sdn Bhd in Malaysia, Marketwatch Investments Co., Inc., a subsidiary of SM Retail Inc., in the Philippines, and Mitsubishi Corporation in Thailand and Indonesia. We believe that our regional headquarters in Singapore has also played a pivotal role in facilitating a smooth and successful penetration for UNIQLO in the Southeast Asia market.

The first UNIQLO store is already set to open in Australia in 2014 in Melbourne, and our current plan is to open additional two new stores in this country.

### ***United States and Europe***

While our fastest and most profitable global expansion to date has been in the Asian region, we do recognize the importance of building a solid UNIQLO presence in the fashion centers of the United States and Europe. UNIQLO opened its first global flagship store in New York's SoHo district in 2006, followed swiftly by the opening of global flagship stores in London in 2007 and Paris in 2009. All three global flagship stores, with their multi-storey store design and prime urban locations, have helped showcase UNIQLO at its very best and increase recognition of the UNIQLO brand outside of Japan. We believe that it was the heavily publicized dual openings of the New York Fifth Avenue global flagship store and New York 34<sup>th</sup> Street megastore in October 2011 which propelled UNIQLO into the spotlight in New York, and, by extension, onto the global stage, given that much attention is often given to fashion events in New York. UNIQLO subsequently opened its first major store on the West Coast of the United States in October 2012 on San Francisco's Powell Street.

UNIQLO has now moved into its second stage of development in the United States, namely the formation of retail chains in and around the city of San Francisco on the West Coast of the United States, and the city of New York on the East Coast of the United States. We plan to implement this strategy by opening approximately 10 to 20 stores per year in and around these two regions. UNIQLO has been opening new stores in prominent American shopping malls, including the Garden State Plaza Mall in New Jersey. The opening of an additional ten in-mall stores in New York, New Jersey, Connecticut and California in the fall of 2013 increased the total number of UNIQLO stores in the United States to 17 stores as at the end of November 2013.

In Europe, we also intend to expand our UNIQLO presence by capitalizing on the success of our existing stores in London, Paris and Moscow and building chain networks in these cities. As at November 30, 2013, UNIQLO had 18 stores in Europe. We also plan to open a global flagship store in Berlin in 2014.

### **Expand our GU brand concept of trendy and fun fashion at low prices in Japan and Asia**

Eager to carve a footing in Japan's market for low-priced fast fashion, we launched our GU casualwear brand in 2006. GU's subsequent introduction of ¥990 jeans in 2009 helped propel the

brand into the spotlight as a label offering fun fashion at low prices, and it has become one of the fastest expanding brands in our Global Brands segment. During the Track Record Period, GU sales have expanded robustly. We expect the net sales of GU to continue to increase. At the end of November 2013, GU had 250 stores, compared to 176 stores at the end of August 2012.

During the Track Record Period, GU has increased its popularity throughout Japan through its television advertising featuring popular and influential Japanese pop artists. The opening of the GU flagship store just a few doors down from the UNIQLO global flagship store in Tokyo's Ginza shopping district has also greatly increased GU's brand appeal and presence. In September 2013, the GU brand opened its first international store in Shanghai, China. Going forward, we plan to continue opening new GU stores in Japan. We will also consider opening GU stores in other markets by leveraging on UNIQLO's global expansion strategy.

### **Further develop our portfolio of higher-end brands**

We continue to develop our portfolio of international brands by enhancing brand recognition for our higher-end fashion labels such as Theory, Comptoir des Cottonniers, Princesse tam.tam and J Brand. This portfolio, which includes trend-setting brands with established sales networks and profit-generating operations in many countries, enables us to stay abreast of current fashion trends and also to broaden our appeal among a wider range of customers. Our Theory brand and its sub-brands have proven to be particularly successful in recent years with operations in both Japan and the United States performing well. We seek to expand the international exposure of our brands by using each of our brand's home market as a platform from which to launch the opening of UNIQLO brand or other brand stores.

As part of our expansion strategy, we continue to explore opportunities to invest in other apparel brands which offer features that are attractive to us in terms of benefits from potential synergies and future growth potential. We also choose brands which we believe could become internationally recognized brands in their own right given the benefit of our established global infrastructure and expertise.

At the same time, we use the fashion expertise of our Global Brands to enhance UNIQLO's product design capability and overall product mix. The denim expertise gained along with the acquisition of a majority stake in leading denim label J Brand in December 2012 is one good example of this. J Brand's knowledge of denim fashion trends and the denim industry is being shared with UNIQLO. In October 2013, we opened the first directly-operated J Brand store in Japan in the Hankyu department store in Umeda, Osaka.

### **Expand our digital platform**

We first launched online sales for UNIQLO Japan in 2000 and we intend to further expand and develop our digital platforms to satisfy growing demand for e-commerce and also to broaden our customer base. For the years ended August 31, 2011, 2012 and 2013, UNIQLO Japan recorded total sales through its websites of ¥19.9 billion, ¥20.6 billion and ¥24.2 billion, representing 3.3%, 3.3% and 3.5%, respectively, of UNIQLO Japan's net sales.

Recently, we began encouraging customers to sign up for our UNIQLO Mobile Members Service by registering their email addresses and downloading the UNIQLO mobile phone application. As of June 2013, 10 million users across Japan had registered their email addresses with this service.

We are also increasing our use of digital advertising as a means of informing customers of upcoming events, sales and special promotions at our stores.

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UNIQLO also offers online shopping in the United Kingdom, South Korea, China, Taiwan and, more recently, in the United States. Our online shopping platform in China is operated by an Independent Third Party. All of these digital sites have proved extremely successful and currently constitute approximately 5% to 10% of total local sales in each of these regions. We plan to extend our digital sales platforms to other markets in Asia and Europe in the near future.

We also believe that marketing through online social media platforms will help us build brand awareness and also enable us to closely monitor our customers' spending patterns and needs. We would then be better equipped to improve our overall product mix in order to meet the needs of customers in individual markets worldwide.

### **OUR BUSINESS**

#### **Our UNIQLO Brand**

We believe that our mainstay UNIQLO brand illustrates our corporate commitment to create “made for all” casualwear that can be mixed and matched to fulfill the needs and complement the personalities of people of all ages. Established in Japan in 1984, UNIQLO offers high quality, basic casual apparel at moderate prices. Products range from fleece jackets, sweaters, T-shirts, casual shirts, sweatshirts, jeans and a wide range of pants, innerwear and outerwear for men, women, children and infants. In keeping with the Company's commitment to provide quality casualwear for all, in 2001 we began expanding UNIQLO's presence beyond Japan to other parts of Asia, Europe and the United States. UNIQLO's rapid expansion in markets outside of Japan has proven to be the driver of our recent growth with operations in China, Hong Kong, Taiwan and South Korea and Southeast Asia generating the strongest performances in terms of annual sales. For the years ended August 31, 2011, 2012 and 2013, net sales from UNIQLO Japan represented 73.2%, 66.8%, and 59.8%, respectively, of our total net sales and net sales from UNIQLO International represented 11.4%, 16.5%, and 22.0%, respectively, of our total net sales.

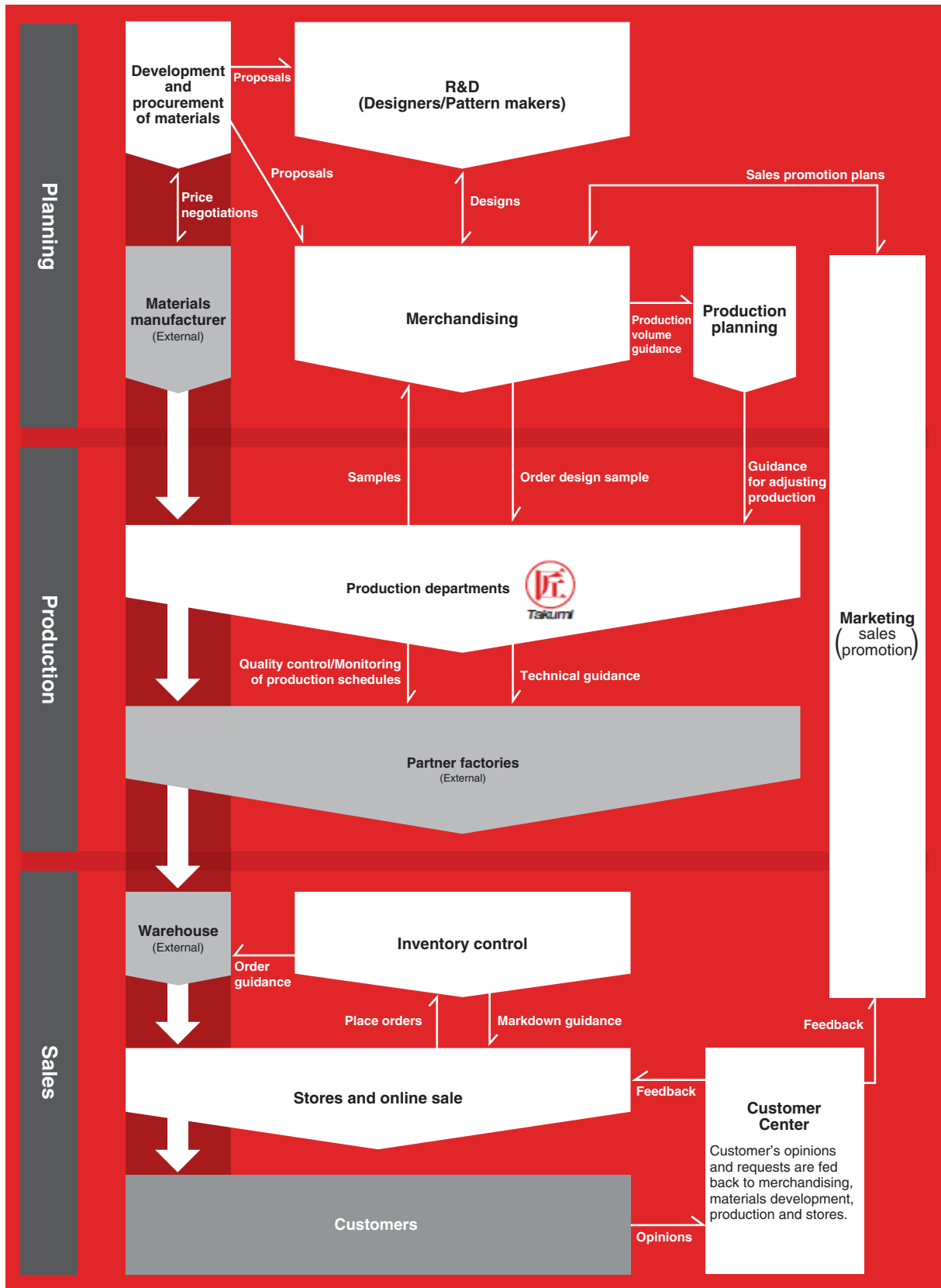
#### ***UNIQLO's SPA Business Model***

UNIQLO Japan is one of the first casualwear companies in Japan to establish a full-fledged SPA business model, whereby we participate in the entire clothes-making process, from procurement of materials, product planning, development and manufacture, and the retail process, including distribution and retail to inventory management.

The following page is an illustration of our SPA business model, showing the typical processes from design and production to final sale for a piece of clothing.

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## The UNIQLO SPA Business Model





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The following is a brief description of our SPA business model, showing the typical processes from design and production to final sale for a piece of clothing.

### ***Planning Phase***

Each UNIQLO product begins with the planning phase. During this phase, we undergo the following activities:

- Development and procurement of materials — a product concept is first proposed and discussed at concept meetings.
- R&D (Designers/Pattern makers) — UNIQLO's R&D centers prepare designs and continue refining samples until the product is finalized.
- Merchandising — UNIQLO's merchandisers apply the concepts for each season in product plans, materials and designs. The merchandisers also decide jointly with the product planning department when to increase or decrease production of a certain product during a season.
- Materials manufacturer (external) — once a product concept has been decided upon, we then proceed with the procurement of materials.
- Production planning — at the end of the planning phase, UNIQLO determines the production volume for a given product.

### ***Production Phase***

- Partner factories (external) — we outsource all of our production and manage the production of our UNIQLO products directly through partner factories and indirectly through Japanese trading companies, both of which are Independent Third Parties. Our partner factories employ a “cut and sew” process, which includes spinning, dyeing, knitting and sewing and processing and finishing.
- Production department — in order to maintain the quality of UNIQLO's products, production members of UNIQLO's production department visit partner factories on a periodic basis to monitor production and to communicate customer feedback.

### ***Sales Phase***

- Warehouse — once production is completed, the finished items are delivered to our warehouses and subsequently shipped to stores.
- Inventory control — our inventory control department is responsible for maintaining the optimum level of store inventory by monitoring sales and stock on a daily basis.
- Marketing — each season, UNIQLO conducts promotional campaigns for its core products through television and other media.
- Stores and online sale — products are sold either at UNIQLO stores or through UNIQLO's online stores.
- Customers/Customer center — our customer center receives comments from customers and communicates these comments to the relevant department to help improve products, stores and services.

## BUSINESS

### **Store Numbers, Distribution, New Store Opening Strategies**

Our UNIQLO products are distributed through our retail distribution network, as well as through our websites. Our UNIQLO stores range from roadside stores, stores in shopping malls and department stores to global flagship stores.

The vast majority of our UNIQLO Japan stores are directly-operated with just 19 UNIQLO Japan franchise stores as at November 30, 2013. The floor space of our UNIQLO Japan stores typically ranges from 800 to 3,300 square meters in size depending on format. More than half of UNIQLO Japan stores are roadside stores located predominantly in suburban locations nationwide. However, in recent years, we have actively increased the number of large format UNIQLO stores in urban roadside locations or housed within established urban shopping malls. The average sales floor space per UNIQLO Japan store was 773 square meters, 808 square meters and 845 square meters for the years ended August 31, 2011, 2012 and 2013, respectively.

All of our UNIQLO International stores are directly-operated. The floor space of our UNIQLO International stores typically ranges from 800 to 1,600 square meters in size depending on format. The stores are mostly located in metropolitan areas of major cities.

The following table shows the number of stores for UNIQLO Japan and UNIQLO International separated by region during the Track Record Period, at the end of November 2013, and the expected number of stores for the year ending August 31, 2014.

UNIQLO Store Numbers by Country/Region

	As at August 31			As at November 30	As at August 31
	2011	2012	2013	2013	2014 <sup>1</sup> (Estimated)
<b>UNIQLO Japan</b> .....	<b>843</b>	<b>845</b>	<b>853</b>	<b>856</b>	<b>866</b>
Directly-operated .....	822	824	834	837	845
Large-scale .....	129	147	177	190	202
Standard .....	693	677	657	647	643
Employee-franchise .....	21	21	19	19	21
<b>UNIQLO International</b> .....	<b>181</b>	<b>292</b>	<b>446</b>	<b>512</b>	<b>629</b>
China .....	80	145	225	251	305
Hong Kong .....	15	16	18	19	22
Taiwan .....	1	17	37	42	47
South Korea .....	62	80	105	115	133
Singapore .....	5	7	12	13	18
Malaysia .....	2	5	10	12	20
Thailand .....	—	4	10	13	20
Philippines .....	—	1	6	10	17
Indonesia .....	—	—	1	2	4
Australia .....	—	—	—	—	1
United Kingdom .....	11	10	10	10	10
United States .....	1	3	7	17	22
France .....	1	2	3	4	5
Russia .....	3	2	2	4	4
Germany .....	—	—	—	—	1
<b>UNIQLO Total</b> .....	<b>1,024</b>	<b>1,137</b>	<b>1,299</b>	<b>1,368</b>	<b>1,495</b>

*Note:*

- Number of planned store closures during the fiscal year ended August 31, 2014 include 42 for UNIQLO Japan (two large-scale stores and 40 standard sized stores), two in China, one in Hong Kong and two in South Korea.

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We also sell our products online. For the years ended August 31, 2011, 2012 and 2013, UNIQLO Japan recorded total sales through its websites of ¥19.9 billion, ¥20.6 billion and ¥24.2 billion, representing 3.3%, 3.3% and 3.5%, respectively, of UNIQLO Japan's net sales. Online sales are also currently available in Korea, China, Taiwan and the United States, and constitute approximately 5% to 10% of total local sales in each of these regions, respectively.

During the years ended August 31, 2011, 2012 and 2013, we opened 62, 25 and 51 UNIQLO Japan stores and closed 27, 23 and 43, respectively. During the years ended August 31, 2011, 2012 and 2013, we opened 53, 115 and 159 new UNIQLO International stores and closed eight, four and five UNIQLO International stores, respectively. Given that UNIQLO International has been expanding its store network in each region, UNIQLO International has been closing very few stores.

Prior to opening a new store, we consider various factors including the size of the local population and population density in an area. We also conduct a profit simulation. Each prospective store is considered individually, taking into account various factors and the results of the profit simulation. We are also careful to avoid any cannibalization of business that could affect surrounding stores.

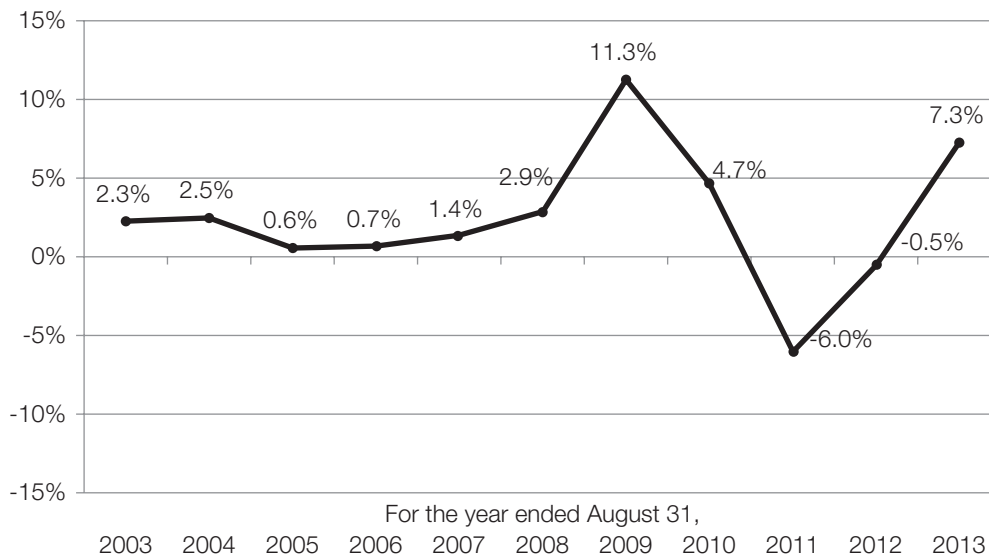
In Japan, we have developed strong relationships with building developers and operators in order to negotiate competitive rent terms, and also to remain informed of any attractive upcoming building projects. As recognition of UNIQLO's brand has increased worldwide, we are able to leverage this to support our new-store planning all over the world. We believe UNIQLO's expanding brand power helps draw in customers and enhance our competitiveness in negotiations with commercial building developers. As a result, in addition to new large format roadside stores, UNIQLO's new store openings have tended to be located on prime urban real estate or in the newest or most popular shopping malls.

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### Same-store Sales Growth

Same-store sales growth measures the percentage change in sales in a particular period compared to the corresponding period in the previous year for all directly-operated UNIQLO stores. Under our method of calculating same-store sales growth, sales data are included for any store that has been open and operating for the entire previous financial year. Therefore, depending on the point in time of the fiscal year when it was opened, a new store will be incorporated into the same-store sales growth data between 13 and 23 months after its initial opening. The same-store sales growth figures below do not take into account: (i) changes in the size of any of our stores, and (ii) store openings and closures.

UNIQLO Japan Same-store Sales Growth (% Y/Y)



**Note:**

There may be variations in the way in which some of our competitors and other retailers calculate same-store sales growth. As a result, data on same-store sales growth may not be comparable to similar data made available by our competitors or other retailers. The same-store sales growth figures have been included for indicative purposes only.

We recorded a decline in same-store sales growth of 6.0% in the year ended August 31, 2011 and 0.5% for the year ended August 31, 2012. However, this was due more to the fact that the data for those years were being compared with those of fiscal year 2010 and fiscal year 2011, respectively when our HEATTECH range of highly-functional winter innerwear enjoyed a boom in sales. Same-store sales growth subsequently recovered to 7.3% year-on-year in the year ended August 31, 2013.

### Average Sales per Square Meter

The figure for average sales per square meter is a measure of performance commonly used in the retail industry. While we do monitor average sales data per square meter, we tend to focus more on the operating profit margin per store when evaluating the performance of directly-operated UNIQLO Japan stores. This is because the UNIQLO Japan store network encompasses a variety of store formats ranging from smaller suburban roadside stores to large format urban stores. For instance, a suburban UNIQLO roadside store may have a comparatively low level of sales per square meter but is still profitable owing to a low store rent.

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The following table sets out the following data for UNIQLO Japan: net sales at directly-operated store, average available sales floor area and average net sales per square meter for the years ended August 31, 2011, 2012 and 2013.

	For the year ended August 31,		
	2011	2012	2013
Net sales at directly-operated stores			
(¥ million) . . . . .	565,509	588,117	647,741
Average available sales floor space (m <sup>2</sup> )* . . . . .	619,516	663,588	694,261
Average net sales per square meter (¥) . . . . .	912,825	886,269	932,994

Note:

\* Average net sales per square meter for UNIQLO Japan is equal to A/B:

where:

A = Net sales at directly-operated stores for UNIQLO Japan (excluding sales generated by franchise stores and online platforms)

B = Average available sales floor area at directly-operated stores for UNIQLO Japan: (number of months in operation x sales floor area)/12 months.

*There may be variations in the way in which some of our competitors and other retailers calculate average sales per square meter. As a result, our data on average sales per square meter may not be comparable to similar data made available by our competitors or other retailers. Therefore, UNIQLO Japan's average sales per square meter figures are included here for indicative purposes only.*

While the total sales floor area has expanded at UNIQLO Japan over the past ten years, average annual sales per square meter have remained steady at approximately ¥900,000.

### **Sales and Pricing**

UNIQLO uses a flexible pricing policy to ensure that nearly all items are sold off by the end of any given season and that the amount of inventory carried over from one season to the next is kept to a minimum. For instance, if a certain product is not selling well, we may reduce the price of that item during the middle of the season, rather than wait until the end of the season. However, in the case of core basic items such as pants, shirts and T-shirts, we may sell the same product items in both spring and fall seasons and adjust the production volume of such products from time to time.

Given the nature of our inventory management strategy, UNIQLO does not conduct discount sales at a fixed time of the year. The budget for each product item is managed individually. Therefore, we are able to sell off excess stock of any one product item by reducing the price. In this respect, we believe that UNIQLO's in-store inventory management system differs from other apparel retailers who pursue fashion trends more vigorously.

UNIQLO Japan conducts limited-period sales on certain core ranges as a way to attract more customers into our stores at certain times. Customers are often notified of these upcoming sales through flyers distributed along with the national newspapers in Japan, or through digital media. We believe that these limited-period sales have proved successful in terms of increasing overall customer visits and helping create a lively atmosphere in our stores.

UNIQLO Japan's sales policy allows our retail customers to return products for a cash refund or exchange products within three months of purchase on presentation of a valid receipt. Since the amount

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of returns for UNIQLO Japan was immaterial, we have not made provisions for returns for UNIQLO Japan in our financial statements during the Track Record Period.

### **Sales Staff**

We consider the provision of high quality customer service to be a defining feature of our corporate culture and our employees are one of our most important assets. As such, we devote much time and attention to the selection and training of sales personnel to become our brand representatives and convey the brand image of UNIQLO. UNIQLO sales staff are taught about the features of our full range of products and how to assist customers with product selection. We believe that UNIQLO has established a reputation for excellent customer service.

UNIQLO is seeking to become a truly international brand and this means offering fair and universal opportunities for all of our staff. We strive to instill a sense of joint mission and common corporate culture among new personnel wherever they are located in the world. We also seek to encourage all staff to think and act like managers so that they can gain greater fulfillment in their work. We actively welcome any product development ideas from our employees. Store staff are encouraged to submit ideas or convey shop floor opinions on current trends or needs to our design and merchandising teams. These ideas are considered by the appropriate member in each department in the head office and action is taken where necessary.

We believe that such systems help boost motivation and morale among our sales staff, which, in turn, upholds UNIQLO's cheerful and helpful in-store atmosphere.

### **UNIQLO's Products**

#### *Product Design*

The UNIQLO brand strives to create "made for all" basic, high quality casualwear at affordable prices which also offer attractive features, exciting new elements and functionality. Building on the "made for all" concept, UNIQLO's products are also designed under the "LifeWear" concept, whereby clothing is aimed at enriching lives, enhancing comfort and allowing customers to create their own individual style. UNIQLO's HEATTECH, AIRism, Ultra Light Down and cashmere products are examples of products that have incorporated the "LifeWear" concept. We believe our consistent success derives from our ability to offer value through the joint development of functional, technologically advanced fabrics, through tie-ups with reputable textile materials and fiber manufacturers. UNIQLO also pays close attention to opinions voiced by customers and uses these valuable opinions to generate improvements in future product ranges. UNIQLO designs nearly all of its products in-house, with a limited number of products designed in collaboration with third-party designers mainly for the quieter inter-season periods to attract a broader range of customers. UNIQLO also strives to incorporate the product development strengths of the Group's higher-end brands into its design process.

The design of our UNIQLO products is based on fabrics incorporating the latest technologies, current fashion trends and an ongoing analysis of sales performance. While UNIQLO clothing is primarily basic casualwear, we do encourage our product design team to gain as much information as possible concerning current fashion trends through a variety of channels including store visits, magazines, internet, exhibitions, shows and feedback from consumers.

Our product design team is located in Japan. Concept meetings are held roughly one year before a product's intended launch. On these occasions, R&D designers and our senior management meet with

representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Multiple samples are produced, scrutinized and improved.

Our merchandisers fulfill an important role in our product development process. Not only do they work with the designers to refine and perfect the designs and multiple samples, but they also consider the best method for marketing and displaying the garment ranges in UNIQLO stores. Our merchandisers also make decisions on material selection, procurement and production volumes. This involves deciding how much of any one design to order for production before the season starts, as well as deciding whether to increase or reduce production during any one season depending on the popularity of a particular design. Our merchandisers submit proposals to our senior management regarding when and whether to alter prices on any items that are not selling well.

The typical time span for an entire product design process is one year. This is mainly due to the fact that we manufacture such large amounts of any one product (typically over one million pieces) and so we start producing the items six to ten months prior to initial sale. However, we do have the ability to increase or decrease production of any particular product mid-season depending on its sales performance. Customer opinions collected in-store can also be reflected in the product mix for subsequent seasons.

### *Production and Supply Chain Management*

We outsource all of our production and manage the production of our UNIQLO products directly through partner factories and indirectly through Japanese trading companies, all of which are Independent Third Parties. We work closely with Japanese trading companies, who outsource production to third-party factories. We also work closely with our partner factories who manufacture the products by themselves. This enables us to maintain firm and consistent quality control. We enter into purchase contracts with Japanese trading companies and manufacturing contracts with our partner factories on normal commercial terms, which are negotiated on an arm's length basis. UNIQLO's SPA model also enables us to create garments with new materials made to our own specifications.

We import products into Japan. The Customs Law of Japan requires any person importing goods into Japan to make a declaration to the Director-General of Customs and obtain an import permit for the relevant goods. For products purchased from Japanese trading companies, customs clearance is handled by the relevant trading company. As for the products imported directly from partner factories, we outsource customs clearance to Independent Third Party forwarders. Registered customs specialists at these forwarders handle custom clearances for us, therefore reducing the amount of resources we are required to allocate for adopting internal control measures for monitoring customs issues. We did not experience any material customs issues during the Track Record Period.

As at August 31, 2013, our partners were located mainly in China and other Asian countries, including Vietnam, Bangladesh and Indonesia.



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We utilize a “Cut and Sew” manufacturing process, an example of which is set out below.

### ■ The Cut and Sew Manufacturing Process



Spinning

The spinning begins with the unraveling of raw yarn materials. Cotton is blended from multiple localities to ensure quality.



Dyeing

Computer-generated test colors are adjusted by skilled craftsmen with an eye for slight differences in color.



Knitting and sewing

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.



Processing and finishing

Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.

### Quality Control

The quality of our products is vital to maintaining UNIQLO’s competitiveness. We place considerable emphasis on product quality, and we have established a strict system and a set of standards to ensure stringent quality control. In our Production Department, the majority are local staff located in Shanghai. We also have production managers operating in Ho Chi Minh City, Dhaka and Jakarta. Staff from the Production Department spend a few days each week at individual partners monitoring the quality of product manufactured, working conditions and environmental standards. If any technical problems are noted, *takumi*, or highly-experienced Japanese artisans, are dispatched to help resolve any issues by sharing their textile techniques and craftsmanship with local partners. *Takumi* are expert artisans with between 20 and 30 years of experience in the Japanese textile industry, and are equipped with the specialist knowledge of various processes, including dyeing, knitting and sewing.

### Inventory Control and Logistics

In terms of our inventory policy, UNIQLO operates in such a way as to ensure that the amount of inventory of seasonal items carried over from any one season to the next is minimal. We typically hold inventory for some year-round products such as jeans, long-sleeved T-shirts and sweatshirts. During any season, we collect excess inventory from a number of stores in a certain area and transfer it to stores where the product is selling well. At the end of the season, we discount any remaining inventory in order to minimize the amount carried over from one season to the next.

In terms of the logistics of UNIQLO’s inventory management, our inventory control system enables us to monitor inventory levels, inventory history and inventory composition on a daily basis. We are also able to monitor the exact number of each of our products at our stores and in our warehouses, as well as inventory still in the manufacturing process.

We believe that UNIQLO’s inventory management system is efficient and effective. We outsource the transportation of finished products to third-party transportation companies, which then deliver our products to our stores. However, we employ inventory controllers to micro-manage the delivery of initial product lots and the subsequent monitoring of in-store inventory using stock-keeping units (SKU) which refer to the size and color range of each product item. Our inventory controllers monitor products which are selling particularly well and issue specific directions to delivery companies on a weekly basis in order

## BUSINESS

to avoid any SKU shortages and to ensure that an appropriate amount of inventory is maintained in each store. In this way, inventory levels at each store are maintained at the appropriate level by experienced controllers at the head office.

We also analyze past sales performance, any planned promotional activities and general consumer trends in order to forecast the composition of inventory required to meet our future expected demand.

### ***Marketing***

In order to transform UNIQLO into a truly international brand, we have been developing various forms of global marketing to ensure that people all over the world are aware of the quality of the UNIQLO brand and UNIQLO clothing. Only then can we achieve our goal of offering high quality “made for all” casualwear to all people, everywhere. Our global marketing activities involve the opening of global flagship stores and large format stores in major cities around the world. These stores aim to showcase the best of UNIQLO, which include innovative store design, an expansive display of product colors and styles, collaborative collections, high quality customer service and the provision of memorable shopping experiences for customers. The UNIQLO New York Fifth Avenue global flagship store, for example, also serves as a shopping destination from which to transmit UNIQLO’s brand message to consumers all over the world, to encourage customers to buy UNIQLO products and also support what we stand for.

### **Global Brands**

Each of our Global Brands is managed independently and each brand’s team is responsible for its own strategy, product design and development, outsourced production, marketing and promotion, distribution and retail and personnel. Our management coordinates the activities of each brand’s team with our strategies and vision in mind.

### ***Distribution***

Our Global Brands are distributed through a combination of wholesale and retail networks and e-commerce platforms. We have adopted a franchise model for certain of our Global Brands.

Our low-priced fast fashion brand, GU, is sold in directly-operated stores located in shopping malls or on roadside locations throughout Japan, as well as through online sales. Our first GU store outside of Japan opened recently on September 30, 2013 in Shanghai.

Products of Theory (and its sub-brands), Comptoir des Cotonniers and Princesse tam.tam, are sold in both directly-operated and franchise stores located mainly in department stores, fashion complexes and shopping malls in major international cities. The products for J Brand and some of the other brands are also sold wholesale.

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The following table shows the number of stores for selected Global Brands during the Track Record Period and at the end of November 2013, and the expected number of stores for the year ending August 31, 2014.

	As at August 31			As at November 30	As at August 31
	2011	2012	2013	2013	2014 <sup>2</sup> (Estimated)
GU .....	148	176	214	250	277
Theory <sup>1</sup> .....	371	373	411	425	457
Comptoir des Cotonniers <sup>1</sup> .....	386	383	375	372	373
Princesse tam.tam <sup>1</sup> .....	159	153	150	152	152
J Brand .....	0	0	0	1	2
<b>Global Brands Total</b> .....	<b>1,064</b>	<b>1,085</b>	<b>1,150</b>	<b>1,200</b>	<b>1,261</b>

*Notes:*

1. Including franchise stores
2. Number of planned store closures during the fiscal year ending August 31, 2014 include seven for GU, three for Theory, six for Comptoir des Cotonniers and two for Princesse tam.tam

During the fiscal years ended August 31, 2011, 2012 and 2013, we opened 139, 76 and 125 and closed 244, 55 and 60 Global Brands stores internationally, respectively. For the year ended August 31, 2011, we closed approximately 200 stores operated by Cabin Co., Ltd., which merged with Link Theory Japan Co., Ltd. on September 1, 2010. Certain of these stores were transferred to one of the Theory sub-brands, PLST.

Our Global Brands have been created or acquired in locations around the world with the aim of expanding our brand portfolio to satisfy a broader customer base, and to help develop a synergized platform to facilitate further global expansion of UNIQLO and our other brands.

In addition to the opening of prominent global flagship stores worldwide, we have also sought to develop our global marketing through the appointment of UNIQLO Global Brand Ambassadors. We believe that the appointment of tennis player Novak Djokovic, Japanese tennis player Kei Nishikori and wheelchair tennis player Shingo Kunieda as Global Brand Ambassadors in 2012 significantly enhanced the visibility of the UNIQLO brand, with all three of these outstanding athletes excelling in their individual fields sporting UNIQLO clothing. The subsequent appointment of professional golf player Adam Scott in 2013 further helped increase awareness of the UNIQLO brand when he won the 2013 Masters Golf Tournament.

### MANAGEMENT INFORMATION SYSTEM

Our electronic resource planning (ERP) systems and electronic data processing systems consist of a range of retail and financial, production and manufacturing reporting, inventory distribution and control, business performance reporting and distribution functions.

We place considerable emphasis on our management information systems to improve our efficiency in sales and inventory control. Our network of stores has always been linked to our central headquarters through the Point of Sales system, which facilitates timely and accurate data management. This allows us to collect information regarding consumer purchases, monitor consumer preferences and make timely assessments regarding popular items. The ERP system also enables us to closely monitor inventory levels

and transaction patterns, providing information which we can use to facilitate responsive supply chain operations.

In order to ensure that our performance and service standards keep pace with our expanding network of stores, we plan to further improve our management information systems. We believe such improved systems will strengthen supply chain management and sales management. The fact that the reporting systems can be viewed by all permanent employees helps speed up the decision-making process in terms of business management. Our ERP system has been repeatedly improved since the beginning of 1990.

## **INDUSTRY OVERVIEW**

### **Overview of the Global Clothing Market**

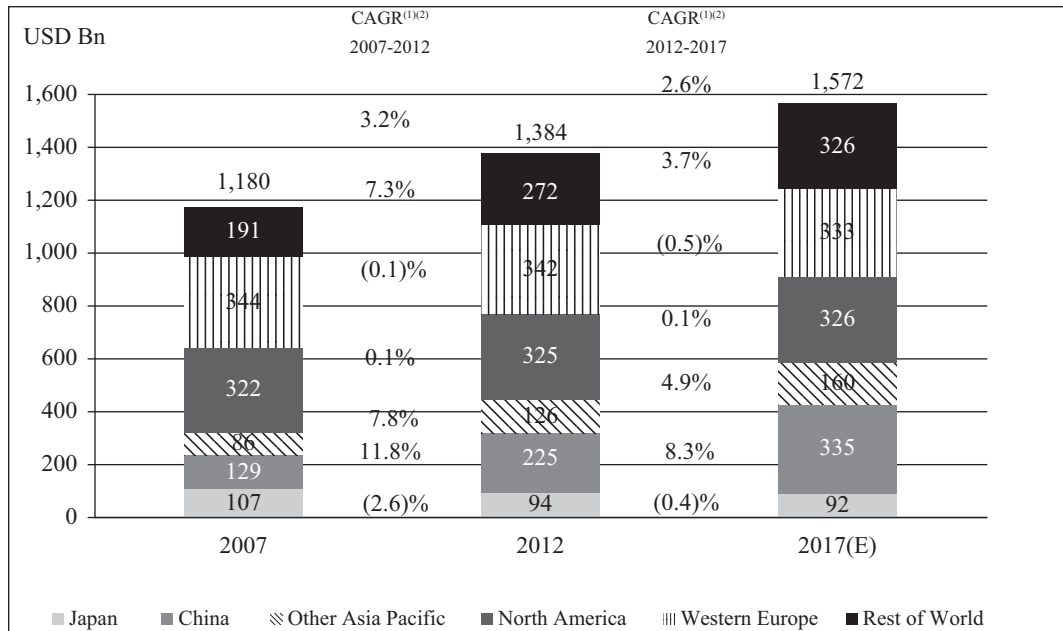
We operate in the global clothing market, which according to Euromonitor had approximately US\$1.4 trillion of estimated retail sales in 2012. The global clothing market has grown at a CAGR for retail sales value of 3.2% from 2007 to 2012. It is forecast to grow at a CAGR of 2.6% from 2012 to 2017. References to clothing market data by Euromonitor in this listing document is based on research conducted from September 2012 to February 2013 for Euromonitor's Apparel 2013 edition, which was published in February 2013 and includes articles of dress and wearing apparel as well as clothing accessories. Footwear and personal accessories are excluded.

Asia Pacific was the largest clothing market in 2012, comprising approximately 32% of the global market, of which Japan accounted 7% and China accounted 16%. Western Europe was the second largest clothing market, comprising approximately 25% of the global market while North America was the third largest clothing market, comprising approximately 23%.

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The chart below illustrates the historical and projected market size and growth profile of the clothing market by region, according to Euromonitor.

**Global Clothing Market Size – Historical and Forecast**



Source: Euromonitor

Notes:

- Figures presented are calculated using the latest available exchange rate for each year of the period presented and accordingly do not include the impact of exchange rate fluctuations
- Historical figures for 2007-2012 are based on current prices incorporating the effect of inflation, and estimates for 2013-2017 are based on constant prices excluding the effect of inflation.

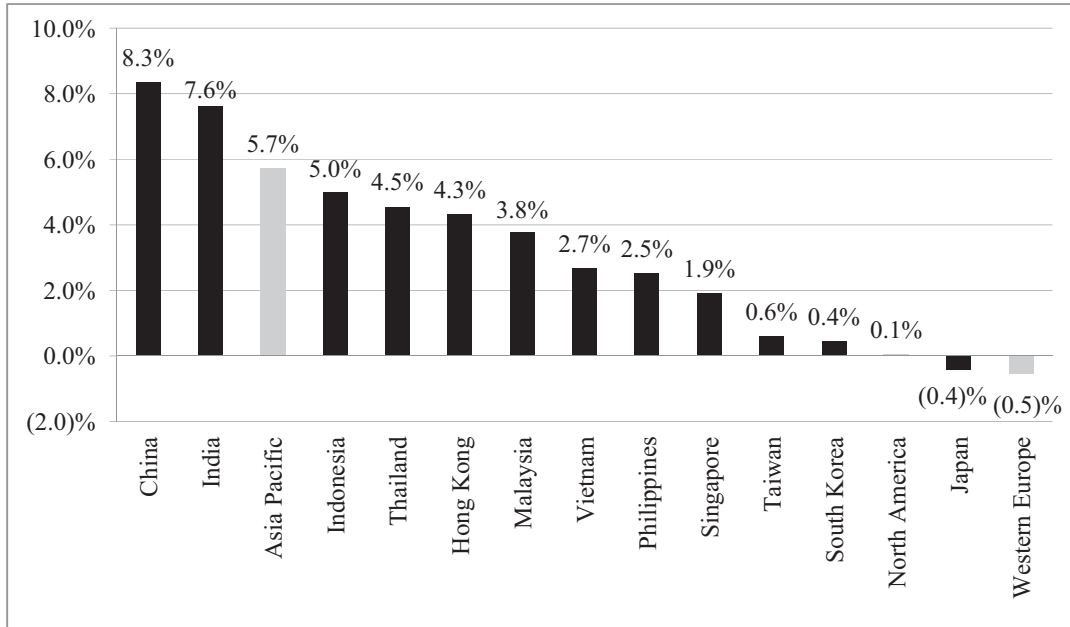
Across the regions, the Asia Pacific clothing market is forecast to experience the highest growth from 2012 to 2017 at a CAGR of 5.7%, primarily driven by China, whose clothing market is estimated to grow at an approximate CAGR of 8.3% between 2012 and 2017. Growth in China and the rest of the Asia Pacific region is expected to be mainly driven by the increasing per capita spending for clothing as a result of a general increase in disposable income.

According to Euromonitor, each of the clothing markets in Japan, Western Europe and North America is forecast to grow at a CAGR of -0.4%, -0.5% and 0.1%, respectively, between 2012 and 2017.

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The chart below sets out the forecast 2012 to 2017 clothing market growth rate in retail sales value for selected countries and regions.

**Growth Forecast of Asia Pacific Clothing Market (CAGR from 2012 – 2017(E)<sup>(1)(2)</sup>)**



Source: Euromonitor

Note:

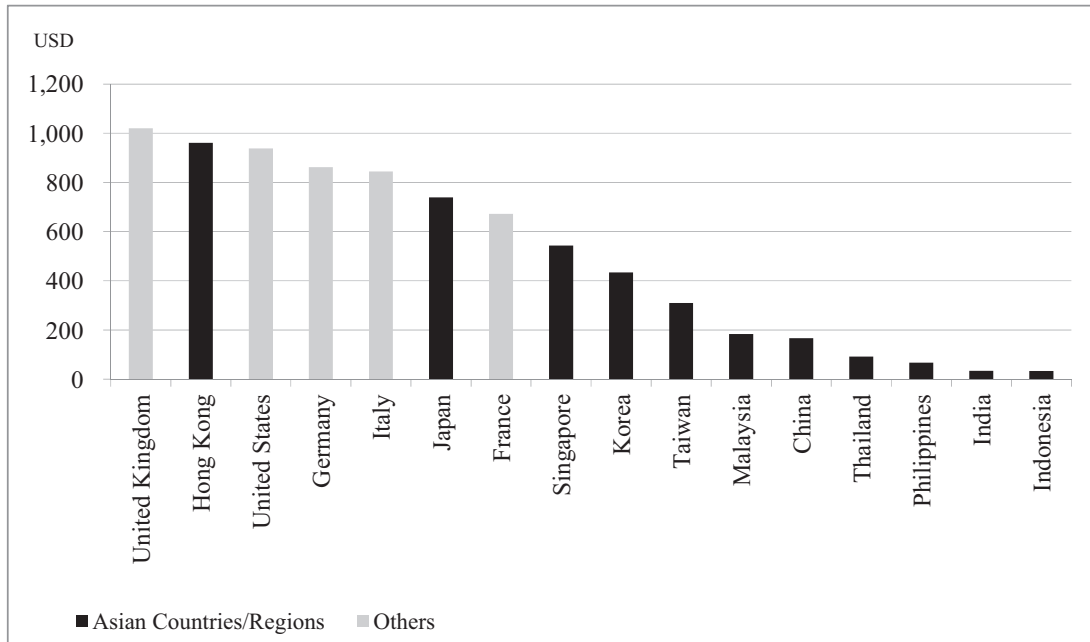
1. Figures presented are calculated using the latest available exchange rate for 2012 and accordingly do not include the impact of exchange rate fluctuations.
2. Historical figures for 2012 are based on current prices incorporating the effect of inflation, and estimates for 2013-2017 are based on constant prices excluding the effect of inflation.

Per capita expenditure on clothing is significantly lower in the developing countries in Asia Pacific compared to in the developed markets of Japan, North America and Western Europe. This provides significant headroom for long-term growth in China and other developing countries in Asia Pacific where per capita clothing spending is expected to increase as disposable income increases.

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The chart below sets out per capita consumption on clothing in 2012 for selected countries and regions.

**Per Capita Consumption on Clothing by Country/Region (2012)**



Source: Euromonitor

## COMPETITION

Globally, we believe UNIQLO's primary competitors are international SPA (Specialty store retailer of Private-label Apparel) companies such as Inditex, H&M Hennes & Mauritz AB and The GAP, Inc. which offers casualwear globally. We are the fourth largest SPA company in the world and as we seek to expand overseas, competition with these SPA companies will become more intense.

Companies	Ranking among SPA companies <sup>1</sup>	Ranking among clothing companies <sup>2</sup>	2012 market share in clothing market <sup>2</sup>
<b>Inditex</b> . . . . .	<b>1</b>	<b>1</b>	<b>1.3%</b>
<b>H&amp;M Hennes &amp; Mauritz AB</b> . . .	<b>2</b>	<b>2</b>	<b>1.2%</b>
<b>The Gap, Inc.</b> . . . . .	<b>3</b>	<b>3</b>	<b>1.0%</b>
<b>Our Company</b> . . . . .	<b>4</b>	<b>6</b>	<b>0.7%</b>
<b>C&amp;A Mode AG</b> . . . . .	<b>5</b>	<b>8</b>	<b>0.7%</b>
Nike, Inc. . . . .	N/A	4	0.9%
adidas AG . . . . .	N/A	5	0.8%
VF Corporation . . . . .	N/A	7	0.7%

Notes:

- As recognized by the Japanese Ministry of Economy, Trade and Industry, an integral element of the SPA business model is the integration of manufacturing and retailing. Accordingly, we have excluded Nike, Inc., adidas AG and VF Corporation from the SPA rankings. Based on public filings of these companies, Nike, Adidas and VF Corp's wholesale business comprise over 73% (for the fiscal year ended May 2013), over 64% (for the fiscal year ended December 2012) and 79% (for the fiscal year ended December 2012) of total sales, respectively, and accordingly Nike, Inc., adidas AG and VF Corporation are not regarded as SPA companies. SPA companies are highlighted in the table.
- According to Euromonitor.



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In Japan, the UNIQLO brand competes broadly with Japanese general merchandising stores and specialty clothing retailers.

Since 2004, international SPA companies have been expanding their operations in Japan. However, we believe that this development has not adversely impacted UNIQLO's profitability because we operate a low-cost business model, and our store network is not concentrated on prime, expensive locations where competition is toughest.

According to Euromonitor, we were the largest clothing company in Japan with 9.4% of the market share by retail sales value in 2012.

### Top 5 Companies in Japanese Clothing Market

Companies	Market share by retail sales value
<b>Our Company</b> .....	<b>9.4%</b>
Shimamura Co., Ltd. ....	4.9%
World Co., Ltd. ....	4.9%
Onward Holdings Co., Ltd. ....	4.4%
Aoyama Trading Co., Ltd. ....	1.8%

Source: Euromonitor

Outside of Japan, in markets such as China and other parts of Asia, we are of the view that the nearby presence of international SPA companies often works in UNIQLO's favor by enhancing awareness of the UNIQLO label as an internationally recognized brand. In addition, we believe the presence of a number of global casualwear retailers in any one international location often helps promote the appeal of foreign brands and encourages greater purchases by local customers.

According to Euromonitor, we were the largest clothing company in the US\$444.8 billion Asia Pacific clothing market in 2012 with 2.2% market share by retail sales value.

### Top 5 Companies in Asia Pacific's Clothing Market

Companies	Market share by retail sales value
<b>Our Company</b> .....	<b>2.2%</b>
Shimamura Co., Ltd. ....	1.0%
World Co., Ltd. ....	1.0%
Onward Holdings Co., Ltd. ....	0.9%
adidas AG .....	0.7%

Source: Euromonitor

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### OUR CUSTOMERS

The percentage of turnover or sales attributable to our Group's five largest customers combined is less than 30%.

### OUR SUPPLIERS

Our suppliers consist of partner factories and trading companies. The percentage of purchases attributable to our Group's largest supplier for the years ended August 31, 2011, 2012 and 2013 was 18.7%, 20.6% and 20.1%, respectively. The percentage of purchases attributable to our Group's top five suppliers for the years ended August 31, 2011, 2012 and 2013 was 62.6%, 63.1% and 60.2%, respectively.

None of our Directors, their associates or any Shareholder which (to the knowledge of the Directors) owns more than 5% of our share capital as at the Latest Practicable Date had any interest in any of our five largest suppliers.

### OUR INTELLECTUAL PROPERTY

Our trademarks and other intellectual property rights are vital to our success. Our core brands are UNIQLO, GU, Theory and its sub-brands, Comptoir des Cotonniers, Princesse tam.tam and J Brand. Our trademarks registered in Japan include all of our brand names, as well as their logos. We have also registered and applied for registration of trademarks and logos associated with our brands in countries and regions where we have and are planning to have our business operations. We are currently in the process of seeking to register additional trademarks in certain foreign jurisdictions. In order to control and maintain the overall quality and proper usage of our trademarks, which are important to our overall business, these trademarks are not transferred to franchise operators and are collectively managed by us. In addition, we own domain names, including [www.uniqlo.com](http://www.uniqlo.com) and [www.GU-japan.com](http://www.GU-japan.com), for our primary trademarks, and we also own unregistered copyright in our website content.

We independently develop, use and register any new trademarks and other intellectual property in connection with our business, without any additional consideration to be paid to licensors or to any other obligations under licensing agreements. Going forward, we will continue to independently develop trademarks and other intellectual property rights, and we will register those in our name or take other measures to protect such rights. We expect to continually grow our product assortment and strengthen our brands, and we will continue to file new applications as appropriate to protect our intellectual property rights.

For a more detailed listing of these items, see "Appendix VII — Statutory and General Information — B. Further Information about our Business — (i) Our intellectual property rights" in this listing document.

### PRODUCT LIABILITY AND INSURANCE COVERAGE

We carry property insurance and product liability insurance policies that is customary for the clothing industry. To control our product liability risk, we place significant emphasis on quality assurance. We did not conduct any material recall of our products and did not receive any material claim from our customers relating to any liability arising from or relating to the use of our products during the Track Record Period.

Our property insurance policy is primarily intended to insure our properties such as buildings or inventory and fixtures stored in our shops against the risk of physical damage or loss caused by natural disasters or accidents other than those mentioned below. In Japan, our inventory stored in warehouses is

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not insured under our property insurance policy as such warehouses are maintained by warehouse operators, which are Independent Third Parties.

The Japanese insurance industry currently offers only limited insurance coverage for earthquakes, volcanic eruptions and tsunami. We do not have insurance policies covering business interruption and losses, damages and liabilities caused by earthquakes, volcanic eruptions and tsunamis in Japan, China, Hong Kong and Taiwan. Our insurance policies may not be adequate to cover all losses or liabilities that may arise as a result of these events. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities caused by such events. See the section headed “Risk Factors — Risks Relating to Conducting Business in Japan — We may suffer large losses in the event of a natural disaster such as an earthquake, terrorist attack, outbreak of infectious disease, industrial accident or other casualty event in Japan or other markets in which we operate” in this listing document.

## PROPERTY

We lease our global headquarters, which is located in Tokyo, Japan. We believe that our facilities are well maintained, in good operating condition and adequate for our current needs. We also have four regional headquarters in Paris, Shanghai, Singapore and New York, which we lease from Independent Third Parties.

### Leased Stores

We do not own any of our stores. Therefore, when we open a new store, we typically enter into a lease agreement with a third party. These lease arrangements differ depending on whether the new store is a roadside store or a “built-in” store housed in a shopping mall or commercial fashion building. UNIQLO and GU have both roadside stores and “built-in” stores while Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand stores and points of retail are primarily located in commercial buildings.

As at November 30, 2013, we had a total of 856 UNIQLO stores in Japan and 512 UNIQLO stores in other parts of the world.

## LEGAL PROCEEDINGS AND COMPLIANCE

We are currently not a party to any material legal or administrative proceedings and are not aware of any material legal or administrative proceedings pending or threatened against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

## REGULATORY MATTERS

The vast majority of our operations are currently within Japan and we are required to comply with Japanese laws. Japan has adopted a civil law system, with the Civil Code of Japan being the most dominant law. The laws that are most relevant to our operations are labor, consumer protection, product liability, consumption tax, intellectual property, subcontractor protection and personal information protection laws, a summary of the most material parts of which are set forth below:

- *Labor Law.* There are various labor-related laws enacted in Japan, including the Labor Standards Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act

(Act No. 57 of 1972, as amended), and the Labor Contract Act (Act No. 128 of December 5, 2007). The Labor Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protected the health of workers in the workplace. The Labor Contract Act regulates, among others, the change of terms of employment contracts and working rules, dismissal and disciplinary action.

- ***The Consumer Contract Act.*** The Consumer Contract Act (Act No. 61 of May 12, 2000, as amended) prohibits retailers from entering into contracts with consumers on unfair terms. It also permits consumers to rescind their purchase contracts if (i) retailers have misled them in connection with the entry into such contracts or (ii) they were under distress at the time of entering into such contracts.
- ***Act against Unjustifiable Premiums and Misleading Representations.*** The Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of May 15, 1962, as amended) aims at preventing inducement of customers by means of unjustifiable premiums and misleading representations. For instance, it prohibits any misleading representation by which the quality, standard or any other matter relating to the substance of goods are portrayed to general consumers to be much better than the actual goods, and which thereby tends to induce customers unjustly and to impede fair competition.
- ***The Act on Specified Commercial Transactions.*** The Act on Specified Commercial Transactions (Act No. 57 of June 4, 1976) regulates certain specific types of commercial transactions, including, but not limited to, mail order and Internet sales by retailers. It prohibits misleading advertising and obliges business operators to indicate certain terms such as sales price and terms for payment and delivery when selling goods through mail order or the Internet.
- ***The Product Liability Act.*** The Product Liability Act (Act No. 85 of July 1, 1994) sets forth the liabilities of a manufacturer or importer for damages caused by defects in a product. A seller who was not involved in the manufacturing or import of a product could still be liable under this Act if its name was indicated on the product and consumers are led to believe that the seller was the manufacturer or importer. Liability under this Act can be imposed even if the manufacturer or importer (and the said seller) was not negligent.
- ***The Consumption Tax Act.*** The Consumption Tax Act (Act No. 108 of December 30, 1988) provides for a multi-step, broad-based tax imposed on most transactions in goods and services in Japan. Consumption tax is assessed at each stage of the manufacturing, wholesale and retail process. The current consumption tax rate in Japan is 5% (4% imposed as national tax and 1% as local tax). See the section headed “Risk Factors — Risks Relating to Conducting Business in Japan — Consumption tax is likely to increase in Japan, which may in turn affect consumer spending” in this listing document. The Japanese government reviews tax policies annually as part of its budgetary process. On October 1, 2013, the Japanese government announced its intention to increase the consumption tax to 8% with effect from April 1, 2014.
- ***Unfair Competition Prevention Act.*** The Unfair Competition Prevention Act (Act No. 47 of May 19, 1993, as amended) aims to prevent unfair competition and provides compensation for damages caused by such unfair competition. For instance, it prohibits imitation of configuration, trade name, brands of another person’s goods in connection with assignment or leasing, exporting or importing goods.

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- **Trademark Act.** The Trademark Act (Act No. 127 of April 13, 1959, as amended) aims to protect registered trademarks. A holder of registered trademark right or an exclusive licensee thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive right to use to stop or prevent such infringement.
- **Design Act.** The Design Act (Act No. 125 of April 13, 1959, as amended) aims to promote the protection and utilization of design. It protects registered designs. A holder of a registered design right or an exclusive licensee thereof may demand of a person who infringes or is likely to infringe the design right or exclusive license to stop or prevent such infringement.
- **The Act Against Delay in Payment of Subcontractor Proceeds.** The Act Against Delay in Payment of Subcontractor Proceeds (Act No. 120 of June 1, 1956, as amended) regulates certain transactions between a dominant business entity and a smaller-sized subcontractor, and is designed to prohibit the abuse of unequal bargaining power. Activities that are governed by this Act include the delay of payment to subcontractors and the reduction of agreed amounts due to subcontractors, in each case without cause.
- **The Act on the Protection of Personal Information.** The Act on the Protection of Personal Information (Act No. 57 of May 30, 2003) regulates the use of personal information by businesses. It requires companies to take reasonable steps to protect personal information from disclosure, among others.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, approvals and permits from the appropriate regulatory authorities necessary for the operation of our business in the jurisdictions in which we operate and we have complied with the relevant laws and regulations in relation to our business in all material respects.

We address the concerns and questions of our customers through our customer center which answers customer inquiries and complaints regarding our products and policies.

Our department in charge of internal audit regularly monitors the compliance by our employees with internal rules and manuals, including those that relate to the protection of personal information of our customers to ensure that we comply with relevant regulatory requirements and applicable laws. The department in charge of internal audit is responsible for periodically reporting its findings directly to our CEO and, where necessary, discuss any issues that may arise with our external legal advisers to help ensure that we are not in breach of relevant regulatory requirements or applicable laws.

Our legal department is responsible for monitoring ongoing litigation and ensuring that our contracts are enforceable and in compliance with all applicable laws. Our department in charge of compliance also oversees our registered trademarks and monitors the status of pending trademark registrations and challenged trademarks by meeting regularly with our trademark counsels in Japan, China and other Asian countries, and the United States and Europe.

## EMPLOYEES

We are in the process of globalizing our business operations, and we currently have approximately 70,000 registered employees globally. The Fast Retailing Group's mission is embodied in its corporate statement: "Changing clothes. Changing conventional wisdom. Change the world." It is very important to

## BUSINESS

us that people throughout the world are attracted by our business philosophy, and so we seek to hire people who share our sense of purpose and believe in the value of achieving shared objectives. We also prioritize the development of globally competent personnel through our Global One and ZEN-IN KEIEI approach to business. Global One encourages employees all over the world to share our corporate ideal and to adopt the best available global method to address any particular issue. ZEN-IN KEIEI training programs are designed to give employees the power to think and act like a leader, and to create new value in the global clothing arena.

To that aim, we are developing a global personnel system that promotes diversity and encourages career development for our staff wherever they are located in the world. We are looking to increase the number of non-Japanese managers in our global operations by establishing global standards across every aspect of our personnel management practices, assisting with career development and offering training programs. The Fast Retailing Management and Innovation Center (FRMIC) in Japan has developed a range of management training programs and leadership schemes to nurture future corporate leaders and store managers. In addition to our head office in Tokyo, our four regional headquarters in Paris, Shanghai, Singapore and New York also help recruit and train global-minded personnel.

In terms of our staff breakdown, as at August 31, 2013, we had 7,780 permanent employees, of which 2,204 were employed in our head office and 5,576 were store staff. We also employed 64,003 temporary staff, the vast majority of which were store staff. Generally, we hire college graduates to train as new store managers, but any sales staff who show clear management potential may be provided with the opportunity for promotion to the position of store manager. We choose our sales personnel carefully to ensure that they can successfully portray the desired image for our various brands.

In order to promote our ZEN-IN KEIEI management principle, important information is shared openly, so that every employee can make decisions from the perspective of a leader. We encourage all employees to consider the best way to approach the problem, while thinking about what can be done for the benefit of customers and society and decisions are acted upon swiftly. We believe that these management policies, our working environment, employee development opportunities and employee benefits have contributed to building excellent employee relations and employee satisfaction.

### **RISK MANAGEMENT MEASURES**

We face a number of risks in our business operations including risks relating to our global expansion, production of goods and foreign currency management. We regularly monitor our sales performance and take active measures to manage our level of production and inventory. Before entering into new markets or opening new stores, we typically conduct feasibility studies and formulate detailed budget plans. To manage our foreign currency exposure, we use forward currency contracts to manage the potential impact of fluctuations in foreign currency exchange rates on our business over time.

In accordance with applicable rules and regulations of Japan and other relevant jurisdictions we have implemented appropriate internal control and risk management policies. Our Board and senior management meet periodically to assess the risks we face and formulate strategies to manage the risks from time to time. We also have established a number of committees including business ethics and code of conduct committees to help oversee and mitigate any relevant risks identified. For further details of risk, see the sections headed “Risk Factors” and “Financial Information — Quantitative and Qualitative Disclosures about Market Risks” in this listing document.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ENVIRONMENTAL PROTECTION**

As a successful corporate group in the apparel retail industry, we believe strongly that it is our duty to contribute to global society by maximizing the power and value of clothes, and we place great importance on the establishment of global and regional CSR activities that help to successfully fulfill this heartfelt commitment. Our Group's CSR policy focuses on three areas: 1) fulfilling our social responsibility, 2) contributing to society, and 3) resolving social problems and creating new value. We seek to fulfill our social responsibility by monitoring working conditions and the environmental impact of our clothing manufacturing process. We seek to fulfill the remaining two aims through various social activities, including our All-Product Recycling Campaign, our Clothes for Smiles project, and our social business activities in Bangladesh. We also seek to promote diversity and equal opportunities within our own workforce by actively hiring people with disabilities in our UNIQLO and GU stores.

#### ***Monitoring of Labor Conditions and Environmental Protection***

In order to monitor the labor conditions of those working in our partner factories around Asia and ensure a consistent safe working environment, we appoint external inspectors to regularly monitor the safety of factory buildings and fire-safety procedures and also to eradicate any incidences of child labor or unpaid wages. We have recently signed the Accord on Fire and Building Safety in Bangladesh to which many American and European apparel manufacturers already adhere, and we have also conducted our own individual inspections of partners.

We also have a deep respect for the environment and maintain data on the environmental impact of our business processes with a primary focus on the production process. In 2010, we created our own Environmental Guidelines for Fabric Production and began environmental inspections of sewing factories and fabric manufacturers whose dyeing processes can have a particularly harmful impact on the environment. We set and carefully monitor compliance by our partner factories with these strict standards for the management and disposal of waste products, the measurement and disposal of asbestos, polychlorinated biphenyls, discharged water and other effluents, and the health and safety of the workforce.

#### ***Social Projects***

All-Product Recycling Initiative: Our global All-Product Recycling Initiative seeks to ensure that clothing reaches those people around the world who need it most. Through this initiative, we donate own-brand clothing brought in by customers to refugees and other displaced people around the world with the help of the United Nations High Commissioner for Refugees (UNHCR). Started in 2001 as the Fleece Recycling Campaign, this program now encompasses all UNIQLO and GU stores in Japan, as well as UNIQLO stores in South Korea, the United Kingdom, France, Hong Kong, Taiwan and the city of Shanghai, China. As at August 31, 2013, we had collected over 24 million items from 10 countries and regions, and we had donated 7.3 million items to 34 countries and regions. We also work with educational organizations in Japan to increase awareness of the inherent social potential of recycling. Our regional store supervisors and head office personnel visit schools throughout Japan to report on clothing deliveries to refugee camps, promote recycling activities and enhance young people's awareness of international social problems.

Clothes for Smiles: Our Clothes for Smiles project, launched in October 2012 in conjunction with UNIQLO Global Brand Ambassador and leading tennis professional, Novak Djokovic, seeks to found a brighter future for disadvantaged children worldwide. We contributed a portion of the revenue from sales of our HEATTECH and Ultra Light Down products to establish a US\$10 million fund to improve children's



## BUSINESS

education. Eight projects were selected from among 739 ideas submitted by people in 49 countries. Five projects have subsequently been launched, including a library in Cambodia, and an educational and vocational training center for unemployed parents and their children in the Philippines.

### ***Social Business***

Our social business in Bangladesh, launched in 2010 in conjunction with Grameen Bank, seeks to address social problems in the country such as poverty, sanitation and education, by planning, producing and selling clothing locally. We consider one of our greatest strengths to be our ability to efficiently produce and sell high quality clothing at low prices. Partner factories in Bangladesh manufacture items with locally procured materials. These garments are sold at affordable local prices by “Grameen Ladies” or female sales associates from impoverished rural communities who earn independent incomes by selling products door-to-door or from their own homes. At the same time, they also carry underwear and sanitary products to improve feminine hygiene and health. We have since expanded the sales area from rural communities by opening a UNIQLO showroom in central Dhaka, and introducing sales from vehicles. We opened two stores in Bangladesh in July 2013 and two stores in October 2013. We do not include stores operated under our social business for the purposes of recording the number of stores under our UNIQLO International business. We will seek to further strengthen this social business by opening more stores in urban centers with the aim of carving new markets to help support local business activity and create solid employment opportunities.

### ***Jobs for People with Disabilities***

Since 2001, we have adopted a policy of offering employment to individuals with disabilities at UNIQLO stores in Japan. We believe that this policy has helped improve teamwork at the store level as all staff members seek to support their coworkers with disabilities, and staff members are consequently better equipped to serve customers who may have similar disabilities. In 2007, the Japan Cabinet Office presented UNIQLO Japan with an Award of Merit for Supporting Second Challenges. Our GU business has also taken a similar initiative to offer employment to individuals with disabilities. The percentage of staff with disabilities employed across the Group is relatively high compared to the legal requirement of 2% in Japan, standing at 6.64% as at June 1, 2013.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### Relationship with the Controlling Shareholders

As at August 31, 2013, the Controlling Shareholders were interested in approximately 47.64% of the issued share capital in our Company (excluding Treasury Stock). As at the Latest Practicable Date, Mr. Tadashi Yanai, Mr. Kazumi Yanai, Mr. Koji Yanai, Ms. Teruyo Yanai, TTY Management B.V., Fight & Step Co., Ltd. and MASTERMIND Co., Ltd. were collectively regarded as the Controlling Shareholders. For more information relating to the Controlling Shareholders and their shareholdings in our Company, see the sections headed “Substantial Shareholder” and “Appendix VII – Statutory and General Information – D. Information about Directors – (iii) Disclosure of interests” in this listing document.

### Independence from the Controlling Shareholders

Our Board is satisfied, on the basis of the following, that our Group is capable of carrying on its business independently of the Controlling Shareholders and their associates after the Listing.

#### Management Independence

Our Board consists of six Directors, of whom Mr. Tadashi Yanai is an executive Director and the remaining Directors include two non-executive Directors and three independent non-executive Directors.

Our daily management and operations are carried out by a senior management team. None of the members of our senior management team other than Mr. Tadashi Yanai hold any board or other executive position in, or are employed by, any entity controlled by the Controlling Shareholders outside the Group.

#### Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. We have independent access to our customers and suppliers and do not rely on the Controlling Shareholders or their associates to establish or maintain our business relationships with new or existing customers and suppliers.

Our Directors and senior management are responsible for the conduct of our business. We have established our own organizational structure made up of functional departments, each with designated areas of responsibility. We have also established a set of internal controls to facilitate the effective operation of our business.

#### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We also have our own treasury function which is operated independently from the Controlling Shareholders. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. Therefore, our Group is financially independent from the Controlling Shareholders.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors is the primary decision making body of our Company and consists of six Directors, of whom one is an executive Director, three are independent non-executive Directors, and the remaining two are non-executive Directors. Pursuant to the Company's Articles, the Directors are elected by our Shareholders at our AGM. Each Director is appointed for a term of one year and such term will expire at the end of the next AGM to be held after his or her appointment. Directors may serve any number of consecutive terms. We have one representative Director and he is elected by the Board of Directors on an annual basis. Mr. Tadashi Yanai is our current representative Director.

The following table presents certain information in respect of the members of our Board.

#### Members of our Board

Name	Age	Position	Roles and Responsibilities	Date of Appointment as Director	Date of Joining the Company
Tadashi Yanai	65	Chairman of the Board, President and Chief Executive Officer	Responsible for overall operations and strategies of our Group	September 30, 1972	August 1972
Toru Hambayashi	77	Independent non-executive Director	Performing his duty as a Director through the voting process	November 1, 2005	N/A*
Nobumichi Hattori	56	Independent non-executive Director	Performing his duty as a Director through the voting process	November 1, 2005	N/A*
Masaaki Shintaku	59	Independent non-executive Director	Performing his duty as a Director through the voting process	November 26, 2009	N/A*
Toru Murayama	59	Non-executive Director	Performing his duty as a Director through the voting process	November 22, 2007	N/A*
Takashi Nawa	56	Non-executive Director	Performing his duty as a Director through the voting process	November 22, 2012	N/A*

Note:

\* All the Directors other than Mr. Tadashi Yanai are external directors under Japanese Law and none of the external directors is an employee of the Company.

### EXECUTIVE DIRECTOR

**Tadashi Yanai**, aged 65, is our executive Director and Chairman of the Board. He is also the President and Chief Executive Officer (CEO) of our Company. Mr. Yanai joined the Company in August 1972 and was appointed as Director in September 1972. He has been the President and CEO of the

## DIRECTORS AND SENIOR MANAGEMENT

Company since September 1984, and was appointed Chairman of the Board in November 2002. Mr. Yanai has been the chairman of G.U. CO., LTD. since March 2005. He has also served as Chairman, President and CEO of UNIQLO CO., LTD. since November 2005. He has been a director of LINK THEORY JAPAN CO., LTD. since November 2011. Mr Yanai has been a director of UNIQLO HONG KONG, LIMITED since November 2005. He also served as chairman of several of our Group companies.

Mr. Yanai serves as external director of Nippon Venture Capital Co., Ltd., a venture capital firm specializing in investments in business incubation and start-up companies, since June 2009. Mr. Yanai has been an external director of SoftBank Corp., a Japanese company listed on the TSE that is engaged in the operation of telecommunication and Internet businesses, since June 2001.

Mr. Yanai received his Bachelor's degree in Political Science and Economics from Waseda University, Japan in 1971. Mr. Yanai was included in TIME magazine's list of 100 most influential people in the world in the April 29, 2013 issue.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Toru Hambayashi**, aged 77, is our independent non-executive Director and he has held this role since November 2005. Mr. Hambayashi has many years of management experience at Sojitz Corporation (formerly known as Nichimen Corporation), a Japanese trading company listed on the TSE. His knowledge of the apparel retailing industry is invaluable to the Company as it seeks to expand its apparel-related operations. Mr. Hambayashi has been an external director of DAIKYO INCORPORATED, a Japanese company listed on the TSE that engages in real estate development and sales, management and brokerage, since June 2011. He has served as an adviser to The Association for the Promotion of International Trade, Japan, since April 2009. He has been an external director of MAEDA CORPORATION, a Japanese company listed on the TSE that is principally engaged in the construction business, since June 2007. He has served as auditor of UNITIKA LTD., a Japanese company listed on the TSE that manufactures and sells synthetic fibers and textile products, since June 2004. He has served as an economic advisor to Heilongjiang Province, China since June 2004. He has been an international senior economic consultant of The People's Government of Shaanxi Province, China since May 2002.

Mr. Hambayashi joined Nichimen Corporation in April 1959 and was appointed as representative director in October 2000. He became the chairman and chief executive officer of Sojitz Corporation in April 2003 and held such roles until June 2004.

Mr. Hambayashi received his Bachelor's degree in Chinese language from Osaka University of Foreign Studies (currently, part of Osaka University), Japan in 1959.

**Nobumichi Hattori**, aged 56, is our independent non-executive Director and he has held this role since November 2005. Mr. Hattori has been a visiting professor at Waseda University, Graduate School of Finance, Accounting and Law in Japan since April 2009. He also held a visiting assistant position from October 2003 and has been a visiting professor since October 2006 at Hitotsubashi University, Graduate School of International Corporate Strategy in Japan. He has also been an external director of Miraca Holdings Inc., a Japanese company listed on the TSE that develops, manufactures, exports, and imports in vitro diagnostic products and performs healthcare-related services since June 2005.

Mr. Hattori has many years of experience in investment banking and mergers and acquisitions transactions. He was a Managing Director of the mergers and acquisitions advisory section of Goldman Sachs Japan, Co. Ltd., a Japanese subsidiary of a major US investment bank from November 1998 to September 2003. He worked at the New York and other offices of Goldman Sachs Group, Inc. from June 1989 to September 2003. Mr. Hattori started his career at NISSAN MOTOR CO., LTD, a Japanese

## DIRECTORS AND SENIOR MANAGEMENT

company listed on the TSE that engages in the business of manufacturing, sales and related business of automotive products, in April 1981.

Mr. Hattori received his Master of Science in Management (course XV) degree from Sloan School of Management, Massachusetts Institute of Technology in June 1989. He received his Bachelor's degree in Engineering (Metallurgy) from University of Tokyo, Japan in 1981.

**Masaaki Shintaku**, aged 59, is our independent non-executive Director and he has held this role since November 2009. Mr. Shintaku has been an external director of COOKPAD Inc., a Japanese company listed on the TSE that operates Japan's largest online recipe site, since July 2011. He has also served as an advisory board member of NTT DOCOMO, INC., a Japanese company listed on the TSE that provides various types of telecommunication services, since May 2009. He has been the vice chairman of Special Olympics Nippon Foundation (formerly known as Special Olympics Nippon), an international sporting organization that gives individuals with intellectual disabilities the opportunity to participate in athletic activities, since April 2008.

Mr. Shintaku was an advisor to our Company between March 2009 and November 2009. Mr. Shintaku has many years of experience in senior management at ORACLE CORPORATION JAPAN, a listed Japanese subsidiary of Oracle Corporation. He joined ORACLE CORPORATION JAPAN in December 1991 and was appointed as its director in August 1994. He became the president and CEO of ORACLE CORPORATION JAPAN in August 2000 and held such roles until May 2008. He served as chairman of ORACLE CORPORATION JAPAN from June 2008 to August 2008. Mr. Shintaku started his career at IBM Japan, Ltd., a Japanese subsidiary of International Business Machines Corporation, in April 1978.

Mr. Shintaku received his Bachelor's degree in Political Science from Waseda University, Japan in 1978.

### NON-EXECUTIVE DIRECTORS

**Toru Murayama**, aged 59, is our non-executive Director and he has held this role since November 2007. Mr. Murayama has also been an advisor to Microsoft Japan Co., Ltd, a subsidiary of Microsoft Corporation, since October 2011. He has been a professor at the Faculty of Science and Engineering of Waseda University since April 2010.

Mr. Murayama has a broad and deep knowledge of management principles and has first-hand experience in management consulting. He joined Accenture Japan Ltd. (formerly known as Andersen Consulting), a Japanese management consulting, technology services and outsourcing company, in April 1980 and was appointed as its representative director and president in April 2003. He became director and chairman of Accenture Japan Ltd. in September 2007 and corporate advisor in September 2009.

Mr. Murayama received his Master's degree in mechanical engineering from Waseda University, Japan in 1980.

**Takashi Nawa**, aged 56, is our non-executive Director and he has held this role since November 2012. Mr. Nawa has served as president of Next Smart Lean Co., Ltd., a consulting firm specializing in the retail industry in Japan since September 2012. He has also been an external director of NEC Capital Solutions Limited, a Japanese company listed on the TSE that is engaged in leasing and loan businesses, since June 2011. He has served as senior advisor to Boston Consulting Group, a global management consulting firm, since September 2010. He has been president of Genesys Partners, a management consulting firm that focuses on new business development and human resource development, since June 2010. Mr. Nawa has also been a professor at The Graduate School of International Corporate Strategy of Hitotsubashi University, Japan since June 2010.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Nawa has many years of experience in consulting and has rich knowledge in international corporate strategy from his experience as professor at Hitotsubashi University. He worked at McKinsey & Company, Inc. from April 1991 to June 2010. He began his career at Mitsubishi Corporation, a large Japanese trading company listed on the TSE that operates businesses in industrial finance, energy, metals, machinery, chemicals, foods, and environmental sectors in April 1980.

Mr. Nawa received his BA degree in Law from the University of Tokyo, Japan in 1980, and MBA degree from Harvard Business School in 1990.

To the best of the knowledge information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointments of our Directors and there is no information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### BOARD OF STATUTORY AUDITORS

Our Company has adopted a statutory auditors system under the Companies Act in order to establish good corporate governance. We are required to adopt either: (i) Statutory Auditors and a Board of Statutory Auditors; or (ii) three committees, being a nominating committee, a compensation committee and an audit committee ("**Three Committees**") in accordance with Articles 327 and 328 of the Companies Act. Similarly, Article 437 of the TSE Listing Regulations provides that a domestic company listed on the TSE must set up either a Board of Statutory Auditors or Three Committees. Consistent with the large majority of listed companies in Japan, we have adopted a Board of Statutory Auditors.

Under this regime, the primary decision making body of our Company is our Board of Directors, which is monitored by our Board of Statutory Auditors, whose role (which is set out in more detail below) is stated to include auditing the executive actions of our Directors in the proper execution of their duties. The roles of our Board of Directors include fulfilling the role of the compensation committee and the nominating committee, which would be independent bodies had we adopted the Three Committees system. Our Accounting Auditors assists the Board of Statutory Auditors in reviewing the financial and accounting arrangements activities conducted by our Board of Directors. Our Company has appointed Ernst & Young ShinNihon LLC as our Accounting Auditors.

We are required under the Companies Act to have a Board of Statutory Auditors comprising three or more Statutory Auditors, at least a majority of which shall be "outside statutory auditors" as defined in the Companies Act. An "outside statutory auditor" means an auditor of any joint stock company who has never served in the past as a director, an independent auditor (or, in cases where the independent auditor is a firm, any member thereof who was in charge of its advisory affairs), an executive officer or an employee (including a manager) of such joint stock company or any of its subsidiaries.

The five members of our Board of Statutory Auditors are proficient in financial and legal affairs. The Board of Statutory Auditors combines the audits performed by each Statutory Auditor, the internal audit department and our Accounting Auditors in an effort to maintain an appropriate standard of corporate governance. The constitution and operation of the Board of Statutory Auditors and the Statutory Auditors of the Company are set out in the Articles and the Rules of the Board of the Statutory Auditors (the "**Rules**"). The Standards for Audit by the Statutory Auditors also sets out the duties of the Statutory Auditors and the Board of Statutory Auditors (the "**Standards**"). Certain roles and responsibilities of our Statutory Auditors and the Board of Statutory Auditors are further set out in the Companies Act.

While the Companies Act does not expressly provide any professional qualification requirements like those under the Listing Rules in respect of statutory auditors and directors, the Companies Act requires the Company and its directors to establish sufficient internal controls to enable it to comply with applicable



## DIRECTORS AND SENIOR MANAGEMENT

laws, the FIEA requires the Company to prepare an internal control report every fiscal year and submit it to the chief of the competent financial bureau, and, as a matter of directors' fiduciary duties, directors are required to consider if Statutory Auditor candidates have sufficient qualifications and/or experience to carry out their responsibilities, including reviewing financial statements and supervising the board of directors. In the present case, out of the five Statutory Auditors of the Company, Mr. Yasumoto is a Japanese certified public accountant and Mr. Watanabe and Ms. Kaneko are Japanese qualified lawyers. We confirm that our Directors have considered and do consider that the Board of Statutory Auditors have sufficient qualification and/or experience, including reviewing financial statements and supervising the Board of Directors.

The Board of Statutory Auditors is responsible for auditing the executive actions of the Directors, including ensuring the continuance of a sound corporate governance system, and it has a broad authority to oversee the Company's audit functions, including: (i) independently reviewing corporate documentation and financial statements; (ii) sharing information with, coordinating with and interviewing the Accounting Auditors; and (iii) dealing with any issues arising from the Company's audit. In order to fulfill such responsibilities, the Statutory Auditors are given various powers, such as the right to request Directors to report to them regarding the Company's business, the right to investigate the Company's business and assets (Article 381 of the Companies Act) and the right to demand that Directors cease certain acts which are outside the scope or the purpose of the Company or in violation of laws and regulations or the Articles where such an act is likely to cause substantial detriment to the Company (Article 385 of the Companies Act).

Under Japanese law, the Board of Statutory Auditors and Statutory Auditors form an independent body entrusted by the shareholders to establish a good corporate governance system by auditing the directors' performance of their duties. Audit by the Board of Statutory Auditors and Statutory Auditors includes both so-called "business audit" and "financial audit." Business audit is an assessment of whether or not the directors are properly observing applicable laws and the company's articles of incorporation and other internal rules while performing their duties. Financial audit is conducted primarily in connection with preparation of the audit report, which contains the results of both the financial and business audits, and which is delivered to each shareholder with convocation notice of the shareholders meeting. Moreover, consolidated financial statements are also subject to audit by the Statutory Auditors, and the results of the audit must be reported at the annual Shareholders' meeting. The Board of Statutory Auditors conduct a business audit and a financial audit of the Company on an annual basis.

The Board of Statutory Auditors of our Company coordinates its efforts with our Group's internal audit division by sharing information on a regular basis and through other means. Under the Companies Act, the Statutory Auditors have an inspection right for purposes of supervising our business and financial affairs and may, at any time, request our Directors and officers to provide any and all necessary information for their inspection or to report to the Statutory Auditors on our Directors' conduct of business, including businesses relating to our subsidiaries. In addition, any of the Statutory Auditors may require any Director who is authorized to convene a Board meeting to call for a Board meeting, and where within five days from the day of such request a convocation notice to such Board meeting (which is required to designate the date of the Board meeting within two weeks from the date of the notice) is not dispatched, the Statutory Auditors may proceed to convene a Board meeting.

The Statutory Auditors are required to attend meetings of the Board of Directors and to state their opinions if they find it necessary. In addition, they are required to attend meetings of other corporate governance committees such as the human resources committee, corporate social responsibility (CSR) committee, disclosure committee, Code of Conduct committee and business ethics committee of the Company, review key decisions of the Board of Directors and observe the proper execution of any duties by Directors. The Statutory Auditors must also: (i) exchange opinions with our Directors and senior



## DIRECTORS AND SENIOR MANAGEMENT

management; (ii) review our audit internal control systems based on the “audit practice standards for internal control system”; (iii) monitor transactions between the Company and its Directors; (iv) review business reports; (v) review and audit financial statements; (vi) monitor the Accounting Auditors; (vii) review the accounting policies the Company adopts; (viii) coordinate with our Company’s internal audit division and Accounting Auditors; (ix) monitor the public disclosures of the Company; and (x) prepare audit reports and submit these to the Board of Statutory Auditors in accordance with the Rules and the Standards (as amended).

The Statutory Auditors may suspend a Director from undertaking any grossly improper action, or any other corporate action, if such Director’s proposed action violates or is likely to violate any applicable laws or regulations or the Articles, and will or may cause significant damage to the Company. The Statutory Auditors also have rights to object to Directors’ actions and to require such objection to be recorded in the Board minutes. This would serve as documentary evidence admissible into court in the event that Shareholders suffering damages as a result of such Directors’ action make a claim against the Directors. In addition to the inspection and investigation rights noted above, the Statutory Auditors have the right to represent the Company in lawsuits against the Directors.

Any one of the Statutory Auditors may exercise his investigation, suspension and other rights against our Board of Directors, whether or not the Directors’ actions are proposed or approved by a majority of the Board. The Statutory Auditors do not need to act collectively to cast a majority vote or reach a majority consensus to act against the Board of Directors in order for the Statutory Auditors to exercise their rights against the Board or the proposed Directors’ actions. This effectively gives the Statutory Auditors broad discretion and flexibility to act independently and severally in exercising their supervisory and monitory powers over the Board and in discharging their duties as Statutory Auditors.

In the event that a Statutory Auditor becomes aware of any of the Directors engaging in any improper acts or being likely to engage in such act, or where there are any factors or circumstances that indicate there may be any violation of laws, regulations or the Articles or any grossly improper acts by any person of the Company, such Statutory Auditor must report such fact to the Board. In addition, the Statutory Auditors must review any proposals, documents and other relevant items that the Directors intend to submit to the Shareholders for the purposes of convening a Shareholders’ meeting. In the event that a Statutory Auditor discovers in such proposals, documents and/or relevant items any acts constituting a violation of laws, regulations or the Articles, or any acts that are grossly improper, such Statutory Auditor must report to the Shareholders at the Shareholders’ meeting the findings of his/her review.

We will make an announcement on the appointment or resignation of Statutory Auditors of the Company.

As noted previously, although the structure of the Board of Statutory Auditors and the identity of its members are distinct from that required by the Listing Rules, our Directors believe that the principal functions of the Board of Statutory Auditors are commensurate and wider ranging than that of an audit committee established pursuant to Rule 3.21 of the Listing Rules. We have been granted an automatic waiver under the Joint Policy Statement from compliance with the requirement to establish an audit committee under Rules 3.21 and 3.22 of the Listing Rules by the Hong Kong Stock Exchange owing to the commensurate nature of the role, responsibilities and functions of the Board of Statutory Auditors and on the conditions that (i) we continue to comply with existing obligations under Japanese law and regulations for Statutory Auditors; (ii) we undertake to inform the Hong Kong Stock Exchange and publish an announcement as soon as practicable upon the appointment or resignation of a Statutory Auditor; (iii) we will amend our internal rules and standards (with effective from the Listing Date) to ensure that at

## DIRECTORS AND SENIOR MANAGEMENT

least one Statutory Auditor nominated for appointment to the Board of Statutory Auditors will have the appropriate accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules and at least half of the Statutory Auditors are able to meet the independence criteria as required by Rule 3.13; (iv) for as long as we are listed on the Hong Kong Stock Exchange, the Statutory Auditors will not reverse the amendments to such internal rules and standards and we shall ensure that any new Statutory Auditor appointed will provide an undertaking not to reverse the amendments to such rules and standards; and (v) the Statutory Auditors will provide the Hong Kong Stock Exchange with a set of undertakings that they will comply with their statutory duties and obligations.

The following table presents certain information concerning the Board of Statutory Auditors of our Company.

Name	Age	Position	Date of Appointment
Akira Tanaka	71	Full-time Corporate Auditor*	November 24, 2006
Masaaki Shinjo	58	Full-time Corporate Auditor*	November 22, 2012
Takaharu Yasumoto	59	Statutory Auditor	November 25, 1993
Akira Watanabe	66	Statutory Auditor	November 24, 2006
Keiko Kaneko	46	Statutory Auditor	November 22, 2012

Note:

\* Full-time Corporate Auditors are considered Statutory Auditors pursuant to the Companies Act and are subject to the same duties and obligations as those of the Statutory Auditors.

**Akira Tanaka**, aged 71, is our full-time Corporate Auditor and he has held this role since November 2006. Mr. Tanaka was senior vice president of the Company from March 2006 to November 2006, and managing director of the Company from November 2003 to October 2005. He also served as senior vice president of UNIQLO CO., LTD.

Mr. Tanaka joined McDonald's Holdings Company (Japan), Ltd. (formerly known as McDonald's Co. (Japan), Ltd.), a Japanese company listed on the JASDAQ, which through its subsidiaries, engages in hamburger restaurant chain operations in September 1972. He was appointed director of McDonald's Co. (Japan), Ltd. in March 1993, and became its deputy president and director in April 1997 and held such roles until March 2003. He served as advisor to McDonald's Holdings Company (Japan), Ltd. from March 2003 to July 2003. Mr. Tanaka started his career with Sompo Japan Insurance Inc. (formerly known as The Taisei Fire and Marine Insurance Co., Ltd.), a Japanese company that provides property and casualty insurance, in April 1966.

Mr. Tanaka received his Bachelor's degree in Law from Chuo University, Japan in 1966.

**Masaaki Shinjo**, aged 58, is our full-time Corporate Auditor and he has held this role since November 2012. He has also served as auditor of FAST RETAILING (CHINA) TRADING CO., LTD. since September 2012.

Mr. Shinjo joined the Company in February 1994 and served as director and/or officer of several of our Group companies. He was general manager of the Company's planning management division from

## DIRECTORS AND SENIOR MANAGEMENT

March 2011 to November 2012, and general manager of the Company's corporate administration from March 2009 to December 2009. He was general manager of UNIQLO CO., LTD., responsible for sales support from January 2010 to December 2010. He was statutory auditor of G.U. CO., LTD. from November 2009 to September 2010, and served as its director from November 2007 to November 2008. Mr. Shinjo started his career with ASAHIPEN CORPORATION, a Japanese company listed on the OSE which manufactures and sells various paints and coatings, painting tools, and wallpaper products, in April 1983.

Mr. Shinjo studied Economics at Ritsumeikan University, Japan between 1974 and 1978.

**Takaharu Yasumoto**, aged 59, is our Statutory Auditor and he has held this role since November 1993. Mr. Yasumoto has also been a statutory auditor of UBIC, Inc., a Japanese company listed on the TSE and NASDAQ that provides corporate litigation strategy and risk management services, since June 2010. He has been a guest professor at Chuo Graduate School of International Accounting from April 2007 to March 2013. He has served as statutory auditor of UNIQLO CO., LTD. since November 2005. He has also been statutory auditor of LINK THEORY JAPAN CO., LTD. since June 2003. He has served as statutory auditor of ASKUL Corporation, a Japanese company listed on the TSE that provides office supplies and support services, since August 2001. He has been the president of Yasumoto CPA Office, a Japanese accounting firm that provides management consulting, audit and tax services, since April 1992.

Mr. Yasumoto has many years of experience working as a certified public accountant. He has been a member of The Japanese Institute of Certified Public Accountants since August 1982. He started his career with KPMG AZSA LLC (formerly known as Asahi & Co., a Japanese company that provides audit, attestation and advisory services) in November 1978.

Mr. Yasumoto received his Bachelor's degree in Commerce from Waseda University in 1976.

**Akira Watanabe**, aged 66, is our Statutory Auditor and he has held this role since November 2006. Mr. Watanabe has also been an external director of MS&AD Insurance Group Holdings, Inc., a Japanese company listed on the TSE, OSE and Nagoya Stock Exchange that provides insurance services, since April 2010. He has served as an investigation committee member of AOMI CONSTRUCTION CO., LTD., a Japanese company that is engaged in civil engineering as well as coastal industrial belt construction, since February 2009. He has been a lawyer and representative of the Seiwa Meitetsu Law Office since April 2008. He has served as statutory auditor of KADOKAWA CORPORATION (formerly known as KADOKAWA GROUP HOLDINGS, INC.), a Japanese company listed on the TSE that is engaged in publishing, movies, visual and internet businesses, and external director of MAEDA CORPORATION, since June 2007. He has been an external director of JAPAN PILE CORPORATION, a Japanese company listed on the TSE that is engaged in general foundation engineering, since June 2006.

Mr. Watanabe received his Bachelor's degree in Law from Waseda University, Japan in 1970.

**Keiko Kaneko**, aged 46, is our Statutory Auditor and she has held this role since November 2012. Ms. Kaneko has also been a statutory auditor of UNIQLO CO., LTD. since November 2012. She joined Anderson, Mori & Tomotsune (AM&T) law firm in April 1999, and was appointed as its partner in January 2007. Ms. Kaneko was appointed as guest associate professor at Graduate School of Law of University of Tokyo in April 2007 and held this role until March 2010.

Ms. Kaneko registered as a lawyer in Japan in April 1999. She started her career at Mitsubishi Corporation in April 1991.

Ms. Kaneko received her Bachelor's degree in Law from the University of Tokyo, Japan in 1991.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table presents certain information concerning the senior management of our Group (other than our Directors).

Name	Age	Position/Title in our Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Company
Naoki Otoma	53	Group executive vice president, <i>FAST RETAILING Group</i> Chief executive officer, <i>FAST RETAILING (SINGAPORE) PTE. LTD.</i>	Responsible for UNIQLO's operation in Southeast Asia (Singapore, Malaysia, Thailand, Indonesia and Philippines) and Oceania	November 2008	March 2001
Nobuo Domae	45	Group executive vice president, <i>FAST RETAILING Group</i> Chief executive officer, <i>Fast Retailing USA, Inc.</i> Co-chief executive officer, <i>FAST RETAILING FRANCE S.A.S.</i>	Responsible for managing the Group's global e-commerce, global marketing activities, corporate public relation activities, logistics, information technology, and overall operations in US and Europe	November 2008	September 1998
Shuichi Nakajima	50	Group executive vice president, <i>FAST RETAILING Group</i> Director, <i>UNIQLO CO., LTD.</i>	Responsible for managing the UNIQLO's merchandising and production	September 2010	March 1994
Ning Pan	45	Group executive vice president, <i>FAST RETAILING Group</i> Chief executive officer, <i>FAST RETAILING (CHINA) TRADING CO., LTD.</i> Managing director, <i>UNIQLO HONG KONG, LIMITED</i>	Responsible for UNIQLO's operation in China and Hong Kong	November 2010	April 1995

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title in our Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Company
Jun Yokohama	50	Group executive vice president, <i>FAST RETAILING Group</i> Co-chief executive officer, <i>FAST RETAILING FRANCE S.A.S.</i>	Responsible for the Group's human resources activities	September 2011	August 2009
Takeshi Okazaki	48	Group executive vice president, Chief financial officer, <i>FAST RETAILING Group</i>	Responsible for the Group's financing, global corporate planning, and store development activities	September 2012	August 2011
Osamu Yunoki	48	Group executive vice president, <i>FAST RETAILING Group</i> Representative director & president, <i>G.U. CO., LTD.</i>	Responsible for GU business	September 2012	December 1999
Yoshihiro Kunii	47	Group executive vice president <i>FAST RETAILING Group</i>	Responsible for managing the UNIQLO's production	April 2013	February 2012
Takahiro Wakabayashi	44	Group executive vice president, <i>FAST RETAILING Group</i>	Responsible for UNIQLO's operation in South Korea	August 2013	March 1993

**Naoki Otoma**, aged 53, is our group executive vice president and he has held this role since November 2008. He has also been the CEO of FAST RETAILING (SINGAPORE) PTE. LTD. since February 2013. Mr. Otoma joined the Company in March 2001 and was appointed as a senior vice president in March 2002. He became a managing executive officer of UNIQLO CO., LTD. in November 2005 and was appointed as its director in October 2006, and chief operating officer in April 2007. Mr. Otoma joined Benesse Corporation (formerly known as Fukutake Publishing Co., Ltd) in December 1982. Benesse Corporation is a group company under Benesse Holdings, Inc., a Japanese company listed on the TSE and OSE which engages in correspondence education and publishing businesses. He started his career working at the Fukuoka Regional Taxation Bureau in 1981.

Mr. Otoma graduated from the National Tax College, Japan in 1981.

**Nobuo Domae**, aged 45, is our group executive vice president and he has held this role since November 2008. He has been the CEO of Fast Retailing USA, Inc. since March 2010 and UNIQLO USA,

## DIRECTORS AND SENIOR MANAGEMENT

Inc. since November 2005 and co-CEO of FAST RETAILING FRANCE S.A.S. since May 2009. Mr. Domae has been in charge of the Group's various activities including global e-commerce and global marketing activities, corporate public relation activities, logistics, and information technology. He has also been the general manager of UNIQLO in USA and Europe, as well as the general manager of the group's operational system since July 2010. Mr. Domae joined the Company in September 1998. He started his career in McKinsey & Company, Inc., a global management consulting firm in 1993.

Mr. Domae received his Master's degree in electronic engineering from the Graduate School of the University of Tokyo, Japan in 1993.

**Shuichi Nakajima**, aged 50, is our group executive vice president and director of UNIQLO CO., LTD. and he has held these roles since September 2010. He has also been the head of merchandising division of UNIQLO CO., LTD. since July 2010. Mr. Nakajima joined the Company in March 1994 and became the head of merchandizing division in August 1998. He was appointed as a director of the Company in November 1999 and its senior vice president in January 2006. He was the representative director and president of GOV RETAILING CO., LTD, (Now G.U. CO., LTD.) from April 2008 to September 2010.

Mr. Nakajima received his Bachelor's degree in Economics from Kwansei Gakuin University, Japan in 1987.

**Ning Pan**, aged 45, is our group executive vice president and he has held this role since November 2010. He has also been the managing director of UNIQLO HONG KONG, LIMITED since October 2006. He has also been the CEO of FAST RETAILING (CHINA) TRADING CO., LTD. since December 2006. Mr. Pan joined the Company in April 1995. He engaged in business development in mainland China and Hong Kong from 2001. In May 2005, he was appointed as a director of UNIQLO HONG KONG, LIMITED and was promoted to managing director in October 2006.

Mr. Pan received his Master's degree in Commerce from the Graduate School of Business Administration, Nihon University, Japan in 1995.

**Jun Yokohama**, aged 50, is our group executive vice president and co-CEO of FAST RETAILING FRANCE S.A.S. He is responsible for our human resources activities. Mr. Yokohama was our senior vice president since he joined the Company in August 2009. He was appointed co-CEO of FAST RETAILING FRANCE S.A.S. in September 2011. Prior to joining the Company, Mr. Yokohama worked at the Tokyo office of the Boston Consulting Group, a global management consulting firm from 1998 and he was a managing director from 2006 to 2009. He started his career working for one of the major commercial banks in Japan.

Mr. Yokohama received his Bachelor's degree in Economics from the University of Tokyo, Japan in 1987 and his Master of Business Administration from University of Chicago Booth School of Business in 1993.

**Takeshi Okazaki**, aged 48, is our group executive vice president and chief financial officer. He is responsible for the Company's financing, global corporate planning, and store development activities. He joined the Company in August 2011 as a senior vice president and chief financial officer. Prior to joining the Company, he was a partner at McKinsey & Company, Inc. where he worked from July 1998 to July 2011 and was a partner from January 2005 to July 2011. Mr. Okazaki started his career in 1988 working for a Japanese bank which provided long-term financing to various industries in Japan.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Okazaki received his Bachelor's degree in Economics from Kyoto University, Japan in 1988 and his Master of Business Administration from University of California, Berkeley in 1994.

**Osamu Yunoki**, aged 48, is our group executive vice president and representative director and president of G.U. CO., LTD. Mr. Yunoki was appointed as our group executive vice president in September 2012, and president and representative director of G.U. CO., LTD. in September 2010. He joined the Company in December 1999 and was appointed as a senior vice president of UNIQLO Co., Ltd in March 2005. He was also appointed as a senior vice president of the Company in December 2007. He was the representative director and president of FR Foods Co., Ltd. from September 2002 to May 2004. Mr. Yunoki worked at one of the global financial companies from January 1999 to December 1999. He started his career in 1988 with ITOCHU Corporation, a Japanese trading company listed on the TSE.

Mr. Yunoki received his Bachelor's degree in Economics from Hitotsubashi University, Japan in 1988.

**Yoshihiro Kunii**, aged 47, is our group executive vice president and he has held this role since April 2013. He joined the Company as the senior vice president in February 2012. He has been also the head of production division of UNIQLO CO., LTD. from January 2010.

Mr. Kunii started his career working at the textile division of Mitsubishi Corporation in 1989, a major Japanese trading company listed on the TSE. In February 2008, he was seconded to UNIQLO CO., LTD., where he headed the woven apparel production division and then seconded to the Company in April 2010 where he was the senior vice president and general manager of the production division.

Mr. Kunii received his Bachelor's degree in Business from Osaka City University, Japan in 1989.

**Takahiro Wakabayashi**, aged 44, is our group executive vice president and co-chief executive officer of FRL Korea Co., Ltd. Mr. Wakabayashi joined the Company in 1993. He was appointed head of the inventory control division of the Company in March 2002 and held that role until February 2004 when he was appointed head of sales division for east Japan of UNIQLO CO., LTD. Mr. Wakabayashi was a senior vice president of UNIQLO CO., LTD. from February 2005. He was appointed as a senior vice president of the Company covering human resources activity in September 2008.

Mr. Wakabayashi received his Bachelor's degree in Agriculture from Shizuoka University, Japan in 1992.

### JOINT COMPANY SECRETARIES

We have appointed Mr. Mitsuru Ohki and Ms. Choy Yee Man to act as our joint company secretaries.

**Mitsuru Ohki**, aged 54, has been our company secretary since 2013. He has also been a senior vice president since 2012 and general counsel since 2011, the year he joined us. Mr. Ohki was a senior vice president, general counsel and chief compliance officer of Manulife Life Insurance Company from 2007, and had previously worked at ASAHI KASEI CORPORATION from 1984 to 2000.

Mr. Ohki has more than 20 years of experience in in-house corporate legal work and extensive knowledge of Japanese domestic legislation and areas of regulation such as the Companies Act, corporate finance, merger and acquisition and consumer regulations relating to retail sales business. Mr. Ohki has been assisting with the legal aspects of the Company's operations, including negotiation



## DIRECTORS AND SENIOR MANAGEMENT

with its suppliers on various agreements and establishment of joint ventures with local business partners in various jurisdictions.

Mr. Ohki started his career at ASAHI KASEI CORPORATION, a Japanese company listed on the TSE that is a leading diversified manufacturer with operations in the four business sectors of chemicals & fibers, housing & construction materials, electronics, and health care, in April 1984. Since then, Mr. Ohki served as head of legal and compliance department for Japan and/or Asia region at several global companies including Manulife before he joined our Company.

Mr. Ohki received his Bachelor's degree in Law from the University of Tokyo, Japan in 1984 and his Master's degree in law from University of Illinois at Urbana-Champaign in 1991. He was admitted to the New York State Bar Association in 1992.

As a voluntary measure and for good corporate governance purposes, we have engaged Tricor Services Limited ("**Tricor**") and appointed Ms. Choy as a joint company secretary to assist Mr. Ohki for the initial nine months from the Listing Date.

**Choy Yee Man**, aged 46, is a director of Corporate Services of Tricor. Prior to joining Tricor in 2004, Ms. Choy served as manager of the Company Secretarial Department at Tengis Limited (now known as Tricor Tengis Limited).

Ms. Choy has more than 20 years of experience in the corporate services field, servicing public companies and real estate investment trusts (including dual listed company and dual listed real estate investment trust) listed on the Main Board of the Hong Kong Stock Exchange, and other private companies incorporated in Hong Kong and offshore jurisdictions. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Choy is a named assistant secretary to a company listed in United Kingdom, Kazakhstan and Hong Kong.

Ms. Choy is a Chartered Secretary and a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She holds an Honours Bachelor's degree in Accountancy from the City Polytechnic of Hong Kong (currently the City University of Hong Kong).

### CORPORATE GOVERNANCE

We undertake corporate governance to ensure growth, proper management and a responsive and transparent management structure. We have implemented various measures to ensure the independence and robust surveillance powers of the Board.

We introduced a system of entrusted operating officers to separate the decision-making and executive functions in management. In addition, a majority of the directors of the Board are external so as to heighten the Board's independence and its surveillance ability. In addition, we have set up various committees to assist and report to our Board as described below.

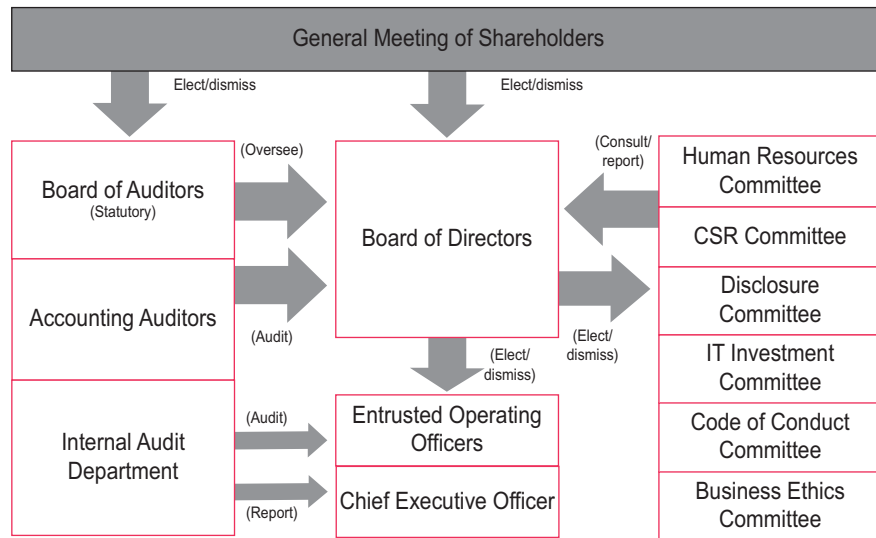
Our Company has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Statutory Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human resources, corporate social responsibility (CSR), disclosure, IT investment, the Code of Conduct and business ethics.

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The Board of Statutory Auditors is responsible for overseeing the activities of the Board of Directors, the internal audit department and the Accounting Auditors in an effort to maintain an appropriate standard of corporate governance.

A diagram setting out the overall structure of our corporate governance is set out below.

### Structure of Corporate Governance and Internal Controls



### COMMITTEES UNDER OUR BOARD OF DIRECTORS

Under Japanese law, companies are not required to have any statutory sub-committees of the Board of Directors. However, we have established certain corporate governance committees to support the decision-making duties of the Board.

#### Human Resources Committee

We have established a human resources committee the primary duties of which are to provide proposals and recommendations to the Board regarding major organizational changes that impact the Group and the revision of personnel systems. The human resources committee consists of eight members, Mr. Tadashi Yanai, who is the executive Director of the Company, Mr. Toru Hambayashi, Mr. Nobumichi Hattori and Mr. Masaaki Shintaku, who are the independent non-executive Directors of the Company, Mr. Toru Murayama and Mr. Takashi Nawa, who are the non-executive Directors of the Company, Mr. Akira Tanaka, who is a full-time Corporate Auditor of the Company, and Mr. Takaharu Yasumoto, who is a Statutory Auditor of the Company. Mr. Toru Hambayashi is the chairman of the human resources committee.

#### Corporate Social Responsibility (CSR) Committee

We have established a CSR committee. The primary duties of the CSR committee are to discuss and make decisions concerning a number of CSR issues, including CSR activities and policies, CSR publications, environmental protection initiatives, community service activities, compliance and diversity issues. The CSR Committee consists of 12 members, Mr. Akira Tanaka, who is a full-time Corporate Auditor of the Company, Mr. Takaharu Yasumoto, who is a Statutory Auditor of the Company, and ten

## DIRECTORS AND SENIOR MANAGEMENT

others members including an external expert and operating officers. The CSR committee is chaired by the head of the CSR department.

### **Disclosure Committee**

We have established a disclosure committee in order to enhance the transparency of management by providing timely, fair and simply stated disclosure of information. The committee makes decisions regarding information that is required to be disclosed to the TSE on a statutory or discretionary basis that could have a material impact on the judgment of investors. The disclosure committee consists of nine members, Mr. Tadashi Yanai, who is the executive Director of the Company, Mr. Masaaki Shinjo, who is a full-time Corporate Auditor of the Company and seven other members including operating officers. The disclosure committee is chaired by the individual responsible for disclosing information to the TSE.

### **IT Investment Committee**

We have established an IT investment committee the main function of which is to discuss IT investment issues at a management level to achieve the optimal use of information system resources and to encourage reform of business operations. In addition, the committee assesses reports on the IT investment budget, verifies the suitability of investments with the participation of external experts and evaluates potential return-on-investment proposals. The IT investment committee consists of seven members, Mr. Tadashi Yanai, who is the executive Director of the Company, Mr. Masaaki Shinjo, who is a full-time Corporate Auditor of the Company and five other members including operating officers. The IT investment committee is chaired by Mr. Tadashi Yanai.

### **Code of Conduct Committee**

We have established a Code of Conduct committee which is responsible for deliberations regarding responses to violations of the Group Code of Conduct (CoC). It gives advice related to the operation of the compliance hotline and the raising of awareness about the CoC among officers and employees. The Code of Conduct committee consists of nine members, Mr. Akira Tanaka, who is a full-time Corporate Auditor of the Company, Ms. Keiko Kaneko, who is a Statutory Auditor of the Company, and seven other members including officers and an external legal advisor. The Code of Conduct committee is chaired by the head of the general administration and employee satisfaction department.

### **Business Ethics Committee**

We have established a business ethics committee which aims to prevent the abuse of any potential superior bargaining power possessed by our Group companies. This includes improper pressure on production plants, suppliers and other business partners. The committee calls on external experts to conduct surveys and questionnaires among suppliers. The committee issues warnings and advice to various departments based on the survey results. The business ethics committee consists of six members, Mr. Masaaki Shinjo, who is a full-time Corporate Auditor of the Company, Mr. Takaharu Yasumoto and Mr. Akira Watanabe, both of whom are Statutory Auditors of the Company, and three other members including an external professional. The business ethics committee is chaired by the head of the CSR department.

## **DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**

Our Directors receive compensation in the form of directors' fees and, in the case of Mr. Tadashi Yanai, also discretionary bonuses. Our senior management receive compensation in the form of salaries, Stock Options, the employer's contribution to the pension schemes and discretionary bonuses.

## DIRECTORS AND SENIOR MANAGEMENT

The Directors periodically review the compensation levels of key executives of the Group, including Mr. Tadashi Yanai. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may grant salary increases or pay bonuses (which may be in the form of cash or share options) to executives. These increases or bonuses could result in the incurrence of compensation expense at levels that are significantly higher than those incurred by the Group in prior periods.

All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company. After Listing, our Directors may also receive options to be granted under the Share Option Scheme. See "Appendix VII – Statutory and General Information – D. Information about Directors – (ii) Directors' and senior management's remuneration" in this listing document.

### COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance Limited as our compliance advisor (the "**Compliance Advisor**") with effect from the Listing Date in compliance with Rule 3A.19 of the Listing Rules.

We have entered into a compliance advisor's agreement with the Compliance Advisor, the material terms of which are as follows:

- the Compliance Advisor's appointment will commence on the Listing Date and will end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- when consulted by us, the Compliance Advisor will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time and any other applicable laws, rules, regulations, codes and guidelines and the terms and conditions of the waivers granted by the Hong Kong Stock Exchange and the exemptions granted by the SFC;
- the Compliance Advisor will, no less frequently than at the time of reviewing the financial reporting of our Company under Rule 3A.23(1) of the Listing Rules, discuss with us, among other things: (i) compliance with the terms and conditions of any waivers granted by the Hong Kong Stock Exchange; and (ii) whether any profit forecast or estimate in this listing document will be or has been met by us and advise us to notify the Hong Kong Stock Exchange and inform the public in a timely and appropriate manner; and
- the Compliance Advisor will act as our principal channel of communication with the Hong Kong Stock Exchange.

We may terminate the appointment of the Compliance Advisor only if the compliance advisor's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance advisor as permitted by Rule 3A.26 of the Listing Rules. The Compliance Advisor will have the right to resign or terminate its appointment if we breach the agreement.

## SUBSTANTIAL SHAREHOLDER

This section presents certain information regarding the shareholding percentages of our Substantial Shareholder and other shareholders who are interested in 5% or more of our Company's share capital (excluding Treasury Stock<sup>1</sup>). As at the Latest Practicable Date, the total paid-in share capital of our Company was ¥10,273 million, which represented 106,073,656 Shares.

As at the Latest Practicable Date, Mr. Tadashi Yanai was our sole Substantial Shareholder.

So far as our Directors are aware, based on the information available as at August 31, 2013, the following persons are interested in 5% or more in our Company's issued share capital.

Name	Title	Number of Shares	Approx. percentage of voting rights (excluding Treasury Stock) <sup>1</sup>	Approx. percentage of issued share capital of our Company (including Treasury Stock) <sup>1</sup>
Mr. Tadashi Yanai <sup>2</sup> . . . . .	Chairman, President & CEO	48,547,540	47.64%	45.77%
The Master Trust Bank of Japan, Ltd. <sup>3</sup> . . . . .	Custodian	10,009,100	9.82%	9.44%
Japan Trustee Services Bank, Ltd. <sup>3</sup> . . . . .	Custodian	8,998,900	8.83%	8.48%

*Notes:*

1. As at August 31, 2013, our Company held 4,177,164 Shares as Treasury Stock.
2. As at August 31, 2013, Mr. Tadashi Yanai was directly holding 22,987,284 Shares representing an approximately 22.56% shareholding and indirectly holding, through TTY Management B.V., which is 100% owned by Mr. Tadashi Yanai, 5,310,000 Shares representing an approximately 5.21% shareholding in our Company (excluding Treasury Stock). As such, Mr. Tadashi Yanai had a beneficial interest in an aggregate of 28,297,284 Shares representing an approximately 27.77% shareholding in our Company (excluding Treasury Stock). If taking into account the shareholdings held by Mr. Tadashi Yanai's associates (namely Mr. Kazumi Yanai, Mr. Koji Yanai, Ms. Teruyo Yanai, TTY Management B.V., Fight & Step Co., Ltd. and MASTERMIND Co., Ltd.), Mr. Tadashi Yanai was deemed to be interested in an aggregate of 48,547,540 Shares representing an approximately 47.64% shareholding in our Company (excluding Treasury Stock). Mr. Kazumi Yanai is the older son of Mr. Tadashi Yanai. As at August 31, 2013, Mr. Kazumi Yanai was directly holding 4,781,808 Shares representing an approximately 4.69% shareholding and indirectly holding, through Fight & Step Co., Ltd. which is 100% owned by Mr. Kazumi Yanai, 4,750,000 Shares representing an approximately 4.66% shareholding in our Company (excluding Treasury Stock). Mr. Koji Yanai is the younger son of Mr. Tadashi Yanai. As at August 31, 2013, Mr. Koji Yanai was directly holding 4,780,600 Shares representing an approximately 4.69% shareholding and indirectly holding, through MASTERMIND Co., Ltd., which is 100% owned by Mr. Koji Yanai, 3,610,000 representing an approximately 3.54% shareholding in our Company (excluding Treasury Stock). Ms. Teruyo Yanai is the spouse of Mr. Tadashi Yanai.
3. Both The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. are Independent Third Party custodians holding Shares on account of investors.

## SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as at the date of this listing document:

### ***Authorized capital***

Our Company does not have an authorized share capital as the concept of shares with par value was abolished when the Commercial Code was amended in 2001. The total number of Shares authorized to be issued by our Company is 300,000,000.

### ***Shares issued***

As at the Latest Practicable Date, our Company has issued 106,073,656 Shares.

### ***Ranking***

The Shares represented by the HDRs will rank pari passu with all existing Shares in issue on the date of this listing document.

### ***SARs***

For details of the legal framework for issuance of SARs in Japan and the issuance of SARs by us, see “Appendix VII — Statutory and General Information — E. Other Information — (i) Share acquisition rights” in this listing document.

### ***Share repurchase***

For details of information relating to the repurchase by us of our Shares and the requirement of shareholders’ approval, see “Appendix VII — Statutory and General Information — A. Further Information about our Company and its Subsidiaries — (v) Repurchase of our Shares” in this listing document.

### ***Treasury Stock***

As at August 31, 2013, our Company held 4,177,164 Shares as Treasury Stock.

## FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes included in “Appendix I – Accountants’ Report” in this listing document. These consolidated financial statements have been prepared in accordance with JGAAP, which differ in certain significant respects from generally accepted accounting principles in certain other countries. See section C of “Appendix I – Accountants’ Report” in this listing document for a summary of the material differences between JGAAP and IFRS. Potential investors should consult their own professional advisers for an understanding of the differences between JGAAP and IFRS and how these differences might affect the financial information in this listing document and how these differences might affect any comparison with a company presenting financial information under IFRS. The acceptance by the Hong Kong Stock Exchange of adopting JGAAP in the preparation of its accountants’ report and subsequent financial reports until it prepares financial reports in accordance with IFRS starting no later than three years from the Listing Date is on conditions that: (1) the Company will include in its accountants’ report and subsequent financial reports a summary of material differences between JGAAP and IFRS applicable to the Company; and (2) the Company must revert to HKFRS or IFRS if Shares are no longer listed on the Tokyo Stock Exchange. After the Secondary Listing, the Company will publish unaudited quarterly financial reports prepared under JGAAP with a summary of the material differences between JGAAP and IFRS, together with a statement of quantified financial effects of all material differences between JGAAP and IFRS.*

*This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below as well as in “Risk Factors” and elsewhere in this listing document. For the purposes of this listing document, financial information presented in millions/billions of Japanese yen have been rounded down to the nearest millions/billions and percentage figures have been rounded to the nearest one decimal place.*

### SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated balance sheets as at August 31, 2011, 2012 and 2013, and the consolidated statements of income and consolidated statements of comprehensive income for the years ended August 31, 2011, 2012 and 2013 set forth below is derived from our Accountants’ Report included in Appendix I in this listing document, and should be read in conjunction with the Accountants’ Report and with the section headed “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.



## FINANCIAL INFORMATION

The following table presents selected data from our audited consolidated statements of income for the fiscal years ended August 31, 2011, 2012 and 2013.

	<b>Year ended August 31</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>(¥ millions)</b>		
Net sales .....	820,349	928,669	1,143,003
Cost of sales .....	394,581	453,202	578,992
Gross profit .....	425,767	475,466	564,011
Selling, general and administrative expenses .....	309,401	349,016	431,091
Operating income .....	116,365	126,450	132,920
Non-operating income .....	1,897	2,121	17,628
Non-operating expenses .....	11,173	3,359	1,569
Ordinary income .....	107,090	125,212	148,979
Extraordinary gains .....	228	327	390
Extraordinary losses .....	13,437	2,149	7,845
Income before income taxes and minority interests .....	93,881	123,390	141,525
Income taxes .....	37,569	48,964	48,268
Income before minority interests .....	56,311	74,426	93,256
Minority interests .....	1,956	2,771	2,879
Net income .....	54,354	71,654	90,377

The following table presents selected data from our audited consolidated statements of comprehensive income for the fiscal years ended August 31, 2011, 2012 and 2013.

	<b>Year ended August 31</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>(¥ millions)</b>		
Income before minority interests .....	56,311	74,426	93,256
Other comprehensive income .....	(4,064)	22,075	112,072
Comprehensive income .....	52,246	96,501	205,329
Comprehensive income attributable to:			
Shareholders of FAST RETAILING CO., LTD. ....	50,328	93,833	199,439
Minority interests .....	1,918	2,667	5,890

## FINANCIAL INFORMATION

The following table presents selected data from our audited consolidated balance sheets as at August 31, 2011, 2012 and 2013.

	As at August 31		
	2011	2012	2013
	(¥ millions)		
<b>ASSETS</b>			
Current assets			
Cash and deposits . . . . .	64,386	132,238	147,429
Notes and accounts receivable — trade . . . . .	17,796	19,920	34,187
Short-term investment securities . . . . .	137,728	133,788	148,215
Inventories . . . . .	92,750	98,963	166,654
Deferred tax assets . . . . .	31,802	16,987	4,002
Income taxes receivable . . . . .	10,453	10,628	8,980
Forward currency contracts . . . . .	—	—	113,641
Others . . . . .	15,361	12,256	17,486
Allowance for doubtful accounts . . . . .	(307)	(268)	(488)
	369,971	424,516	640,109
Non-current assets			
Property, plant and equipment . . . . .	58,016	69,222	90,405
Intangible assets			
Goodwill . . . . .	21,648	15,992	31,691
Others . . . . .	19,102	22,224	46,423
	40,751	38,216	78,115
Investments and other assets . . . . .	65,038	63,146	77,170
	163,806	170,586	245,690
Total non-current assets . . . . .	163,806	170,586	245,690
Total assets . . . . .	533,777	595,102	885,800
<b>LIABILITIES</b>			
Current liabilities			
Notes and accounts payable — trade . . . . .	59,395	71,142	121,951
Short-term loans payable . . . . .	3,978	2,505	1,862
Current portion of long-term loans payable . . . . .	3,243	3,410	3,632
Forward currency contracts . . . . .	59,640	22,625	—
Income taxes payable . . . . .	14,721	27,738	26,005
Deferred tax liabilities . . . . .	—	33	38,494
Provision . . . . .	6,987	8,430	10,081
Others . . . . .	34,878	37,491	51,937
	182,846	173,378	253,966
Non-current liabilities			
Loan-term loans payable . . . . .	13,688	9,129	21,926
Deferred tax liabilities . . . . .	—	2,553	10,371
Provision . . . . .	63	64	75
Others . . . . .	17,268	15,084	19,868
	31,020	26,831	52,243
Total non-current liabilities . . . . .	31,020	26,831	52,243
Total liabilities . . . . .	213,866	200,210	306,209

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	As at August 31		
	2011	2012	2013
	(¥ millions)		
NET ASSETS			
Stockholders' equity .....	369,070	418,905	482,495
Accumulated other comprehensive income .....	(54,339)	(32,160)	76,901
Subscription rights to shares .....	510	755	1,170
Minority interest .....	4,670	7,392	19,024
Total net assets .....	319,911	394,892	579,591
Total liabilities and net assets .....	533,777	595,102	885,800

The following table presents certain key ratios and measures as at and for the fiscal years ended August 31, 2011, 2012 and 2013.

	August 31,		
	2011	2012	2013
	¥ millions (except where specified)		
EBITDA <sup>1</sup> .....	115,714	148,196	171,147
Interest-bearing debt .....	28,263	23,187	37,259
Free cash flow <sup>2</sup> .....	30,515	92,329	35,538
Capital expenditures .....	33,993	40,184	39,681
<b>Reference indices:</b>			
Operating income margin (%) .....	14.2	13.6	11.6
ROE (%) <sup>3</sup> .....	18.1	20.4	19.1
Equity ratio (%) <sup>4</sup> .....	59.0	65.0	63.2
Debt-equity ratio (%) <sup>5</sup> .....	9.0	6.0	6.7
Dividend payout ratio (%) <sup>6</sup> .....	33.7	37.0	32.7
<b>Other data:</b>			
Total number of stores <sup>7</sup> .....	2,088	2,222	2,449
Directly-operated stores in Japan .....	1,213	1,250	1,331
Directly-operated stores overseas .....	491	589	743
Total sales floor space (sq.m) <sup>8</sup> .....	938,896	1,170,353	1,387,367
Number of full-time employees .....	14,612	18,854	23,982

**Notes:**

- EBITDA for any year is calculated as the sum of income before income taxes and minority interests, interest expenses, ordinary depreciation and amortization and amortization of goodwill. Under JGAAP, income before income taxes and minority interests includes non-operating items such as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses. EBITDA is not a measurement of financial performance or liquidity under JGAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with JGAAP or as an alternative to cash flow from operating activities as measures of liquidity. In addition, EBITDA is not a standardized term, hence,

## FINANCIAL INFORMATION

a direct comparison between companies using such terms may not be possible. See the section headed "Financial Information – Non-JGAAP Financial Measures" in this listing document for a reconciliation of our income before income taxes and minority interests for the year under JGAAP to our definition of EBITDA.

2. Free cash flow is calculated as net cash from operating activities, less net cash used in investing activities.
3. Return on equity is calculated as net income divided by period average total net assets attributable to shareholders of the Company less subscription rights to shares.
4. Equity ratio is calculated as total net assets attributable to shareholders of the Company less subscription rights to shares divided by total assets.
5. Debt-equity ratio is calculated as total interest-bearing debt divided by total net assets attributable to shareholders of the Company less subscription rights to shares.
6. Dividend payout ratio is calculated as cash dividends per share divided by basic net income per share.
7. Including franchise stores.
8. Total sales floor space includes only directly-operated stores.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis in conjunction with the consolidated financial information included in our Accountants' Report and the notes thereto included in Appendix I in this listing document and the operating data included elsewhere in this listing document. The financial information has been prepared in accordance with JGAAP.*

#### Overview

Our Company is a Japanese retail holding company whose Shares are listed on the TSE and we are a retailer of quality clothing for men, women, children and infants. As at the Latest Practicable Date, our Company had a market capitalization of approximately ¥3.67 trillion (HK\$282 billion). Our Company was established in 1963, and the opening of the first UNIQLO store in Japan in 1984 marked the beginning of the development of a fast-growing international brand, business model and corporate growth. In addition to our mainstay UNIQLO brand, we own several other apparel brands, being our Global Brands, which comprise GU, Theory, Comptoir des Cottonniers, Princesse tam.tam and J Brand.

According to Euromonitor, we were the largest clothing retailer in the Asia Pacific in 2012, with a 2.2% share of the US\$444.8 billion Asia Pacific clothing market. As at November 30, 2013, we operated a retail network of 856 UNIQLO stores in Japan, 512 UNIQLO stores in other parts of the world and 1,200 Global Brands stores worldwide. During the Track Record Period, our net sales have grown at a CAGR of 18.0%, from ¥820.3 billion for the year ended August 31, 2011 to ¥1,143.0 billion for the year ended August 31, 2013. In particular, our UNIQLO International business experienced strong sales growth at a CAGR of 63.7% during the Track Record Period.

#### UNIQLO Japan

Our mainstay UNIQLO brand offers casual apparel that is made for all, regardless of age or gender. Established in Japan in 1984, UNIQLO offers high quality and basic casual apparel at moderate prices. UNIQLO's products range from fleece jackets, cashmere sweaters, Ultra Light Down jackets and vests, to UTs (UNIQLO T-shirts), shirts, sweatshirts and jeans. UNIQLO also designs and manufactures an extensive line of innerwear such as AIRism and HEATTECH. UNIQLO's products are currently offered under the "LifeWear" concept. The term "LifeWear" was first introduced by UNIQLO globally during the launch of its 2013 fall and winter collection, and the term reflects UNIQLO's design approach and focus on customer needs. With its LifeWear products, UNIQLO aims to provide clothing that is innovative, universal in design and of high quality. LifeWear is about offering clothes that promote comfort and enrich lives, allowing customers to create their own individual style. As at November 30, 2013, UNIQLO had a

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retail network of 856 stores located throughout Japan. During the Track Record Period, net sales from our UNIQLO Japan grew at a CAGR of 6.7%. For the years ended August 31, 2011, 2012 and 2013, net sales from UNIQLO Japan amounted to ¥600.1 billion, ¥620.0 billion and ¥683.3 billion, respectively. Our expansion strategy for UNIQLO in Japan involves a two-pronged strategy of increasing the average size of our stores by using our “scrap and build” strategy, where we gradually phase out smaller and older stores and shift to opening large format stores in the same areas, and enhancing UNIQLO’s presence in urban areas where it has been traditionally underrepresented.

### ***UNIQLO International***

In 2001, we began actively expanding the UNIQLO brand outside of Japan with the opening of our first store in London. Our first global flagship store opened in New York in 2006, with global flagship stores following shortly afterwards in London, Paris and Shanghai. As at November 30, 2013, UNIQLO operated 512 stores outside of Japan spanning the United States, the United Kingdom, France, China, Hong Kong, Taiwan, South Korea, Singapore, Russia, Malaysia, Thailand, the Philippines and Indonesia. All of our UNIQLO International stores are directly-operated and are located in major cities, often in large shopping malls and high-end department stores. During the Track Record Period, our UNIQLO International operations represented a significant part of our growth as net sales grew at a CAGR of 63.7%. For the years ended August 31, 2011, 2012 and 2013, net sales from UNIQLO International amounted to ¥93.7 billion, ¥153.1 billion and ¥251.1 billion, respectively. Growth of our UNIQLO International operations has been particularly strong in Asia. As at November 30, 2013, we operated a total of 512 UNIQLO International stores, which include 477 stores in Asia, with 251, 115, and 42 stores in China, South Korea and Taiwan, respectively, and 18 and 17 stores in Europe and the United States, respectively. UNIQLO International constituted 22.0% of the Group’s net sales in that year. We intend to further expand our UNIQLO International business by targeting the opening of approximately 80 and 100 new stores each year in China and accelerating new store openings in other parts of Asia. We intend to further expand our operations in the United States by forming retail networks and opening approximately 10 to 20 stores a year on and around the East and the West Coasts of the United States, centered on New York and San Francisco respectively.

### ***Global Brands***

In addition to operating stores under our mainstay brand, UNIQLO, we operate a portfolio of other brands under our Global Brands business segment, comprising our low-priced GU casualwear brand and our higher-end brands of Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand. These apparel brands have been created or acquired in locations around the world with the aim of expanding our brand portfolio to satisfy a broader customer base, and to create synergies with our pre-existing portfolio to facilitate further global expansion of UNIQLO and our other brands.

During the Track Record Period, our Global Brands operations contributed to our growth as net sales grew at a CAGR of 28.9%. For the years ended August 31, 2011, 2012 and 2013, net sales from Global Brands amounted to ¥124.0 billion, ¥153.0 billion and ¥206.2 billion, respectively. Global Brands constituted 18.0% of the Group’s net sales for the year ended August 31, 2013. We intend to further expand our Global Brands business by acquiring new brands that we identify as being complementary to our brand portfolio and overall growth strategy.

### **Basis of Presentation**

Our consolidated financial information as at and for the years ended August 31, 2011, 2012 and 2013 has been prepared in accordance with JGAAP. Our consolidated financial information has been prepared on the historical cost basis except for certain investments which are stated at fair value.

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### **Factors affecting our financial condition, results of operations or business**

#### ***General economic conditions, levels of disposable income and consumer spending***

Our net sales and profitability are correlated with global economic conditions. We conduct a substantial portion of our operations in Japan. Economic growth in Japan and the rest of the world drives levels of disposable income and consumer spending. In the past few years, the overall Japanese retail sector has experienced adverse conditions due to the downturn in the Japanese economy as a result of the global financial crisis and natural disasters, and the retail sector has only recently begun to improve. According to the International Monetary Fund, Japan's per capita real GDP increased by 4.7% in 2010, decreased by 0.5% in 2011 and increased by 2.2% in 2012. While the global economy showed some signs of moderate recovery during 2010, difficult economic conditions returned in 2011 and have continued into 2012, in part due to the debt crisis in Europe. If we are unable to maintain selling prices of our products at desired levels and are forced to sell our products at a discount, our margins may be adversely affected and the market value and public perception of our brands could deteriorate.

As we continue to implement our Asian and global expansion plans, our sales and growth in the future will partly depend on the level of disposable income and consumer spending in the countries in which we expand our operations. In addition, the expansion of our operations, in particular for our UNIQLO International businesses, will also increase our costs and capital expenditures. If our sales decline, these costs and capital expenditures may not be offset by our net sales.

#### ***Managing our outsourcing and material procurement costs***

We outsource all of our production indirectly through Japanese trading companies or directly to our partner factories, both of which are Independent Third Parties. Doing so enables us to reduce our fixed manufacturing costs and to scale our production in response to market demand. A significant percentage of our partner factories and the factories manufacturing the products purchased from Japanese trading companies are located in China. In recent years, China-based suppliers have increased their prices in response to rising costs of raw materials and labor and appreciation of the Renminbi. As we expect to continue to outsource a large proportion of our production to Chinese suppliers, we have negotiated with the Japanese trading companies and partner factories to reduce the magnitude of their price increases. We have partially mitigated the effects of our Chinese suppliers' price increases through a combination of controlling discounts and outsourcing production to suppliers in Bangladesh, Indonesia, Vietnam and other Asian countries, where production costs are currently lower than in China. If we are unable to pass such costs along in the form of price increases to our customers, our results of operations could be adversely affected.

In addition, the success of our overall business depends in part on the ability to obtain the necessary raw materials of sufficient quality and at commercially acceptable prices. While we work closely with fabric and textile manufacturers to develop new and innovative or superior-quality materials for our products, the costs of raw materials are initially borne by our partner factories or factories producing our products that we purchase from Japanese trading companies. See the section headed "Risk Factors — Risks Relating to Our Businesses — Unfavorable fluctuations in the price, availability and quality of raw materials to us and third-party manufacturers that manufacture our products could cause material production delays or materially increase our cost of sales" in this listing document. Such raw materials include denim, textiles and other materials used in the processing and manufacturing of our apparel and products. Generally, unfavorable fluctuations in price, quality, or availability of necessary raw materials could have a negative effect on our gross profit margins and our ability to deliver our products to the market in a timely manner. If supplies of the necessary raw materials substantially decrease or if there are significant increases in

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prices of such raw materials, our third-party manufacturers may incur additional costs to acquire sufficient quantities of these materials in order to maintain our product offering schedules. During the Track Record Period, changes in raw material costs and labor costs did not have any material impact on our gross profit margin. For the years ended August 31, 2011, 2012 and 2013, our gross profit margin remained largely stable at 51.9%, 51.2% and 49.3%, respectively.

### ***Rental expenses***

A significant portion of our selling, general and administrative expenses consists of rental expenses for our stores. We expect the rental expenses for our UNIQLO operations to increase as we continue to increase the size of our stores and the number of stores in prime locations, which typically command a higher average rental price per square meter. Our rent as a percentage of total net sales for the years ended August 31, 2011, 2012 and 2013 were 9.6%, 9.7% and 9.7%, respectively. As our retail network continues to expand, we expect that our selling, general and administrative expenses will increase in line with increases in rental expenses.

### ***Composition of net sales from overall product mix and business segment***

The composition of revenue from our overall product mix and different sales channels affects our results of operations. Utilizing our UNIQLO brand, we offer extensive selections of high quality, casual apparel at moderate price points. Through our GU brand, we offer low-priced fast fashion apparel. We also operate stores under Theory and its sub-brands, Comptoir des Cottonniers, Princesse tam.tam. and J Brand, which offer a variety of men's and women's fashion apparel. We believe that our product offerings via our UNIQLO brand support stable cash flows through our established brands, whereas our GU brand represents significant growth potential. Further, our Global Brands allow us to broaden our customer base and scope of operations, while complementing our mainstay UNIQLO business. For the years ended August 31, 2011, 2012 and 2013, 84.6%, 83.3% and 81.8%, respectively, of our net sales was attributable to UNIQLO products, and 15.1%, 16.5% and 18.0%, respectively, was attributable to products of our Global Brands.

In addition, as we continue to expand our UNIQLO International and Global Brands businesses outside of Japan in jurisdictions with lower statutory income tax rates, our effective tax rate may continue to decrease as the proportion of income attributable to our businesses outside of Japan increases.

### ***Staff cost***

We recognize all salaries and other benefits of our staff as selling, general and administrative expenses. For the years ended August 31, 2011, 2012 and 2013, the amount of salaries and other benefits paid was ¥77.0 billion, ¥83.9 billion and ¥105.1 billion, respectively, representing 24.9%, 24.1% and 24.4%, respectively, of our total selling, general and administrative expenses and 9.4%, 9.0% and 9.2%, respectively, of our net sales for such years. We expect that our staff cost will continue to increase with the overall expansion of our retail network in the future.

### ***Inventory management and write-downs***

Our cost of sales consists principally of the direct cost of purchased products. We review our inventory levels on an ongoing basis in order to identify both popular and slow moving products. For popular products, we increase production to maximize sales. For slow moving products, we generally reduce prices to clear such products. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and be required to mark down those products in order to sell them. Significant markdowns may reduce our gross profit margin and may have a material adverse



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impact on our earnings for future periods depending on the amount of the markdowns and the amount of products affected. Also, to the extent items are discounted below their purchase cost, we write-off inventory amounts for such items to the discount sale amount and recognize the amount written-down under cost of sales. For the years ended August 31, 2011 and 2012, we recognized a net reversal of write-downs of inventories of ¥695 million and ¥36 million, respectively, representing a reversal of write-downs from the previous fiscal year offset by the amount of write-downs for the relevant fiscal year. For the year ended August 31, 2013, we recognized write-downs of inventories of ¥836 million due to an increase in inventories primarily as a result of an increase in the range of year-round basic items on offer, an increase in the number of UNIQLO International stores and upgrades to our store fittings and interior design, allowing for more items to be placed on display.

### ***Seasonality and climate***

Our business is seasonal and we typically record higher sales in the first half of the fiscal year between September and February. In these periods we sell products for the fall and winter seasons, which normally have higher unit prices compared to our products for the spring and summer seasons. Unexpected and unusual climate changes may also affect the sales of our products that are timed for release during a particular season. A warm winter may affect the sales of our fall and winter products, while a cool summer may affect the sales of our spring and summer products. For example, our sales from UNIQLO Japan during March to August 2012 was affected by cool weather, which resulted in larger discounts on summer inventory. As a result, we believe that comparisons of our operating results and net income over any interim periods may not be meaningful and such comparisons may not be an accurate indicator of our future performance.

### ***Competition***

The casualwear and fast fashion industry is highly competitive in Japan and throughout the world. In Japan, the UNIQLO brand competes broadly with Japanese general merchandising stores and specialty clothing retailers. In international markets, our UNIQLO brand competes broadly with other international casualwear retailers such as GAP, H&M and Inditex (ZARA). Meanwhile, our low-priced GU casualwear brand competes with Japanese fast fashion retailers.

Some of our competitors may have greater financial resources and brand recognition than we do. Our prospects, financial condition, results of operations and business are affected by our ability to remain competitive in this industry, which in turn depends on our ability to increase our brand awareness and differentiate our products from those offered by our competitors in ways that will appeal to consumers.

### ***Currency fluctuations***

Since we operate globally, our financial results are subject to both transaction and translation effects resulting from fluctuations in currency exchange rates.

#### *Currency fluctuation effects on transactions*

We are exposed to transaction risks with respect to our subsidiaries that generate revenue in currencies other than the Japanese yen. We generate revenue in foreign currencies including, but not limited to, US dollars, Euro, Hong Kong dollars and Renminbi. Our purchases are mainly denominated in Japanese yen and US dollars. Therefore, to mitigate currency fluctuation effects, we enter into forward currency contracts to hedge risks arising from fluctuations in foreign currency exchange rates. Hedging decisions are primarily coordinated centrally, taking into consideration purchase forecasts based on

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business plans approved by our Board of Directors. We periodically compare cumulative changes in hedging instruments with those of hedged items when assessing hedge effectiveness. If the main provisions of the hedging instrument and the hedged item are the same and changes in market rates or cash flows are expected to be perfectly offset, we do not assess the effectiveness of foreign exchange hedges. See the section headed “Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Hedging Policy” in this listing document.

### *Currency fluctuation effects on translation*

Fluctuations in the exchange rates between the Japanese yen and other currencies, primarily the US dollar, Euro, Hong Kong dollar and Renminbi, affect the translation into Japanese yen when we prepare our consolidated financial statements. For subsidiaries of the Group whose functional currency is not Japanese yen, all assets and liabilities are translated at the exchange rates in effect at the balance sheet date and shareholders’ equity accounts are translated at historical rates. The comprehensive adjustment resulting from translation of assets, liabilities and net assets is reported as foreign currency translation adjustment, which is a separate component of net assets. See the section headed “Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign Exchange Rate Risk” in this listing document.

### **Significant Accounting Policies**

The preparation of our financial statements requires us to make subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that our judgments will prove to be correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations. We review our estimates and underlying assumptions on an ongoing basis.

### ***Allowance for doubtful accounts***

We estimate impairment losses for doubtful accounts resulting from the inability of our customers to make the required payments. Allowance for doubtful accounts is provided based on our past experience and evaluation of the recoverability of the outstanding receivable balances including notes and accounts receivable — trade and other receivables. We perform credit evaluations of our wholesale customers’ financial condition when we enter into transactions with new wholesale customers. We evaluate the collectability of our notes and accounts receivable — trade and other receivables based on specific customer circumstances, current economic trends, historical experience with collections and the age of past receivables. Unanticipated changes in the liquidity of our customers may require additional allowances for doubtful accounts.

### ***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the specific identification method. Net realizable value is the estimated selling price in the ordinary course of

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business. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. We estimate net realizable value of inventories based on current market conditions and our historical experience of selling products of a similar nature. These estimates may change significantly as a result of changes in customer taste or competitor actions. We reassess these estimates on a regular basis.

We carry out physical counts on all inventories on a periodic basis in order to determine whether a write-down needs to be made in respect of any missing or defective inventories identified.

### **Depreciation and amortization**

#### *Property, plant and equipment (other than leased assets)*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated using the straight-line method, to write off the cost of property, plant and equipment to its residual value over its estimated useful lives. The principal ranges of estimated useful lives of property, plant and equipment are as follows:

Freehold land . . . . .	Not depreciated
Buildings and structures . . . . .	3 to 50 years
Furniture, equipment and vehicles . . . . .	five years

#### *Intangible assets*

Intangible assets acquired separately are recognized at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization of intangible assets is calculated on the straight-line method. The principal ranges of estimated useful lives are as follows:

Software for internal use . . . . .	3 to 5 years
Patents . . . . .	15 years

#### *Leased assets*

Leases that transfer substantially all the rewards and risks of ownership of assets to us, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms. Finance leases executed on or before August 31, 2008 that do not involve transfer of ownership are accounted for in a similar manner as operating leases.

### **Description of Components of Results of Operations**

**Net Sales.** Our net sales represents the net value of goods sold after deduction of returns for our UNIQLO Japan, UNIQLO International and Global Brands businesses. Sale of goods is recognized when products are sold to customers at stores for the retail business and when products are delivered and title

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has passed to the wholesale business of certain of our Global Brands. We also use performance indicators including store numbers, same store sales and average sales per square meter along with net sales when evaluating our results of operations.

**Cost of sales.** Cost of sales consists of the costs of finished goods procured from third-party suppliers and manufacturers. Cost of sales also includes write-off of inventory to the extent inventory is written-down to below the cost incurred to acquire such inventory.

**Selling, general and administration expenses.** Selling, general and administration expenses primarily consist of advertising and promotion costs, salaries, rental expenses, depreciation and amortization and amortization of goodwill. Set out below are the major components of our selling, general and administrative expenses during the Track Record Period:

	Year ended August 31,		
	2011	2012	2013
	(¥ millions)		
Advertising and promotion . . . . .	35,871	43,694	52,519
Salaries . . . . .	77,003	83,970	105,143
Rental expenses . . . . .	78,891	90,509	111,171
Depreciation and amortization . . . . .	14,704	18,573	23,691
Amortization of goodwill . . . . .	6,596	5,664	5,297

**Non-operating income.** Non-operating income consists of interest and dividend income, interest on refund, penalty income, foreign exchange gains arising in connection with financial assets denominated in foreign currencies, and others.

**Non-operating expenses.** Non-operating expenses consist of interest expenses, foreign exchange losses arising in connection with financial assets denominated in foreign currencies, and others.

**Extraordinary gains.** Extraordinary gains consist primarily of gains on sales of non-current assets.

**Extraordinary losses.** Extraordinary losses consist of losses on changes of accounting treatment, non-recurring depreciation on non-current assets, loss on retirement of non-current assets, impairment losses, losses on a disaster, provision for losses on discontinued operation, impact of the adoption of accounting standard for asset retirement obligations, losses on valuation of investment securities, expenses incurred in connection with acquisitions, and others. Losses on a disaster relate to losses resulting from the Great East Japan Earthquake on March 11, 2011. Non-recurring depreciation on non-current assets relates to changes in the depreciation method for significant depreciable assets and revision of useful lives, and provision for losses on discontinued operation relates to the discontinuation of our shoe business in 2011. We recognized loss on retirement of non-current assets mainly as a result of the retirement of certain buildings and structures. Impairment losses relate to the impairment of goodwill and the write-down of retail store assets for certain stores.

**Total income taxes.** Our effective income tax rate for the fiscal years ended August 31, 2011, 2012 and 2013 was 40.0%, 39.7% and 34.1%, respectively, of income before income taxes and minority interests, which was 0.5%, 0.8% and 3.9%, respectively, lower than the statutory income tax rate of 40.5% for the years ended August 31, 2011 and 2012 and 38.0% for the year ended August 31, 2013. This was due mainly to the growing contribution to profit made by our operations outside of Japan, mainly

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in Asia, where effective tax rates were lower. We recognize net deferred tax assets mainly for deferred losses on foreign currency hedges that are within the recoverable scope.

**Other comprehensive income.** Other comprehensive income consists of unrealized gains/losses on available-for-sale securities, deferred gains/losses on hedges primarily in connection with our forward currency contracts and foreign currency translation adjustments.

### Discussion of Results of Operations

#### **Financial results for the year ended August 31, 2013 compared to financial results for the year ended August 31, 2012**

##### *Net Sales*

Total net sales increased by 23.1%, or ¥214.3 billion, from ¥928.6 billion for the year ended August 31, 2012 to ¥1,143.0 billion for the year ended August 31, 2013. Our net sales increased primarily as a result of UNIQLO's continued growth in Asia, including the opening of 149 stores and expanded coverage of the Asian market by building on our existing presence in China, South Korea, Hong Kong, Taiwan, Singapore, Malaysia, Thailand and the Philippines and by opening our first store in Indonesia. The expansion of UNIQLO operations outside of Japan and the continued expansion of our Global Brands further contributed to the increase in net sales.

##### *UNIQLO Japan*

Net sales at UNIQLO Japan stores increased 10.2% for the year ended August 31, 2013 to ¥683.3 billion from ¥620.0 billion for the year ended August 31, 2012. The increase in sales was primarily attributable to the increase in floor space as we replaced existing stores with larger format stores under our "scrap and build" strategy, an increase in sales of our HEATTECH innerwear products, Ultra Light Down jackets, AIRism innerwear, leggings pants, as well as an increase in the number of customers visiting our stores resulting from UNIQLO Japan's advertising campaign during the year ended August 31, 2013. Our same-store sales increased by 7.3% as compared with the year ended August 31, 2012 due to an increase in the number of customer visits to UNIQLO Japan stores. However, the average purchase price per customer in terms of directly-operated same-stores decreased by 4.3% as compared with the year ended August 31, 2012, due in part to the increase in sales of comparatively low-priced items such as innerwear and legging pants.

##### *UNIQLO International*

Net sales at UNIQLO International stores increased 64.0% for the year ended August 31, 2013 to ¥251.1 billion from ¥153.1 billion for the year ended August 31, 2012. The increase was primarily attributable to the opening of 154 additional UNIQLO International stores (of which 102 were in China, Hong Kong and Taiwan and four were in the USA) and strong sales in Southeast Asia. UNIQLO International accounted for 22.0% of total net sales in 2013, compared to 16.5% of total net sales in 2012.

##### *Global Brands*

Net sales from our Global Brands increased 34.8% for the year ended August 31, 2013 to ¥206.2 billion from ¥153.0 billion for the year ended August 31, 2012. The increase was primarily attributable to the strong growth in net sales of our GU brand for the year ended August 31, 2013 and strong performance from our Theory business. We also acquired an 80.76% interest in J Brand in December

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2012 and have consolidated its results for the year ended August 31, 2013 using the acquisition method. For the year ended August 31, 2013, net sales for Global Brands comprised 18.0% of total net sales, compared to 16.5% of total net sales in 2012.

### *Cost of Sales*

Cost of sales increased by 27.8%, or ¥125.8 billion, from ¥453.2 billion for the year ended August 31, 2012 to ¥578.9 billion for the year ended August 31, 2013, primarily as a result of the increase in total net sales across all brands and stores.

### *Gross Profit*

Gross profit increased by 18.6%, or ¥88.5 billion, from ¥475.4 billion for the year ended August 31, 2012 to ¥564.0 billion for the year ended August 31, 2013. Gross profit margin decreased from 51.2% for the year ended August 31, 2012 to 49.3% for the year ended August 31, 2013. The decrease was primarily attributable to more products being put on discount and a higher portion of sales being attributable to discounted merchandise.

Gross profit for UNIQLO Japan increased by 6.2%, or ¥18.5 billion, from ¥299.5 billion for the year ended August 31, 2012 to ¥318.0 billion for the year ended August 31, 2013. Gross profit margin at UNIQLO Japan stores decreased from 48.3% for the year ended August 31, 2012 to 46.5% for the year ended August 31, 2013. The decrease was primarily due to the reason stated above.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by 23.5%, or ¥82.1 billion, from ¥349.0 billion for the year ended August 31, 2012 to ¥431.0 billion for the year ended August 31, 2013. The ratio of selling, general and administrative expenses to net sales increased by 0.1% to 37.7% for the year ended August 31, 2013, as we maintained firm control over business expenses. The increase in advertising and promotion, salaries, rental expenses and depreciation and amortization was in line with our overall expansion for the year ended August 31, 2013.

Selling, general and administrative expenses for UNIQLO Japan increased by 12.2%, or ¥23.9 billion, from ¥197.1 billion for the year ended August 31, 2012 to ¥221.1 billion for the year ended August 31, 2013. This increase was primarily attributable to an increase in salaries as a result of our decision to introduce store manager allowances from April 2013, an increase in part-time staffing costs, an increase in advertising and promotion and an increase in other expenses incurred for the purchase of upgraded store fittings and interior.

### *Operating Income*

Operating income increased by 5.1%, or ¥6.5 billion from ¥126.4 billion for the year ended August 31, 2012 to ¥132.9 billion for the year ended August 31, 2013, reflecting the growth in our business. Operating income margin decreased by 2.0% to 11.6% for the year ended August 31, 2013 as cost of sales and selling, general and administrative expenses increased at a higher rate than net sales.

### *UNIQLO Japan*

Segment income for UNIQLO Japan decreased by 5.4%, or ¥5.5 billion, from ¥102.3 billion for the year ended August 31, 2012 to ¥96.8 billion for the year ended August 31, 2013. The decrease was primarily due to an increase in cost of sales and selling, general and administrative expenses.

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### *UNIQLO International*

Segment income for UNIQLO International increased by 66.8%, or ¥7.4 billion, from ¥10.9 billion for the year ended August 31, 2012 to ¥18.3 billion for the year ended August 31, 2013. The increase was primarily due to an increase in net sales at UNIQLO International stores, especially stores in China, Taiwan, South Korea and the Southeast Asia region.

### *Global Brands*

Segment income for Global Brands increased by 20.1%, or ¥2.9 billion, from ¥14.5 billion for the year ended August 31, 2012 to ¥17.4 billion for the year ended August 31, 2013. The increase was primarily due to the strong growth in net sales of our GU brand for the year ended August 31, 2013 and the strong performance from our Theory business.

### *Non-operating Income*

Non-operating income increased by 731.1%, or ¥15.5 billion from ¥2.1 billion for the year ended August 31, 2012 to ¥17.6 billion for the year ended August 31, 2013, primarily as a result of foreign exchange gains due to the depreciation of the Japanese yen during the year ended August 31, 2013 and not having recognized any foreign exchange gains for the year ended August 31, 2012.

### *Non-operating Expenses*

Non-operating expenses decreased by 53.3%, or ¥1.8 billion, from ¥3.3 billion for the year ended August 31, 2012 to ¥1.5 billion for the year ended August 31, 2013, primarily as a result of there being no foreign exchange losses for the year ended August 31, 2013.

### *Ordinary Income*

Ordinary income increased by 19.0%, or ¥23.8 billion, from ¥125.2 billion for the year ended August 31, 2012 to ¥148.9 billion for the year ended August 31, 2013, reflecting the growth of our business in relation to UNIQLO International and Global Brands and a decrease in non-operating expenses for the year ended August 31, 2013 as compared to the year ended August 31, 2012.

### *Extraordinary Gains*

Extraordinary gains increased by 19.3%, or ¥0.1 billion, from ¥0.3 billion for the year ended August 31, 2012 to ¥0.3 billion for the year ended August 31, 2013 due to a gain on disposal of non-current assets.

### *Extraordinary Losses*

Extraordinary losses increased by 265.1%, or ¥5.7 billion, from ¥2.1 billion for the year ended August 31, 2012 to ¥7.8 billion for the year ended August 31, 2013, primarily as a result of an increase in impairment losses due to a write-down of retail store assets for certain stores of our UNIQLO Japan, UNIQLO International and GU stores.

### *Income before Income Taxes and Minority Interests*

Income before income taxes and minority interests increased by 14.7%, or ¥18.1 billion, from ¥123.3 billion for the year ended August 31, 2012 to ¥141.5 billion for the year ended August 31, 2013.



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### *Total Income Taxes*

Total income taxes decreased by 1.4%, or ¥0.7 billion, from ¥48.9 billion for the year ended August 31, 2012 to ¥48.2 billion for the year ended August 31, 2013. Our total income taxes for the year ended August 31, 2013 included current corporate income tax expenses of ¥54.4 billion and a deferred tax credit of ¥6.2 billion. Our effective tax rate was 39.7% and 34.1%, which was 0.8% and 3.9% lower than the statutory income tax rate of 40.5% and 38.0%, respectively, for the years ended August 31, 2012 and 2013. This was due mainly to the growing contribution to profit made by our operations outside of Japan, mainly in Asia where effective tax rates were lower, and a decrease in valuation allowance for the year ended August 31, 2013.

### *Net Income*

Due to the foregoing reasons, net income increased by 26.1%, or ¥18.7 billion, from ¥71.6 billion for the year ended August 31, 2012 to ¥90.3 billion for the year ended August 31, 2013.

### *Other Comprehensive Income*

Other comprehensive income increased by 407.7%, or ¥90.0 billion, from ¥22.0 billion for the year ended August 31, 2012 to ¥112.0 billion for the year ended August 31, 2013. The increase was primarily due to an increase in deferred gains on hedges and foreign currency translation adjustments.

### *Comprehensive Income*

Comprehensive income increased by 112.8%, or ¥108.8 billion, from ¥96.5 billion for the year ended August 31, 2012 to ¥205.3 billion for the year ended August 31, 2013.

### ***Financial results for the year ended August 31, 2012 compared to financial results for the year ended August 31, 2011***

#### *Net Sales*

Total net sales increased by 13.2%, or ¥108.3 billion, from ¥820.3 billion for the year ended August 31, 2011 to ¥928.6 billion for the year ended August 31, 2012. Our net sales increased primarily due to an increase in sales from UNIQLO International stores.

#### *UNIQLO Japan*

Net sales at UNIQLO Japan stores increased 3.3% for the year ended August 31, 2012 to ¥620.0 billion from ¥600.1 billion for the year ended August 31, 2011. The increase in sales was attributable to the increase in floor space as we replaced existing stores with larger format stores under our “scrap and build” strategy, as well as an increase in sales of our HEATTECH innerwear products, Ultra Light Down jackets and other core winter items. Our increase in net sales was offset by slower sales during March to August 2012 due to cool weather, which resulted in larger discounts on summer inventory. Our same-store sales decreased by 0.5% as compared with the year ended August 31, 2011 due to a decrease in the number of customer visits to UNIQLO Japan stores, which was partially offset by an increase in the average amount spent per customer.

#### *UNIQLO International*

Net sales at UNIQLO International stores increased 63.4% for the year ended August 31, 2012 to ¥153.1 billion from ¥93.7 billion for the year ended August 31, 2011. The increase was primarily

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attributable to the opening of 111 additional UNIQLO stores, the majority of which were in Asia. UNIQLO International accounted for 16.5% of total net sales in 2012, compared to 11.4% of total net sales in 2011.

### *Global Brands*

Net sales from our Global Brands increased 23.3% for the year ended August 31, 2012 to ¥153.0 billion from ¥124.0 billion for the year ended August 31, 2011. In 2012, net sales for global brands comprised 16.5% of total net sales, compared to 15.1% in 2011. Net sales of our GU brand reached ¥58.5 billion for the year ended August 31, 2012, due to the opening of 35 new stores and an increased recognition of the GU brand attributable to the opening of its Ginza flagship store in March 2012 and our advertising campaigns featuring popular Japanese celebrities. Theory also recorded its highest ever level of net sales and contributed to our Global Brands total net sales.

### *Cost of Sales*

Cost of sales increased by 14.9%, or ¥58.6 billion, from ¥394.5 billion for the year ended August 31, 2011 to ¥453.2 billion for the year ended August 31, 2012, primarily as a result of the increase in total net sales across all brands and stores and an increase in the cost of raw materials, which are accounted for as part of our cost of sales.

### *Gross Profit*

Gross profit increased by 11.7%, or ¥49.7 billion, from ¥425.7 billion for the year ended August 31, 2011 to ¥475.4 billion for the year ended August 31, 2012. Gross profit margin slightly decreased from 51.9% for the year ended August 31, 2011 to 51.2% for the year ended August 31, 2012. The decrease was mainly attributable to the 0.8% deterioration in the gross profit margin at UNIQLO Japan.

Gross profit for UNIQLO Japan increased by 1.6%, or ¥4.6 billion, from ¥294.9 billion for the year ended August 31, 2011 to ¥299.5 billion for the year ended August 31, 2012. Gross profit margin at UNIQLO Japan decreased from 49.1% for the year ended August 31, 2011 to 48.3% for the year ended August 31, 2012. The decrease was primarily attributable to the rising cost of sales as cotton and other raw material prices increased along with factory processing fees, an increase in the number of limited period discount sales on HEATTECH innerwear and slower sales in the second half of the fiscal year due to cool weather, which resulted in larger discounts on summer inventory.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by 12.8%, or ¥39.6 billion, from ¥309.4 billion for the year ended August 31, 2011 to ¥349.0 billion for the year ended August 31, 2012. The ratio of selling, general and administrative expenses to net sales decreased by 0.1% to 37.6% for the year ended August 31, 2012, as we maintained firm control over business expenses. The increase in advertising and promotion, salaries, rental expenses and depreciation was in line with our overall expansion for the year ended August 31, 2012. Amortization of goodwill decreased from ¥6.5 billion to ¥5.6 billion as a result of there being no amortization of goodwill with respect to our Princesse tam.tam business as we had to recognize an impairment loss for the year ended August 31, 2011.

Selling, general and administrative expenses for UNIQLO Japan increased by 4.5%, or ¥8.4 billion, from ¥188.6 billion for the year ended August 31, 2011 to ¥197.1 billion for the year ended August 31, 2012. This increase was primarily attributable to an increase in advertising and promotion and an increase

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in rental expenses and depreciation as we increased the average size of our stores as part of our “scrap and build” strategy.

### *Operating Income*

Operating income increased by 8.7%, or ¥10.1 billion, from ¥116.3 billion for the year ended August 31, 2011 to ¥126.4 billion for the year ended August 31, 2012, reflecting the growth in our business. Operating income margin decreased 0.6% to 13.6% for the year ended August 31, 2012 as cost of sales grew at a higher rate than net sales.

### *UNIQLO Japan*

Segment income for UNIQLO Japan decreased by 3.6%, or ¥3.9 billion, from ¥106.2 billion for the year ended August 31, 2011 to ¥102.3 billion for the year ended August 31, 2012. The decrease was primarily due to an increase in cost of sales and selling, general and administrative expenses.

### *UNIQLO International*

Segment income for UNIQLO International increased by 22.9%, or ¥2.0 billion, from ¥8.9 billion for the year ended August 31, 2011 to ¥10.9 billion for the year ended August 31, 2012. The increase was primarily due to an increase in net sales at UNIQLO International stores, especially stores in the Asia region.

### *Global Brands*

Segment income for Global Brands increased by 65.4%, or ¥5.8 billion, from ¥8.7 billion for the year ended August 31, 2011 to ¥14.5 billion for the year ended August 31, 2012. The increase was primarily due to an increase in the strong growth in net sales of our GU brand for the year ended August 31, 2012 and the strong performance from our Theory business.

### *Non-operating Income*

Non-operating income increased by 11.8%, or ¥0.2 billion, from ¥1.8 billion for the year ended August 31, 2011 to ¥2.1 billion for the year ended August 31, 2012. The increase was attributable primarily to an increase in interest and dividend income and interest on refund due to an over assessment of tax expenses for the fiscal prior year.

### *Non-operating Expenses*

Non-operating expenses decreased by 69.9%, or ¥7.8 billion, from ¥11.1 billion for the year ended August 31, 2011 to ¥3.3 billion for the year ended August 31, 2012, primarily as a result of the decrease in foreign exchange losses from ¥8.3 billion for the year ended August 31, 2011 to ¥1.1 billion for the year ended August 31, 2012 due to the smaller appreciation of the Japanese yen for the year ended August 31, 2012 than that for the year ended August 31, 2011.

### *Ordinary Income*

Ordinary income increased by 16.9%, or ¥18.1 billion, from ¥107.0 billion for the year ended August 31, 2011 to ¥125.2 billion for the year ended August 31, 2012, reflecting the growth of our business and a decrease in non-operating expenses for the year ended August 31, 2012 as compared to the year ended August 31, 2011.

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### *Extraordinary Gains*

Extraordinary gains increased by 43.4%, or ¥0.1 billion, from ¥0.2 billion for the year ended August 31, 2011 to ¥0.3 billion for the year ended August 31, 2012 due to a gain on disposal of non-current assets.

### *Extraordinary Losses*

Extraordinary losses decreased by 84.0%, or ¥11.3 billion, from ¥13.4 billion for the year ended August 31, 2011 to ¥2.1 billion for the year ended August 31, 2012. The extraordinary losses for the year ended August 31, 2011 were primarily attributable to one-time losses of ¥2.6 billion relating to changes in the Group's accounting treatment, ¥0.9 billion relating to losses on a disaster as a result of the Great East Japan Earthquake, ¥4.0 billion for non-recurring depreciation on non-current assets which is related to changes in depreciation method for significant depreciable assets and revision of useful lives, ¥0.8 billion relating to provisions for losses relating to the discontinued shoe business, and ¥2.9 billion in connection with the adoption of new accounting standards for asset retirement obligations for the year ended August 31, 2011. There were no such one-time losses for the year ended August 31, 2012. This overall decrease in extraordinary losses was partially offset by an increase in the loss on retirement of non-current assets of buildings and structures and others, from ¥0.5 billion in 2011 to ¥1.0 billion in 2012.

### *Income before Income Taxes and Minority Interests*

Income before income taxes and minority interests increased by 31.4%, or ¥29.5 billion, from ¥93.8 billion for the year ended August 31, 2011 to ¥123.3 billion for the year ended August 31, 2012.

### *Total Income Taxes*

Total income taxes increased by 30.3%, or ¥11.4 billion, from ¥37.5 billion for the year ended August 31, 2011 to ¥48.9 billion for the year ended August 31, 2012. Our total income taxes for the year ended August 31, 2012 included current income taxes of ¥45.8 billion and deferred income taxes of ¥3.0 billion. Our effective tax rate was 40.0% and 39.7%, which was 0.5% and 0.8% lower than the statutory income tax rate of 40.5%, respectively, for the years ended August 31, 2011 and 2012. This was due mainly to the growing contribution to profit made by our operations outside of Japan, mainly in Asia, where effective tax rates were lower.

### *Net Income*

Due to the foregoing reasons, net income increased by 31.8%, or ¥17.3 billion, from ¥54.3 billion for the year ended August 31, 2011 to ¥71.6 billion for the year ended August 31, 2012.

### *Other Comprehensive Income*

Other comprehensive income increased by ¥26.1 billion, from a loss of ¥4.0 billion for the year ended August 31, 2011 to ¥22.0 billion for the year ended August 31, 2012. The increase was primarily due to an increase in deferred gains on hedges and foreign currency translation adjustments.

### *Comprehensive Income*

Comprehensive income increased by 84.7%, or ¥44.3 billion, from ¥52.2 billion for the year ended August 31, 2011 to ¥96.5 billion for the year ended August 31, 2012.

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### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flow Information

The following table summarizes our consolidated statements of cash flows for the years ended August 31, 2011, 2012 and 2013.

	Year ended August 31,		
	2011	2012	2013
	(¥ millions)		
Net cash from operating activities . . . . .	57,158	127,643	99,439
Net cash used in investing activities . . . . .	(26,643)	(35,313)	(63,901)
Net cash used in financing activities . . . . .	(26,156)	(29,056)	(23,945)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(3,142)	68	18,007
Net increase/(decrease) in cash and cash equivalents . . . . .	1,215	63,341	29,600
Cash and cash equivalents at beginning of year . . . . .	200,462	202,104	266,020
Increase in cash and cash equivalents from newly consolidated subsidiaries . . . . .	427	574	1
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>202,104</u></b>	<b><u>266,020</u></b>	<b><u>295,622</u></b>

#### **Net cash provided by operating activities**

We derive our cash provided by operating activities principally from the sale of our products. Our cash used in operating activities is principally for purchases of merchandise from third-party suppliers and manufacturers and operating costs.

Net cash provided by operating activities for the year ended August 31, 2013 was ¥99.4 billion, which was primarily derived from income before income taxes and minority interests of ¥141.5 billion, depreciation and amortization of ¥23.6 billion, impairment losses of ¥5.0 billion, amortization of goodwill of ¥5.2 billion, increase in notes and accounts payable — trade of ¥46.9 billion, reflecting the growth in our business, and increase in other liabilities of ¥12.5 billion, which was partially offset by foreign exchange gains of ¥13.1 billion, increase in notes and accounts receivables — trade of ¥11.0 billion, increase in inventories of ¥50.2 billion, increase in other assets of ¥4.4 billion and net income taxes paid of ¥55.4 billion.

Net cash provided by operating activities for the year ended August 31, 2012 was ¥127.6 billion, which was primarily derived from net income before income taxes and minority interests of ¥123.3 billion, depreciation and amortization of ¥18.5 billion, increase in notes and accounts payable — trade of ¥11.6 billion, reflecting the growth of our business, and amortization of goodwill of ¥5.6 billion, which was partially offset by an increase in inventories of ¥6.8 billion and net income taxes paid of ¥32.6 billion.

Net cash provided by operating activities for the year ended August 31, 2011 was ¥57.1 billion, which was primarily derived from net income before income taxes and minority interests of ¥93.8 billion, depreciation and amortization of ¥18.7 billion, increase in notes and accounts payable — trade of ¥5.7 billion, reflecting the growth of our business, and amortization of goodwill of ¥6.5 billion, which was partially offset by an increase in inventories of ¥21.0 billion and net income taxes paid of ¥55.9 billion.

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### ***Net cash used in investing activities***

Net cash used in investing activities for the year ended August 31, 2013 was ¥63.9 billion, which was primarily derived from cash used to purchase property, plant and equipment of ¥27.6 billion, primarily to expand UNIQLO's global store network, purchases of intangible assets of ¥4.0 billion, payments for lease and guarantee deposits of ¥5.2 billion and acquisitions, net of cash acquired, of ¥26.7 billion in connection with our acquisition of an 80.76% interest in J Brand in December 2012, which was partially offset by proceeds from collection of lease and guarantee deposits of ¥2.1 billion and a net increase in construction assistance fund receivables of ¥1.0 billion.

Net cash used in investing activities for the year ended August 31, 2012 was ¥35.3 billion, which was primarily derived from purchases of property, plant and equipment of ¥23.9 billion, primarily to expand UNIQLO's global store network, purchases of intangible assets of ¥7.4 billion and payments for lease and guarantee deposits of ¥7.9 billion, which was partially offset by proceeds from collection of lease and guarantee deposits of ¥3.2 billion and a net decrease in construction assistance fund receivables of ¥1.0 billion.

Net cash used in investing activities for the year ended August 31, 2011 was ¥26.6 billion, which was primarily derived from purchases of property, plant and equipment of ¥18.9 billion, primarily to expand UNIQLO's global store network, purchases of intangible assets of ¥6.6 billion and payments for lease and guarantee deposits of ¥7.0 billion, which was partially offset by a decrease in time deposits of ¥1.4 billion, proceeds from collection of lease and guarantee deposits of ¥5.0 billion and a net decrease in construction assistance fund receivables of ¥0.8 billion.

### ***Net cash used in financing activities***

Net cash used in financing activities for the year ended August 31, 2013 was ¥23.9 billion, which was primarily derived from a net decrease of short-term loans payable of ¥1.7 billion, repayment of long-term loans payable of ¥7.4 billion, cash dividends paid of ¥27.5 billion and repayment of lease obligations of ¥3.0 billion, which was partially offset by proceeds from long-term loans payable of ¥16.6 billion.

Net cash used in financing activities for the year ended August 31, 2012 was ¥29.0 billion, which was primarily derived from a net decrease of short-term loans payable of ¥1.2 billion, repayment of long-term loans payable of ¥5.6 billion, cash dividends paid of ¥21.8 billion and repayment of lease obligations of ¥2.3 billion, which was partially offset by proceeds from long-term loans payable of ¥2.3 billion.

Net cash used in financing activities for the year ended August 31, 2011 was ¥26.1 billion, which was primarily derived from a net decrease of short-term loans payable of ¥3.8 billion, repayment of long-term loans payable of ¥10.6 billion, cash dividends paid of ¥21.3 billion and repayment of lease obligations of ¥1.8 billion, which was partially offset by proceeds from long-term loans payable of ¥11.4 billion.

### **Working Capital Sufficiency**

Taking into account the financial resources available to our Group, including our Group's internally generated funds, our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this listing document.

## FINANCIAL INFORMATION

### Net Current Assets

The following table sets out our current assets as at the dates indicated:

	As at August 31			As at November 30
	2011	2012	2013	2013
				(unaudited)
	(¥ millions)			
<b>ASSETS</b>				
Current assets				
Cash and deposits . . . . .	64,386	132,238	147,429	208,166
Notes and accounts receivable — trade . . . . .	17,796	19,920	34,187	89,792
Short-term investment securities . . . . .	137,728	133,788	148,215	115,318
Inventories . . . . .	92,750	98,963	166,654	183,461
Deferred tax assets . . . . .	31,802	16,987	4,002	3,937
Income taxes receivable . . . . .	10,453	10,628	8,980	10,378
Forward currency contracts . . . . .	—	—	113,641	137,671
Others . . . . .	15,361	12,256	17,486	21,052
Allowance for doubtful accounts . . . . .	(307)	(268)	(488)	(529)
Total current assets . . . . .	369,971	424,516	640,109	769,251
<b>LIABILITIES</b>				
Current liabilities				
Notes and accounts payable — trade . . . . .	59,395	71,142	121,951	164,841
Short-term loans payable . . . . .	3,978	2,505	1,862	11,053
Current portion of long-term loans payable . . . . .	3,243	3,410	3,632	3,851
Forward currency contracts . . . . .	59,640	22,625	—	—
Income taxes payable . . . . .	14,721	27,738	26,005	24,167
Deferred tax liabilities . . . . .	—	33	38,494	—
Provision . . . . .	6,987	8,430	10,081	5,497
Others . . . . .	34,878	37,491	51,937	129,437
Total current liabilities . . . . .	182,846	173,378	253,966	338,849
Net current assets . . . . .	187,125	251,138	386,143	430,402

As at August 31, 2013, we had net current assets of ¥386.1 billion, consisting of ¥640.1 billion of current assets and ¥253.9 billion of current liabilities, which represented an increase of ¥135.0 billion from August 31, 2012. This increase was primarily due to an increase in inventories as a result of an increase in the range of year-round basic items on offer, an increase in the number of UNIQLO International stores and upgrades to our store fittings and interior design, allowing for more items to be placed on display, and gains recognized from our foreign currency contracts due to the depreciation of the Japanese yen during the year ended August 31, 2013.

As at August 31, 2012, we had net current assets of ¥251.1 billion, consisting of ¥424.5 billion of current assets and ¥173.3 billion of current liabilities, which represented an increase of ¥64.0 billion from August 31, 2011. This was primarily due to an increase in cash and deposits as a result of the growth in



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sales of products and a decrease in current liabilities as a result of a decrease in the present value of forward currency contracts.

Based on our unaudited consolidated management accounts, we had net current assets of ¥430.4 billion as at November 30, 2013, which represented an increase of ¥44.3 billion from August 31, 2013. We had total assets less current liabilities of ¥684.3 billion as at November 30, 2013, which represented an increase of ¥52.5 billion from August 31, 2013. This was primarily due to an increase in cash and deposits as a result of the growth in sales of our products.

### **Contractual Obligations, Capital Commitments and Contingent Liabilities**

#### ***Operating Lease Arrangements***

We lease certain buildings under operating leases. The leases are primarily used for UNIQLO roadside stores. We have also entered into leases with developers for stores in commercial complexes. Certain leases have renewal options which entitle us to renew such leases without any amendment of or addition to the lease terms and conditions. The following table sets forth our commitments for operating lease payments under non-cancellable operating leases as at the dates indicated:

	As at August 31			As at November 30
	2011	2012	2013	2013
	(¥ millions)			(unaudited)
<b>Non-cancellable Operating Leases</b>				
Within one year . . . . .	4,452	12,142	16,672	16,165
Due after one year . . . . .	46,457	69,808	101,195	99,439
Total . . . . .	50,910	81,951	117,867	115,604

#### ***Capital Commitments***

For the years ended August 31, 2011, 2012 and 2013 and the three months ended November 30, 2013, we had capital commitments of ¥8.8 billion, ¥6.3 billion, ¥9.6 billion and ¥10.7 billion, respectively, relating to the acquisition of property, plant and equipment and intangible assets.

#### ***Contingent Liabilities***

We had contingent liabilities of ¥20.0 million, ¥12.0 million, ¥8.0 million and ¥8.0 million for the years ended August 31, 2011, 2012 and 2013 and the three months ended November 30, 2013, respectively, which were attributable to guarantees for loans from financial institutions in connection with the Fast Retailing Mutual Aid Society, our employee fringe benefit program.

#### ***Other Liabilities***

Except as disclosed above and other than intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities outstanding as at November 30, 2013. Our borrowings during the Track Record Period and up to the Latest Practicable Date did not have material covenants.

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### Capital Expenditures

Our capital expenditures relate to purchases of property, plant and equipment such as land and buildings, vehicles, furniture and fixtures and improvements for our stores and offices. In addition, our capital expenditures relate to intangible assets primarily consisting of software and our point-of-sales system used in our UNIQLO stores, payments for lease and guarantee deposits, construction assistance fund receivables and guarantee deposits. For the fiscal years ended August 31, 2011, 2012 and 2013, our capital expenditures were ¥33.9 billion, ¥40.1 billion and ¥39.6 billion, respectively. The capital expenditures we incurred during the Track Record Period were primarily for the expansion of the store network for UNIQLO Japan and UNIQLO International.

We expect to fund our capital expenditures through financial resources available to our Group, including our Group's internally generated funds. We believe that our cash generated from these sources will be sufficient to finance our capital expenditure needs for the next 12 months.

### Summary of Key Financial Ratios during the Track Record Period

The following table presents certain key ratios and measures as at and for the fiscal years ended August 31, 2011, 2012 and 2013.

	August 31,		
	2011	2012	2013
¥ millions (except where specified)			
<b>For the year ended:</b>			
EBITDA <sup>1</sup> .....	115,714	148,196	171,147
<b>As at:</b>			
Interest-bearing debt .....	28,263	23,187	37,259
Free cash flow <sup>2</sup> .....	30,515	92,329	35,538
Capital expenditures .....	33,993	40,184	39,681
<b>Reference indices:</b>			
Operating income margin (%) .....	14.2	13.6	11.6
ROE (%) <sup>3</sup> .....	18.1	20.4	19.1
Equity ratio (%) <sup>4</sup> .....	59.0	65.0	63.2
Debt-equity ratio (%) <sup>5</sup> .....	9.0	6.0	6.7
Dividend payout ratio (%) <sup>6</sup> .....	33.7	37.0	32.7
<b>Other data (as fiscal year-end):</b>			
Total number of stores <sup>7</sup> .....	2,088	2,222	2,449
Directly-operated stores in Japan .....	1,213	1,250	1,331
Directly-operated stores overseas .....	491	589	743
Total sales floor space (sq.m) <sup>8</sup> .....	938,896	1,170,353	1,387,367
Number of full-time employees .....	14,612	18,854	23,982

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Notes:

1. EBITDA for any year is calculated as the sum of income before income taxes and minority interests, interest expenses, ordinary depreciation and amortization and amortization of goodwill. Under JGAAP, income before income taxes and minority interests includes non-operating items such as non-operating income, non-operating expenses, extraordinary gains and extraordinary losses. EBITDA is not a measurement of financial performance or liquidity under JGAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with JGAAP or as an alternative to cash flow from operating activities as measures of liquidity. In addition, EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. See the section headed "Financial Information – Non-JGAAP Financial Measures" in this listing document for a reconciliation of our income before income taxes and minority interests for the year under JGAAP to our definition of EBITDA.
2. Free cash flow is calculated as net cash from operating activities, less net cash used in investing activities.
3. Return on equity is calculated as net income divided by period average total net assets attributable to shareholders of the Company less subscription rights to shares
4. Equity ratio is calculated as total net assets attributable to shareholders of the Company less subscription rights to shares divided by total assets.
5. Debt-equity ratio is calculated as total interest-bearing debt divided by total net assets attributable to shareholders of the Company less subscription rights to shares.
6. Dividend payout ratio is calculated as cash dividends per share divided by basic net income per share.
7. Including franchise stores.
8. Total sales floor space includes only directly-operated stores.

For the years ended August 31, 2011, 2012 and 2013, our return on equity ratio, which is calculated as net income divided by period average total net assets attributable to shareholders of the Company less subscription rights to shares of the respective year, was 18.1%, 20.4% and 19.1%, respectively. The increase in return on equity for the year ended August 31, 2012 was primarily due to the increase in our profitability, as the growth of net income outpaced the growth of total net assets attributable to shareholders of the Company less subscription rights to shares. The decrease in return on equity for the year ended August 31, 2013 was primarily due to the increase in our total net assets attributable to shareholders of the Company less subscription rights to shares as a result of accumulation of retained earnings, increase in deferred gains on hedges and foreign currency translation adjustments.

For the years ended August 31, 2011, 2012 and 2013, our equity ratio, which is calculated as shareholders' equity divided by total assets as of the end of the respective year, was 59.0%, 65.0% and 63.2%, respectively. The increase in our equity ratio for the year ended August 31, 2012 was primarily due to the fact that the increase in total net assets attributable to shareholders of the Company less subscription rights to shares outpaced the increase in total assets, as a result of accumulation of retained earnings and the decrease in deferred losses on hedging. The decrease in our equity ratio for the year ended August 31, 2013 was primarily due to the increase in total assets which outpaced the increase in total net assets attributable to shareholders of the Company less subscription rights to shares, as a result of increased notes and accounts payable–trade, and deferred tax liabilities.

For the years ended August 31, 2011, 2012 and 2013, our debt-equity ratio, which is calculated as total interest bearing debt divided by total net assets attributable to shareholders of the Company less subscription rights to shares as of the end of the respective year, was 9.0%, 6.0% and 6.7%, respectively. The decrease in our debt-equity ratio for the year ended August 31, 2012 was primarily due to a decrease in interest bearing debt and increase in total net assets attributable to shareholders of the Company less subscription rights to shares. The increase in our debt-equity ratio for the year ended August 31, 2013 was primarily due to the increase in total debt which outpaced the increase in total net assets attributable to shareholders of the Company less subscription rights to shares.

For the years ended August 31, 2011, 2012 and 2013, our dividend payout ratio, which is calculated as cash dividends divided by net income as of the end of the respective year, was 33.7%, 37.0% and

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32.7%, respectively. The increase in our dividend payout ratio for the year ended August 31, 2012 was primarily due to an increase in the amount of dividends paid for the year ended August 31, 2012. The decrease in our dividend payout ratio for the year ended August 31, 2013 was primarily due to an increase in net income.

### Indebtedness

The following table sets forth our borrowings as at the dates indicated:

	As at August 31			As at November 30
	2011	2012	2013	2013
	(¥ millions)			(unaudited)
Short term loans payable . . . . .	3,978	2,505	1,862	11,053
Current portion of long-term loans payable . . . . .	3,243	3,410	3,632	3,851
Current portion of lease obligations . . . . .	2,070	2,726	3,417	3,467
Long-term loans payable (excluding current portion) . . . . .	13,688	9,129	21,926	22,988
Lease obligations (excluding current portion) . . . . .	5,282	5,415	6,420	6,420
 Total . . . . .	 <u>28,263</u>	 <u>23,187</u>	 <u>37,259</u>	 <u>47,779</u>

As at August 31, 2013, our interest-bearing debt in the amount of ¥8.9 billion was classified as current and the remaining ¥28.3 billion was classified as non-current. As at August 31, 2013, we had no material unutilized amounts from bank facilities.

Based on our unaudited consolidated management accounts, our interest-bearing debt of ¥18.3 billion was classified as current and the remaining ¥29.4 billion was classified as non-current as at November 30, 2013. As at November 30, 2013, we had overdraft facilities amounting to €48.0 million and Korean Won 10.0 billion, of which none had been utilized.

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The following table sets forth the maturity profile of our indebtedness as at November 30, 2013.

<b>Group</b>	<b>As at November 30</b>		
	<b>2013</b>		
	<b>Effective interest rates (%)</b>	<b>Maturity</b>	<b>¥ millions</b>
		<b>(unaudited)</b>	
<b>Current</b>			
Finance lease payables .....	0.15-5.21	2014	3,467
Bank loans — unsecured .....	0.59-4.48	2014	11,053
Current portion of long-term bank loans — unsecured .....	0.59-4.50	2014	3,851
			<u>18,372</u>
<b>Non-current</b>			
Finance lease payables .....	0.06-3.00	2014-2018	6,420
Bank loans — unsecured .....	0.59-1.84	2014-2020	22,988
			<u>29,408</u>
			<u>47,779</u>

Except as disclosed in this listing document, we did not have outstanding indebtedness or any loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of November 30, 2013. Our Directors confirm that there has been no material change in the Company's indebtedness since November 30, 2013.

### RECENT DEVELOPMENTS

Under the rules of the TSE, we are required to publish selected financial information based on our unaudited consolidated management accounts (which are prepared in accordance with JGAAP) as of and for the three months ended November 30 of each year. Because we published such information on the TSE prior to the date of this listing document, we have included a condensed discussion of our financial performance and position for the three months ended November 30, 2013 as compared to the three months ended November 30, 2012 as set forth below.

We continued to experience growth during the three months ended November 30, 2013. The following represents our management's analysis on our results of operations for the three months ended November 30, 2013. Our Directors are responsible for the preparation and fair presentation of the unaudited consolidated management accounts of our Group for the three months ended November 30, 2013 in accordance with JGAAP. Our consolidated management accounts for the three months ended November 30, 2013 are unaudited but have been reviewed by our reporting accountants, Ernst & Young ShinNihon LLC, in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as promulgated by the International Auditing and Assurance Standards Board.

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The following table presents selected data from our unaudited consolidated statements of income for the three months ended November 30, 2012 and 2013.

	<b>Three months ended November 30</b>	
	<b>2012</b>	<b>2013</b>
	<b>(¥ billions)</b>	
	<b>(unaudited)</b>	
Net sales . . . . .	318.1	389.0
Gross profit . . . . .	161.6	199.6
Selling, general and administrative expenses . . . . .	105.0	135.5
Operating income . . . . .	56.6	64.0
Ordinary income . . . . .	59.7	68.6
Net income . . . . .	38.4	41.8

### *Net Sales*

Based on our unaudited consolidated management accounts, net sales increased by 22.3% from ¥318.1 billion for the three months ended November 30, 2012 to ¥389.0 billion for the three months ended November 30, 2013, primarily due to a general increase in net sales across all our business segments.

#### *UNIQLO Japan*

Net sales at UNIQLO Japan stores increased by 1.8% from ¥204.7 billion for the three months ended November 30, 2012 to ¥208.4 billion for the three months ended November 30, 2013. The increase in sales was primarily attributable to strong sales of our fall product ranges during September 2013 and an increase in sales of our HEATTECH, Ultra Light Down jackets, fleece, cashmere and other core winter items as a result of colder weather during November 2013. The increase in sales was also attributable to the opening of new large format stores and an increase in the average size of our sales floor space by replacing small and regular-sized stores with large format stores through our “scrap and build” strategy. This increase was partially offset by slower sales during October 2013 as a result of warm weather and the typhoon season. As at November 30, 2013, UNIQLO Japan had a total of 837 directly-operated stores (excluding 19 franchise stores).

#### *UNIQLO International*

Net sales at UNIQLO International stores increased by 76.8% from ¥64.5 billion for the three months ended November 30, 2012 to ¥114.0 billion for the three months ended November 30, 2013. The increase was primarily attributable to strong sales in China, Hong Kong, Taiwan, South Korea, the United States and Europe and the opening of new stores, mainly in Asia and the United States. For the three months ended November 30, 2013, we opened an additional 66 UNIQLO International stores, mainly located in Asia and the United States. As of November 30, 2013, UNIQLO International had a total of 512 stores.

#### *Global Brands*

Net sales from our Global Brands increased by 36.5% from ¥48.3 billion for the three months ended November 30, 2012 to ¥65.9 billion for the three months ended November 30, 2013. The increase was primarily attributable to the strong growth in net sales of our GU brand and a growth in sales from our

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Theory and Comptoir des Cottonniers brands. For the three months ended November 30, 2013, the number of GU stores increased by 36 stores. As at November 30, 2013, GU had a total of 250 stores.

### *Gross Profit*

Based on our unaudited consolidated management accounts, gross profit increased by 23.5% from ¥161.6 billion for the three months ended November 30, 2012 to ¥199.6 billion for the three months ended November 30, 2013. Gross profit margin increased from 50.8% for the three months ended November 30, 2012 to 51.3% for the three months ended November 30, 2013, primarily due to UNIQLO Japan applying stricter control over product discounts and the range of discount items.

For the three months ended November 30, 2013, gross profit margin at UNIQLO Japan stores (excluding internal transactions) increased by 0.6% as compared to the three months ended November 30, 2012 for the reason stated above.

### *Selling, general and administrative expenses*

Based on our unaudited consolidated management accounts, selling, general and administrative expenses increased by 29.1% from ¥105.0 billion for the three months ended November 30, 2012 to ¥135.5 billion for the three months ended November 30, 2013. The ratio of selling, general and administrative expenses to net sales increased by 1.8% from 33.0% for the three months ended November 30, 2012 to 34.8% for the three months ended November 30, 2013, which reflects the growth in our business while we maintained firm control over business expenses.

### *Operating income*

Based on our unaudited consolidated management accounts, operating income increased by 13.1% from ¥56.6 billion for the three months ended November 30, 2012 to ¥64.0 billion for the three months ended November 30, 2013, reflecting the growth in our business. Operating income margin decreased by 1.3% from 17.8% for the three months ended November 30, 2012 to 16.5% for the three months ended November 30, 2013 as selling, general and administrative expenses increased at a higher rate than net sales.

### *UNIQLO Japan*

Segment income for UNIQLO Japan increased by 6.2% from ¥39.9 billion for the three months ended November 30, 2012 to ¥42.4 billion for the three months ended November 30, 2013. The increase was primarily due to an increase in net sales at UNIQLO Japan stores and a stricter control over product discounts and the range of discount items.

### *UNIQLO International*

Segment income for UNIQLO International increased by 97.0% from ¥8.4 billion for the three months ended November 30, 2012, to ¥16.5 billion for the three months ended November 30, 2013. The increase was primarily due to the increase in net sales at UNIQLO International stores, especially stores in China, Hong Kong, Taiwan, South Korea, the United States and Europe.

### *Global Brands*

Segment income for Global Brands increased by 9.2% from ¥6.2 billion for the three months ended November 30, 2012 to ¥6.8 billion for the three months ended November 30, 2013. The increase was



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primarily due to the strong growth in net sales of our GU brand and a growth in net sales from our Theory and Comptoir des Cotonniers brands for the three months ended November 30, 2013.

### *Ordinary Income*

Based on our unaudited consolidated management accounts, ordinary income increased by 14.9% from ¥59.7 billion for the three months ended November 30, 2012 to ¥68.6 billion for the three months ended November 30, 2013, reflecting the growth of our business.

### *Net Income*

Based on our unaudited consolidated management accounts, net income increased by 8.8% from ¥38.4 billion for the three months ended November 30, 2012 to ¥41.8 billion for the three months ended November 30, 2013, due to the foregoing reasons.

### *Sales Information*

Based on our preliminary monthly sales bulletin, net sales for our UNIQLO Japan operations for the months ended December 31, 2013 and January 31, 2014 increased by approximately 4.1% and 18.0%, respectively, as compared to the same period in the previous year.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risk in the normal course of business. We manage our exposure to these and other market risks through regular operating and financial activities. The key market risks to which we are exposed are:

### ***Foreign Exchange Rate Risk***

We are subject to foreign currency exchange risk to the extent that we are obligated to pay our overseas suppliers in currencies other than Japanese yen. We receive our revenue in Japanese yen and a number of foreign currencies, with a portion of our purchasing costs settled mainly in Japanese yen and US dollars. For the year ended August 31, 2013, approximately half of settlements for accounts payable–trade were attributable to foreign currency-denominated payments. Accordingly, any fluctuation in exchange rates can affect our results of performance. Furthermore, a majority of our partner factories are located in China. While we settle our purchases in US dollars, as our contracts with these manufacturers tend to be short-term purchase orders, any significant fluctuation in the Japanese yen exchange rate with the US dollar may result in changes to the purchase prices payable by us for products (to the extent their purchase is not covered by an existing purchase order). Further, an appreciation in the Renminbi against other currencies will make products produced in China for export more expensive and therefore may cause the prices we pay for our products to increase.

We are also exposed to exchange rate translation risk because we prepare consolidated financial statements in Japanese yen, but our foreign subsidiaries, including UNIQLO International, report in currencies other than Japanese yen. Fluctuations in exchange rates may adversely affect the value, translated or converted into Japanese yen, of our financial results.

### ***Hedging Policy***

During the Track Record Period, we did not engage in any speculation or hedging activities against the volatility in the prices of any commodity, interest rate or other risks except for foreign exchange. We hedge for foreign exchange risk in accordance with the policy described below.

For UNIQLO Japan, our policy is that we hedge UNIQLO Japan's committed future purchases and forecasted purchases denominated in US dollars by entering into forward currency contracts. Forecasted

## FINANCIAL INFORMATION

purchases and corresponding forward currency contracts are based on our business plans for subsequent years, which are reviewed on a periodic basis and approved by our Board of Directors.

Under our hedging policy, we are required to consult our Board of Directors regarding our hedging volume for the following six-month period. We are also required to report existing hedging transactions to our Board of Directors on a semi-annual basis. Our Chief Executive Officer and Chief Financial Officer are primarily responsible for overseeing our hedging activities. Under their guidance, our Treasury team is responsible for planning, executing and monitoring our hedging activities. See the section headed "Directors and Senior Management" in this listing document for details of the relevant experience of our Chief Executive Officer and our Chief Financial Officer.

When entering into forward currency contracts for forecasted future purchases, we consider the level of certainty of such purchases in a conservative manner. The term for forward currency contracts permitted under our policy is approximately three years.

We periodically compare cumulative changes in hedging instruments with those of hedged items when assessing hedge effectiveness for hedge accounting purpose. If the main provisions of the hedging instrument and the hedged item are the same and changes in market rates or cash flows are expected to perfectly offset each other, we do not assess the effectiveness of foreign exchange hedges.

Under JGAAP's optional treatment for hedge accounting, foreign currency-denominated receivables and payables are translated using the rates in the related forward currency contracts. The hedging transaction must match the settlement dates of the foreign currency denominated receivables and payables.

As at August 31, 2011, 2012 and 2013, we had forward currency contracts of ¥557.3 billion, ¥636.3 billion and ¥925.3 billion, respectively.

As at the years ended August 31, 2011, 2012 and 2013, the fair value of our forward currency contracts was ¥-59.6 billion, ¥-22.6 billion and ¥113.6 billion, respectively.

### ***Inflation and Deflation***

In recent years, Japan has not experienced significant inflation, and thus inflation and deflation have not had a significant effect on our business during the past three years. According to the Statistics Bureau in the Japan Ministry of Internal Affairs and Communications, Japan's overall national deflation rate, as represented by the general consumer price index, was 0.7%, 0.3% and nil for 2010, 2011 and 2012, respectively. Beginning in January 2013, the government of Japan has begun implementing certain economic policies to stimulate economic growth, which in turn may result in increased inflation. We cannot assure you whether the impact of such policies will have a positive effect on our businesses.

### ***Credit Risk***

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to the credit risk of the counterparties of our Global Brands business where we sell our products on a wholesale basis. We are also exposed to the credit risk of the landlords of our stores, as we are required to pay lease and guarantee deposits and, if applicable, we have construction assistance fund receivables from landlords.

## FINANCIAL INFORMATION

### **Interest Rate Risk**

We are exposed to interest rate risk from fluctuations in interest rates on our debt. Our net profit is affected by changes in interest rates due to the impact such changes have on finance income and finance cost from deposits and other interest-bearing financial assets and liabilities. As at the Latest Practicable Date, we had loans in various currencies with floating rates. Our floating rate debt has an interest rate which is principally determined by reference to the TIBOR, LIBOR and EURIBOR. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings, thus adversely affecting our ability to service loans and our ability to raise and service debt and to finance our developments, all of which in turn would adversely affect our results of operations.

### **NON-JGAAP FINANCIAL MEASURES**

We use EBITDA to provide additional information about our operating performance. We define EBITDA as the sum of income before income taxes and minority interests, interest expenses, ordinary depreciation and amortization and amortization of goodwill. EBITDA is not a measurement of financial performance or liquidity under JGAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with JGAAP or as an alternative to cash flow from operating activities as measures of liquidity. EBITDA is provided in addition to net income because net income includes accounting items associated with interest expenses, depreciation and amortization and amortization of goodwill. These accounting items may vary between companies depending on the method of accounting adopted by each company. In addition, EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible.

The following table reconciles our income before income taxes and minority interests under JGAAP to our definition of EBITDA for the periods indicated.

	<b>For the year ended August 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>(¥ millions)</b>		
Income before income taxes and minority interests . . . . .	93,881	123,390	141,525
Interest expenses . . . . .	532	568	633
Depreciation and amortization . . . . .	14,705 <sup>(1)</sup>	18,573	23,691
Amortization of goodwill . . . . .	6,596	5,664	5,297
<b>EBITDA</b> . . . . .	<b>115,714</b>	<b>148,196</b>	<b>171,147</b>

**Note:**

1. Excludes non-recurring depreciation on non-current assets of ¥4,050 million.

## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS

We had no material related party transactions for the years ended August 31, 2011 and 2012. The following table summarizes the related party transaction for the year ended August 31, 2013.

Name	Business or position	Ownership (%)	Transaction description	Contents	Amounts (¥ millions)	Account name	Balance (¥ millions)
Toru Murayama . . . . .	Non-executive Director	—	Outsourcing	Consulting agreement and advisory agreement about personnel training	11	Other current liabilities	1

### FINANCIAL INDEPENDENCE

As at the Latest Practicable Date, our Group had no non-trade balances due to Directors, no non-trade balances due from Directors and no non-trade balances due from related parties.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since August 31, 2013 (the date to which our latest consolidated financial results were prepared as set out in “Appendix I — Accountants’ Report” in this listing document).

### DIVIDEND POLICY

We believe that returning profits to Shareholders is one of our most important objectives. We have paid and declared dividends for the years ended August 31, 2011, 2012 and 2013 in the amount of ¥180, ¥260 and ¥290 per Share, respectively. Our policy is to offer dividends that closely reflect our business performance. We use profits to fund future business expansion, with the aim of retaining any remaining earnings to ensure healthy finances and provide good Shareholder returns. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant, and will be subject to the approval of our Board of Directors. Our ability to pay dividends is also subject to our Company having sufficient distributable reserves. For the years ended August 31, 2011, 2012 and 2013, our Board of Directors approved the payment of dividends out of our distributable reserves of ¥233 billion, ¥267 billion and ¥319 billion, respectively. There is no assurance that dividends of any amount will be declared or distributed in any given year.

Pursuant to the Companies Act and our Articles of Incorporation, through a resolution of the Board of Directors, we may declare dividends to our Shareholders subject to a limit equal to the distributable amount at the time of such resolution. Our distributable amount is calculated based on the retained earnings (*joyo kin*) recorded in the Company’s non-consolidated financial statements with certain adjustments (including the deduction of the book value of any Treasury Stock held by the Company). Cash dividends on our Shares, if any, will be paid in Japanese yen, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to HDR Holders who are residents in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable.

## FINANCIAL INFORMATION

### Withholding tax on dividends

Dividends paid by our Company to our Shareholders (other than Shareholders holding 3% or greater of our Shares) that are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are generally subject to a withholding tax in Japan of 15.315% on or before December 31, 2037 and 15% on or after January 1, 2038. Shareholders holding 3% or greater of our Shares are generally subject to a withholding tax in Japan of 20.42% on or before December 31, 2037 and 20% on or after January 1, 2038. We are required by Japanese law to withhold such tax prior to payment of dividends.

Notwithstanding the above, following the Hong Kong-Japan Tax Treaty, the Japanese withholding tax rate that applies to dividends payable to a beneficial holder of shares who is a Hong Kong resident will be reduced to 10%. The Hong Kong-Japan Tax Treaty applies to any dividends payable after January 1, 2012, provided that, if the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. The Hong Kong-Japan Tax Treaty applies to a non-resident HDR Holder who is a resident of Hong Kong.

As a general rule, a beneficial owner of shares who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. Such application form is available in Japanese and English on the website of Japan's National Tax Agency at <http://www.nta.go.jp/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/250.pdf>. A beneficial owner who does not submit an application in advance may be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty, from the relevant Japanese tax authority at its discretion by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application.

The distribution of dividends or other cash distribution shall be subject to, amongst other things, certain adjustment for taxes withheld and the deductions of the Depositary's expenses. For further details of how the dividends and other distributions will be distributed and the fees and expenses charged by the Depositary, see the sections headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Share Dividends and Other Distributions" and "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Fees and Expenses" in this listing document.

## DISCLOSURE OF FINANCIAL GUIDANCE

The following financial guidance has been prepared in accordance with guidelines published by the TSE and in line with market practice of other Japanese-listed companies. The TSE strongly encourages the publication of financial guidance that is useful to investors. In accordance with such guidelines and practice, we disclose consolidated financial guidance of the Group for the current fiscal year as part of our financial results announcements and investor presentations and have done so for more than a decade. We also typically update our consolidated financial guidance on a quarterly basis and investors should refer to the latest results announcements and investor presentations published by us. Unless required to do so, we will not update such information in this listing document.

You should also take note of the following:

### **Not prepared for the purposes of the Secondary Listing**

Our latest consolidated financial guidance was made in respect of the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 (the “**Financial Guidance**”). The Financial Guidance has been extracted from our results announcement and investor presentation which was originally published on October 10, 2013 and revised on January 9, 2014, and is provided in this section for your information only. In particular, the Financial Guidance has not been prepared specifically for the purposes of the Secondary Listing.

Accordingly, the information contained in this section differs from a profit forecast which is prepared solely for inclusion in a listing document. Specifically, our Financial Guidance is not based on a view or perception that net income or any other individual Financial Guidance will be “not less than” any particular figure.

### **No representation or warranty with respect to the accuracy of Financial Guidance or guarantee that Financial Guidance will be achieved**

While our Directors consider the Financial Guidance to be reasonable, whether actual results will meet our expectations will depend on a large number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such financial guidance information in this listing document be regarded as a representation or warranty with respect to the accuracy of such financial guidance information by our Company, any other member of the Group, the Sole Sponsor, any of their respective directors, officers, employees, agents or advisers or any other person involved in the Secondary Listing, or guarantee that such guidance information will be achieved or is likely to be achieved.

### **There were occasions when we did not meet our financial guidance in the past and there is no associated penalty in Japan**

While our provision of financial guidance is in line with TSE best practice guidelines, there were occasions when we did not meet our financial guidance in the past and you should be aware that there are no penalties for any failure to meet financial guidance under the TSE Rules or any Japanese laws and regulations. For further details, see “Comparison of Financial Guidance Relating to Net Sales, Operating Income and Net Income Published by the Company during the Track Record Period against Actual Results of the Company during the Track Record Period” below.

## DISCLOSURE OF FINANCIAL GUIDANCE

**Our net income guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 have been reported on by the Reporting Accountants and the Sole Sponsor pursuant to the Listing Rules**

*For the purposes of the Secondary Listing and as required under the Listing Rules:*

- (i) the Reporting Accountants have reviewed the accounting policies adopted and calculations in arriving at our net income guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 contained in the Financial Guidance with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants; and*
- (ii) the Sole Sponsor has reported that our net income guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 contained in the Financial Guidance have been made by our Directors after due and careful enquiry.*

*The relevant reports by the Reporting Accountants and the Sole Sponsor are set out in their letters in Appendix III in this listing document. Such letters should be read in light of the specific nature and purpose of the Financial Guidance as set out in this listing document.*

**Individual figures (other than the net income guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014) contained in the Financial Guidance are not reported on**

*The individual figures (other than the net income guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014) for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 contained in the Financial Guidance should not be viewed in isolation, but instead form part of the overall bases, assumptions and estimates used in arriving at the net income figure. Accordingly, such individual figures have not been reported on by the Reporting Accountants or the Sole Sponsor.*

**Investors should exercise caution in relying on the Financial Guidance**

*Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on certain estimates and on management's judgment in light of currently available information.*

*Investors should exercise caution in relying on the Financial Guidance generally. For further information, see the sections headed "Forward-looking Statements" and "Risk Factors" in this listing document. None of our Company, any member of the Group, the Sole Sponsor, any of their respective directors, officers, employees, agents or advisers or any other person involved in the Secondary Listing guarantees the performance of our Company or the payment of any distributions or any particular return on the HDRs.*



## DISCLOSURE OF FINANCIAL GUIDANCE

### FINANCIAL GUIDANCE FOR THE SIX MONTHS ENDING FEBRUARY 28, 2014 AND THE FISCAL YEAR ENDING AUGUST 31, 2014

The following table presents our consolidated financial guidance for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014.

	Six months ending February 28, 2014		Year ending August 31, 2014	
	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>
Net sales . . . . .	728.5	18.5	1,322.0	15.7
Gross profit . . . . .	370.5	21.9	675.5	19.8
<i>to net sales (%)</i> . . . . .	50.9		51.1	
Selling, general and administrative expenses . . . . .	266.5	28.6	519.5	20.5
<i>to net sales (%)</i> . . . . .	36.6		39.3	
Operating income . . . . .	104.0	7.6	156.0	17.4
<i>to net sales (%)</i> . . . . .	14.3		11.8	
Ordinary income . . . . .	103.5	-4.0	155.0	4.0
<i>to net sales (%)</i> . . . . .	14.2		11.7	
Extraordinary gains or losses . . . . .	N/A <sup>1</sup>		-6.0	
Net income . . . . .	63.5	-3.0	92.0	1.8
<i>to net sales (%)</i> . . . . .	8.7		7.0	
			¥ 902.85	
Earnings per share (Yen) . . . . .				
Capital expenditure <sup>2</sup> . . . . .				58.4
Depreciation . . . . .				26.2
Goodwill amortization . . . . .				6.0

*Notes:*

1. We have not provided any guidance for extraordinary gains or losses for the six months ending February 28, 2014.
2. This includes purchase of property, plant and equipment, purchase of intangible assets, payments for lease and guarantee deposits, and increase in construction assistance fund receivables.

## DISCLOSURE OF FINANCIAL GUIDANCE

### UNIQLO Japan

The following table presents financial guidance for UNIQLO Japan for the six months ending February 28, 2014 the six months ending August 31, 2014 and the fiscal year ending August 31, 2014.

	Six months ending February 28, 2014		Six months ending August 31, 2014		Year ending August 31, 2014	
	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>
Net sales .....	411.0	6.1	309.0	4.4	720.0	5.4
Gross profit .....	199.5	10.2	150.5	9.8	350.0	10.1
<i>to net sales (%)</i> .....	48.5		48.7		48.6	
<i>to net sales (%)</i> <sup>1</sup> .....	47.4		47.6		47.5	
Selling, general and administrative expenses .....	123.5	10.3	112.0	2.6	235.5	6.5
<i>to net sales (%)</i> .....	30.0		36.2		32.7	
Operating income .....	76.0	10.2	38.5	38.2	114.5	18.2
<i>to net sales (%)</i> .....	18.5		12.5		15.9	
Same-store sales growth (%) .....	2.5		0.5		1.6	
Net increase in store numbers .....	-2		13		11	

Note:

1. Excluding income from royalties.

We anticipate same-store sales growth to increase by 1.6%, and the total number of directly-operated stores to increase by a net 11 stores to 845 stores for the year ending August 31, 2014.

In addition, we have made changes to the allocation of certain income from our UNIQLO International operations. Beginning from the fiscal year ending August 31, 2014, a portion of the income from UNIQLO International which had previously been paid to the Company will be paid to UNIQLO Japan. This change amounts to net sales of approximately ¥8.0 billion, which is eliminated at the Group level and does not affect our consolidated financial performance.

We expect to be able to increase operating income through strict control of discounting and cost-cutting efforts.

### UNIQLO International

The following table presents financial guidance for UNIQLO International for the fiscal year ending August 31, 2014.

	Year ending August 31, 2014	
	<i>Projection</i> (¥ billions)	<i>Year on year</i> <i>growth (%)</i>
Net sales .....	350.0	39.3
Operating income .....	28.0	52.6
<i>to net sales (%)</i> .....	8.0	

## DISCLOSURE OF FINANCIAL GUIDANCE

### *China-Hong Kong-Taiwan regions*

We aim to increase net sales by over 30% through the opening of a large number of new stores mainly in China and Taiwan. We will also be looking to improve operating margins by controlling expenses in the China, Hong Kong and Taiwan regions.

### *South Korea*

We anticipate gentle gains in net sales and profit for the year ending August 31, 2014 due to a weak South Korean economy.

### *Southeast Asia*

We anticipate net sales and income from UNIQLO operations in Southeast Asia to expand considerably in the fiscal year ending August 31, 2014 as we continue to open a large number of new stores in the region.

### *United States*

We seek to establish a full-fledged retail network by opening stores in prominent suburban malls in and around the cities of New York and San Francisco. For the fiscal year ending August 31, 2014, we plan to open a total of 15 new stores, nine of which will be located on the East Coast around New York, and six of which will be located on the West Coast around San Francisco. We will also be looking to reduce the operating loss at stores in the United States by boosting profitability at our three prominent New York stores.

### *Europe*

We plan to open two new stores in Russia and two new stores in France in the fiscal year ending August 31, 2014. We also intend to open our first store in Berlin, Germany during this fiscal year. The Berlin store will be a global flagship store, and we expect expenses, including store rent, to rise in the period running up to the new store opening. As a result, we predict that profit levels will decrease moderately at UNIQLO International's European operations for the fiscal year ending August 31, 2014.

## **Global Brands**

The following table presents financial guidance for our Global Brands for the fiscal year ending August 31, 2014.

	<b>Year ending August 31, 2014</b>	
	<i>Projection</i> (¥ billions)	<i>Year on year growth (%)</i>
Net sales .....	250.0	21.2
Operating income .....	24.0	37.4
<i>to net sales (%)</i> .....	9.6	

### *GU*

We are targeting sales of over ¥100 billion in the year ending August 31, 2014 on the back of continued growth in same-store sales and the planned opening of 70 new GU stores. We also expect to be able to improve the brand's profitability.

## DISCLOSURE OF FINANCIAL GUIDANCE

### *Theory*

We aim to generate record profit at our Theory operation by opening 49 new stores in the fiscal year ending August 31, 2014.

### *Comptoir des Cotonniers*

We anticipate that performance at Comptoir des Cotonniers will hold steady in the fiscal year ending August 31, 2014.

For the expected number of stores of UNIQLO and our Global Brands, see the section headed “Business — Our Business — Store Numbers, Distribution, New Store Opening Strategies” in this listing document.

### **Capital Expenditure**

Our projected capital expenditure for the fiscal year ending August 31, 2014 is ¥58.4 billion, which principally includes ¥9.8 billion for UNIQLO Japan, ¥32.0 billion for UNIQLO International, ¥10.3 billion for systems and ¥5.7 billion for others, respectively.

### **Applicable Exchange Rates**

The following table presents the assumptions for applicable exchange rates for the fiscal year ending August 31, 2014.

	USD 1	EUR 1	GBP 1	RMB 1	KRW 100
Yen per each currency . . . . .	94.0	120.5	143.0	15.0	8.5

### **Dividend Guidance**

The following table presents dividend guidance for the fiscal year ending August 31, 2014.

	<b>Year ending August 31, 2014</b>		
	<b>(Yen)</b>		
	<i>Mid-term</i>	<i>Year-end</i>	<i>Annual</i>
Dividend guidance . . . . .	150	150	300

### **BASES OF FINANCIAL GUIDANCE**

Our consolidated financial guidance for the six months ending February 28, 2014 has been prepared based on the unaudited consolidated financial results of the Company for the three months ended November 30, 2013 and the forecast results of the Company for the three months ending February 28, 2014.

Our consolidated financial guidance for the fiscal year ending August 31, 2014 has been prepared based on the unaudited consolidated financial results of the Company for the three months ended November 30, 2013 and the forecast results of the Company for the remaining nine months ending August 31, 2014.

The principal accounting policies adopted in the preparation of the financial guidance are consistent in all material respects with the significant accounting policies as set out in “Financial Information”.

## DISCLOSURE OF FINANCIAL GUIDANCE

### ASSUMPTIONS

See “Appendix III — Financial Guidance” in this listing document for the details of the assumptions used in the preparation of the Financial Guidance.

### COMPARISON OF FINANCIAL GUIDANCE RELATING TO NET SALES, OPERATING INCOME AND NET INCOME PUBLISHED BY THE COMPANY DURING THE TRACK RECORD PERIOD AGAINST ACTUAL RESULTS OF THE COMPANY DURING THE TRACK RECORD PERIOD

¥ billions except where specified

#### Full Year Financial Guidance

	Net Sales								Actual
	Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual	Financial Guidance given at first quarter results announcement	% Divergence from Actual	Financial Guidance given at second quarter results announcement	% Divergence from Actual	Financial Guidance given at third quarter results announcement	% Divergence from Actual	
FY2011 . . . .	856.0	(4.35)%	846.0	(3.13)%	836.0	(1.91)%	836.0	(1.91)%	<b>820.3</b>
FY2012 . . . .	965.0	(3.91)%	937.0	(0.90)%	941.5	(1.38)%	929.5	(0.09)%	<b>928.6</b>
FY2013 . . . .	1,056.0	7.61%	1,069.0	6.47%	1,103.0	3.50%	1,103.0	3.50%	<b>1,143.0</b>

	Operating Income								Actual
	Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual	Financial Guidance given at first quarter results announcement	% Divergence from Actual	Financial Guidance given at second quarter results announcement	% Divergence from Actual	Financial Guidance given at third quarter results announcement	% Divergence from Actual	
FY2011 . . . .	113.5	2.46%	113.5	2.46%	121.5	(4.41)%	121.5	(4.41)%	<b>116.3</b>
FY2012 . . . .	135.5	(7.16)%	130.5	(3.20)%	138.0	(9.13)%	131.5	(3.99)%	<b>126.4</b>
FY2013 . . . .	143.5	(7.96)%	147.5	(10.97)%	147.5	(10.97)%	147.5	(10.97)%	<b>132.9</b>

	Net Income								Actual
	Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual	Financial Guidance given at first quarter results announcement	% Divergence from Actual	Financial Guidance given at second quarter results announcement	% Divergence from Actual	Financial Guidance given at third quarter results announcement	% Divergence from Actual	
FY2011 . . . .	51.0	6.17%	51.0	6.17%	60.0	(10.39)%	60.0	(10.39)%	<b>54.3</b>
FY2012 . . . .	71.0	0.91%	70.0	2.31%	81.5	(13.74)%	79.0	(10.25)%	<b>71.6</b>
FY2013 . . . .	84.5	6.50%	87.0	3.74%	91.5	(1.24)%	91.5	(1.24)%	<b>90.3</b>

## DISCLOSURE OF FINANCIAL GUIDANCE

### Six Month Financial Guidance

Net Sales					
	Six months Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual <sup>(1)</sup>	Six months Financial Guidance given at first quarter results announcement	% Divergence from Actual <sup>(1)</sup>	Actual
1H FY2011 ..	473.0	(3.43)%	463.0	(1.24)%	<b>457.3</b>
1H FY2012 ..	538.0	(2.38)%	521.0	0.86%	<b>525.5</b>
1H FY2013 ..	585.5	4.77%	596.5	2.98%	<b>614.8</b>
Operating Income					
	Six months Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual	Six months Financial Guidance given at first quarter results announcement	% Divergence from Actual	Actual
1H FY2011 ..	71.5	12.87%	71.5	12.87%	<b>82.0</b>
1H FY2012 ..	86.0	6.27%	82.5	10.08%	<b>91.7</b>
1H FY2013 ..	93.0	3.78%	96.0	0.68%	<b>96.6</b>
Net Income					
	Six months Financial Guidance given at the beginning of Fiscal Year	% Divergence from Actual	Six months Financial Guidance given at first quarter results announcement	% Divergence from Actual	Actual
1H FY2011 ..	30.0	28.00%	30.0	28.00%	<b>41.6</b>
1H FY2012 ..	46.5	19.54%	45.5	21.27%	<b>57.7</b>
1H FY2013 ..	55.5	15.20%	57.5	12.15%	<b>65.4</b>

Note:

- Divergence figures that are bracketed indicate Financial Guidance that has not been met.

The following is the text of a report, prepared for the purpose of incorporation in this listing document, received from the independent reporting accountants, Ernst & Young ShinNihon LLC, Certified Public Accountants, Tokyo, Japan.



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Chiyoda-ku  
Tokyo 100-0011  
Japan

14 February 2014

The Directors  
FAST RETAILING CO., LTD.

Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to FAST RETAILING CO., LTD. (the “Company”) and its subsidiaries (collectively, the “Group”) for each of the three years ended 31 August 2011, 2012 and 2013 (the “Relevant Periods”) for inclusion in the listing document of the Company dated 14 February 2014 (the “Listing Document”) in connection with the secondary listing of the Company’s Hong Kong Depository Receipts on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Japan on 1 May 1963 and listed on the Hiroshima Stock Exchange (the Exchange was abolished in 2000) and the Second Section of the Tokyo Stock Exchange in July 1994 and April 1997, respectively. The Company is listed on the First Section of the Tokyo Stock Exchange, Inc. from February 1999. The Company is a holding company. The Group is principally engaged in the specialty store retailing industry under its own internationally-known UNIQLO brand name.

The details of the Group’s corporate structure are explained in the section headed “History and Corporate Structure” to the Listing Document.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries (the “consolidated subsidiaries”) as set out below, which were consolidated by the Group in preparing its consolidated financial statements in accordance with generally accepted accounting principles in Japan (the “JGAAP”) during the Relevant Periods which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital  (Thousand)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
UNIQLO (U.K.) LIMITED (note (a))	United Kingdom 24 July 2003	GBP40,000	100	—	Retailing
FAST RETAILING FRANCE S.A.S. (note (b))	France 26 October 2006	EUR161,025	100	—	Investment holding



Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		(Thousand)			
UNIQLO FRANCE S.A.S. (note (c))	France 28 April 2005	EUR244	—	100	Retailing
CREATIONS NELSON S.A.S. (note (d))	France 1 January 2000	EUR2,600	—	100	Retailing and wholesale
UNIQLO CO., LTD. (note (e))	Japan 2 September 1974	JPY1,000,000	100	—	Retailing
Fast Retailing USA, Inc. (note (e))	United States of America 22 November 2004	USD30,000	100	—	Investment holding
FRL Korea Co., Ltd. (note (f))	Korea 16 December 2004	KRW24,000,000	51	—	Retailing
UNIQLO HONG KONG, LIMITED (note (g))	Hong Kong 31 March 2005	HKD11,000	100	—	Retailing
PETIT VEHICULE S.A.S. (note (a))	France 7 July 1983	EUR2,000	—	100	Retailing and wholesale
FAST RETAILING (CHINA) TRADING CO., LTD.* 迅銷 (中國) 商貿有限公司 (note (h))	People's Republic of China (the "PRC") 21 December 2006	USD20,000	100	—	Retailing
G.U. CO., LTD. (note (i))	Japan 21 February 1973	JPY10,000	100	—	Retailing
LINK THEORY JAPAN CO., LTD. (note (j))	Japan 10 December 2003	JPY10,000	100	—	Retailing and wholesale
FAST RETAILING (SINGAPORE) PTE. LTD. (note (j))	Singapore 18 August 2011	SGD66,000	100	—	Investment holding
UNIQLO (SINGAPORE) PTE. LTD. (note (a))	Singapore 20 August 2008	SGD6,500	—	51	Retailing
LLC UNIQLO (RUS) (note (k))	Russia 29 January 2009	RUB510,010	100	—	Retailing
UNIQLO TRADING CO., LTD.* 優衣庫商貿有限公司 (note (h))	PRC 30 March 2010	USD30,000	100	—	Retailing
UNIQLO TAIWAN LTD.* 台灣優衣庫有限公司 (note (l))	Taiwan 6 April 2010	TWD150,000	100	—	Retailing
UNIQLO (MALAYSIA) SDN. BHD. (note (a))	Malaysia 10 June 2010	MYR18,800	—	55	Retailing
FAST RETAILING (SHANGHAI) TRADING CO., LTD.* 迅銷 (上海) 商業有限公司 (note (m))	PRC 22 October 2012	USD35,000	100	—	Retailing
J Brand, Inc. (note (n))	United States of America 31 August 2005	USD394,248	—	80.76	Retailing and wholesale

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

The financial statements of the consolidated subsidiaries issued during the Relevant Periods, or from their respective dates of incorporation/establishment/registration when the period is shorter, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions.

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 August 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdiction were audited by other member firm of the Ernst & Young global network.

- (b) The statutory financial statements of this entity for the years ended 31 August 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions were jointly-audited by other member firm of the Ernst & Young global network and KPMG S.A., France.
- (c) The statutory financial statements of this entity for the years ended 31 August 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdictions and were audited by KPMG S.A., France for 2011, and jointly-audited by other member firm of the Ernst & Young global network and KPMG S.A., France for 2012.
- (d) The statutory financial statements of this entity for the years ended 31 August 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdictions and were jointly-audited by other member firm of the Ernst & Young global network and KPMG S.A., France for 2011 and 2012.
- (e) The statutory financial statements of these entities for the years ended 31 August 2011, 2012 and 2013 prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdiction were audited by Ernst & Young ShinNihon LLC or other member firm of the Ernst & Young global network.
- (f) The statutory financial statements of this entity for the years ended 31 August 2011, 2012 and 2013 prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdiction were audited by KPMG Samjong Accounting Corp, Korea.
- (g) The statutory financial statements of this entity for the years ended 31 August 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdiction were audited by Ting Ho Kwan & Chan Certified Public Accountants (Practising), certified public accountants registered in Hong Kong.
- (h) FAST RETAILING (CHINA) TRADING CO., LTD and UNIQLO TRADING CO., LTD. are registered as wholly-foreign-owned enterprises under the PRC Law. The statutory financial statements for the years ended 31 December 2011 and 2012 prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions were audited by Shanghai JunYi Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC.
- (i) No audited financial statements have been prepared for these entities for the years ended 31 August 2011, 2012 and 2013, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (j) This subsidiary was incorporated during the year ended 31 August 2011.  
The statutory financial statements of this entity for the period ended 31 August 2012 (or since date of incorporation, where later than the beginning of the Relevant Periods) prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdiction were audited by other member firm of the Ernst & Young global network.
- (k) No audited financial statements of this entity for the years ended 31 December 2011, 2012 and 2013 have been prepared, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (l) The statutory financial statements of this entity for the years ended 31 August 2011, 2012 and 2013 prepared in accordance with relevant accounting principles and financial regulations applicable to the respective jurisdictions were audited by Deloitte & Touche, Taiwan for 2011 and 2012, and audited by other member firm of the Ernst & Young global network for 2013.
- (m) This subsidiary was incorporated during the year ended 31 August 2013.  
FAST RETAILING (SHANGHAI) TRADING CO., LTD. is registered as a wholly-foreign-owned enterprise under the PRC Law. No audited financial statements have been prepared for this entity.
- (n) During the year ended 31 August 2013, the Group acquired this entity. The statutory financial statement for the year ended 31 August 2013 of Fast Retailing USA Inc. consolidated this entity since the acquisition date and was prepared in accordance with relevant accounting principles and financial regulations applicable to its respective jurisdiction and was audited by other member firm of the Ernst & Young global network. Further details of this acquisition are included in Section A.1 of Note XXIII. BUSINESS COMBINATIONS to the Financial Information.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group and the financial statements of the Company for each of the years ended 31 August 2011, 2012 and 2013, which are prepared in accordance with JGAAP (the "Underlying Financial Statements"). The Underlying Financial Statements were audited by us in accordance with auditing standards generally accepted in Japan.

Sections A.1 and A.2 of the Financial Information set out in this report have been prepared from the Underlying Financial Statements with no adjustments made thereon.

Other additional information required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and a summary of the material differences between International Financial Reporting Standards ("IFRS") and JGAAP are provided in Sections B and C respectively.

**Directors' responsibility**

The Directors are responsible for the preparation of the content of the Listing Document in which this report is included and the Underlying Financial Statements that give a true and fair view in accordance with JGAAP, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 August 2011, 2012 and 2013, and of the results of the Group and the Company, and of the consolidated cash flows of the Group for each of the Relevant Periods.

## A.1. FINANCIAL INFORMATION FOR THE GROUP

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

## CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 August		
		2011	2012	2013
		(Millions of yen)		
ASSETS				
Current assets				
Cash and deposits		64,386	132,238	147,429
Notes and accounts receivable — trade		17,796	19,920	34,187
Short-term investment securities		137,728	133,788	148,215
Inventories	VIII.1	92,750	98,963	166,654
Deferred tax assets		31,802	16,987	4,002
Income taxes receivable		10,453	10,628	8,980
Forward currency contracts		—	—	113,641
Others		15,361	12,256	17,486
Allowance for doubtful accounts		(307)	(268)	(488)
Total current assets		369,971	424,516	640,109
Non-current assets				
Property, plant and equipment				
Buildings and structures		76,961	95,686	129,341
Accumulated depreciation	VIII.4	(39,785)	(47,440)	(67,002)
Buildings and structures, net		37,176	48,245	62,339
Furniture, equipment and vehicles		9,453	15,723	21,959
Accumulated depreciation	VIII.4	(5,993)	(7,621)	(11,027)
Furniture, equipment and vehicles, net		3,459	8,101	10,932
Land		3,881	3,879	3,879
Leased assets		9,499	12,184	16,851
Accumulated depreciation	VIII.4	(2,913)	(5,135)	(7,810)
Leased assets, net		6,585	7,048	9,040
Construction in progress		6,913	1,947	4,214
Total property, plant and equipment		58,016	69,222	90,405
Intangible assets				
Goodwill		21,648	15,992	31,691
Others	VIII.2	19,102	22,224	46,423
Total intangible assets		40,751	38,216	78,115
Investments and other assets				
Investment securities		529	354	470
Deferred tax assets		7,417	4,057	9,498
Lease and guarantee deposits		39,310	42,883	47,997
Construction assistance fund receivables		15,331	14,232	15,280
Others	VIII.5	3,184	2,456	4,002
Allowance for doubtful accounts		(735)	(837)	(78)
Total investments and other assets		65,038	63,146	77,170
Total non-current assets		163,806	170,586	245,690
Total assets		533,777	595,102	885,800

	Notes	As at 31 August		
		2011	2012	2013
		(Millions of yen)		
<b>LIABILITIES</b>				
Current liabilities				
Notes and accounts payable — trade		59,395	71,142	121,951
Short-term loans payable		3,978	2,505	1,862
Current portion of long-term loans payable	VIII.2	3,243	3,410	3,632
Forward currency contracts		59,640	22,625	—
Income taxes payable		14,721	27,738	26,005
Deferred tax liabilities		—	33	38,494
Provision		6,987	8,430	10,081
Others		34,878	37,491	51,937
Total current liabilities		182,846	173,378	253,966
Non-current liabilities				
Long-term loans payable	VIII.2	13,688	9,129	21,926
Deferred tax liabilities		—	2,553	10,371
Provision		63	64	75
Others		17,268	15,084	19,868
Total non-current liabilities		31,020	26,831	52,243
Total liabilities		213,866	200,210	306,209
<b>NET ASSETS</b>				
Stockholders' equity				
Capital stock		10,273	10,273	10,273
Capital surplus		5,223	5,541	5,963
Retained earnings		369,717	419,093	482,109
Treasury stock, at cost		(16,144)	(16,003)	(15,851)
Total stockholders' equity		369,070	418,905	482,495
Accumulated other comprehensive income				
Unrealised gains/(losses) on available-for-sale securities		(16,541)	(16,434)	(6,978)
Deferred gains/(losses) on hedges		(35,583)	(14,532)	71,005
Foreign currency translation adjustments		(2,215)	(1,193)	12,875
Total accumulated other comprehensive income		(54,339)	(32,160)	76,901
Subscription rights to shares		510	755	1,170
Minority interests		4,670	7,392	19,024
Total net assets		319,911	394,892	579,591
Total liabilities and net assets		533,777	595,102	885,800

## CONSOLIDATED STATEMENTS OF INCOME

	Notes	Year ended 31 August		
		2011	2012	2013
		(Millions of yen)		
Net sales	IX.1	820,349	928,669	1,143,003
Cost of sales	IX.5	394,581	453,202	578,992
Gross profit		425,767	475,466	564,011
Selling, general and administrative expenses	IX.2	309,401	349,016	431,091
Operating income		116,365	126,450	132,920
Non-operating income				
Interest and dividend income		408	690	598
Foreign exchange gains		—	—	15,580
Interest on refund		72	525	433
Penalty income		143	79	65
Others		1,272	826	951
Total non-operating income		1,897	2,121	17,628
Non-operating expenses				
Interest expenses		532	568	633
Foreign exchange losses		8,382	1,148	—
Others		2,258	1,642	936
Total non-operating expenses		11,173	3,359	1,569
Ordinary income		107,090	125,212	148,979
Extraordinary gains				
Gains on sales of non-current assets		134	327	390
Reversal of allowance for doubtful accounts		7	—	—
Others		86	—	—
Total extraordinary gains		228	327	390
Extraordinary losses				
Losses on changes of accounting treatment	IX.7	2,699	—	—
Non-recurring depreciation on non-current assets	VI.2	4,050	—	—
Loss on retirement of non-current assets	IX.3	567	1,028	504
Impairment losses	IX.4	832	116	5,068
Losses on a disaster	IX.8	999	—	—
Provision for losses on discontinued operation	IX.6	800	—	—
Impact of the adoption of accounting standard for asset retirement obligations		2,913	—	—
Losses on valuation of investment securities		—	281	—
Expenses incurred upon acquisition		—	—	759
Others		574	722	1,512
Total extraordinary losses		13,437	2,149	7,845
Income before income taxes and minority interests		93,881	123,390	141,525
Income taxes-current		41,906	45,879	54,486
Income taxes-deferred		(4,336)	3,084	(6,218)
Total income taxes		37,569	48,964	48,268
Income before minority interests		56,311	74,426	93,256
Minority interests		1,956	2,771	2,879
Net income		54,354	71,654	90,377

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 August		
		2011	2012	2013
		(Millions of yen)		
Income before minority interests		56,311	74,426	93,256
Other comprehensive income				
Unrealised gains/(losses) on available-for-sale securities		(2,624)	106	9,455
Deferred gains/(losses) on hedges		(642)	21,050	85,538
Foreign currency translation adjustments		(797)	918	17,078
Total other comprehensive income	X.1, X.2	(4,064)	22,075	112,072
Comprehensive income		52,246	96,501	205,329
Comprehensive income attributable to:				
Shareholders of FAST RETAILING CO., LTD.		50,328	93,833	199,439
Minority interests		1,918	2,667	5,890



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Stockholders' equity			
Capital stock			
Balance at the beginning of year	10,273	10,273	10,273
Changes during the year			
Net changes during the year	—	—	—
Balance at the end of year	10,273	10,273	10,273
Capital surplus			
Balance at the beginning of year	5,000	5,223	5,541
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Disposal of treasury stock	0	—	—
Net changes during the year	223	317	421
Balance at the end of year	5,223	5,541	5,963
Retained earnings			
Balance at the beginning of year	336,739	369,717	419,093
Changes during the year			
Dividends	(21,376)	(21,893)	(27,504)
Net income	54,354	71,654	90,377
Changes in scope of consolidation	—	(384)	143
Net changes during the year	32,977	49,376	63,016
Balance at the end of year	369,717	419,093	482,109
Treasury stock			
Balance at the beginning of year	(16,260)	(16,144)	(16,003)
Changes during the year			
Purchase of treasury stock	(2)	(5)	(9)
Disposal of treasury stock	118	146	161
Net changes during the year	116	140	152
Balance at the end of year	(16,144)	(16,003)	(15,851)
Total stockholders' equity			
Balance at the beginning of year	335,753	369,070	418,905
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Dividends	(21,376)	(21,893)	(27,504)
Net income	54,354	71,654	90,377
Purchase of treasury stock	(2)	(5)	(9)
Disposal of treasury stock	118	146	161
Changes in scope of consolidation	—	(384)	143
Net changes during the year	33,317	49,834	63,590
Balance at the end of year	369,070	418,905	482,495

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Accumulated other comprehensive income			
Unrealised gains/(losses) on available-for-sale securities			
Balance at the beginning of year	(13,917)	(16,541)	(16,434)
Changes during the year			
Net changes of items other than those in stockholders' equity	(2,624)	106	9,455
Net changes during the year	(2,624)	106	9,455
Balance at the end of year	(16,541)	(16,434)	(6,978)
Deferred gains/(losses) on hedges			
Balance at the beginning of year	(34,940)	(35,583)	(14,532)
Changes during the year			
Net changes of items other than those in stockholders' equity	(642)	21,050	85,538
Net changes during the year	(642)	21,050	85,538
Balance at the end of year	(35,583)	(14,532)	71,005
Foreign currency translation adjustments			
Balance at the beginning of year	(1,456)	(2,215)	(1,193)
Changes during the year			
Net changes of items other than those in stockholders' equity	(758)	1,022	14,068
Net changes during the year	(758)	1,022	14,068
Balance at the end of year	(2,215)	(1,193)	12,875
Total accumulated other comprehensive income			
Balance at the beginning of year	(50,314)	(54,339)	(32,160)
Changes during the year			
Net changes of items other than those in stockholders' equity	(4,025)	22,179	109,062
Net changes during the year	(4,025)	22,179	109,062
Balance at the end of year	(54,339)	(32,160)	76,901
Subscription rights to shares			
Balance at the beginning of year	—	510	755
Changes during the year			
Net changes of items other than those in stockholders' equity	510	244	414
Net changes during the year	510	244	414
Balance at the end of year	510	755	1,170

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Minority interests			
Balance at the beginning of year . . . . .	2,548	4,670	7,392
Changes during the year			
Net changes of items other than those in stockholders' equity . . .	<u>2,122</u>	<u>2,722</u>	<u>11,631</u>
Net changes during the year . . . . .	<u>2,122</u>	<u>2,722</u>	<u>11,631</u>
Balance at the end of year . . . . .	<u>4,670</u>	<u>7,392</u>	<u>19,024</u>
Total net assets			
Balance at the beginning of year . . . . .	287,987	319,911	394,892
Changes during the year			
Gain on disposal of treasury stock . . . . .	223	317	421
Dividends . . . . .	(21,376)	(21,893)	(27,504)
Net income . . . . .	54,354	71,654	90,377
Purchase of treasury stock . . . . .	(2)	(5)	(9)
Disposal of treasury stock . . . . .	118	146	161
Changes in scope of consolidation . . . . .	—	(384)	143
Net changes of items other than those in stockholders' equity . . .	<u>(1,393)</u>	<u>25,145</u>	<u>121,108</u>
Net changes during the year . . . . .	<u>31,924</u>	<u>74,981</u>	<u>184,698</u>
Balance at the end of year . . . . .	<u><u>319,911</u></u>	<u><u>394,892</u></u>	<u><u>579,591</u></u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes and minority interests	93,881	123,390	141,525
Depreciation and amortisation	18,755	18,573	23,691
Impairment losses	832	116	5,068
Amortisation of goodwill	6,596	5,664	5,297
Impact of adoption of accounting standard for asset retirement obligations	2,913	—	—
Increase/(decrease) in allowance for doubtful accounts	62	166	(258)
Increase/(decrease) in provision for retirement benefits	18	0	11
Increase/(decrease) in other provisions	371	1,534	749
Interest and dividend income	(408)	(690)	(598)
Interest expenses	532	568	633
Foreign exchange losses/(gains)	314	491	(13,195)
Losses on retirement of non-current assets	567	1,028	504
Decrease/(increase) in notes and accounts receivable — trade	(2,097)	(2,290)	(11,070)
Decrease/(increase) in inventories	(21,051)	(6,899)	(50,293)
Increase/(decrease) in notes and accounts payable — trade	5,767	11,670	46,911
Decrease/(increase) in other assets	2,067	4,404	(4,496)
Increase/(decrease) in other liabilities	3,455	3,760	12,515
Others, net	1,563	(1,319)	(2,095)
Subtotal	114,141	160,172	154,899
Interest and dividend income received	408	695	598
Interest paid	(526)	(590)	(637)
Repayment of rehabilitation debt of subsidiaries	(916)	—	—
Income taxes paid	(69,043)	(42,913)	(65,795)
Income taxes refund	13,093	10,280	10,375
Net cash from operating activities	57,158	127,643	99,439
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease/(increase) in time deposits	1,465	—	—
Proceeds from sales and redemption of short-term and long-term investment securities	498	—	—
Purchases of property, plant and equipment	(18,902)	(23,980)	(27,668)
Proceeds from sales of property, plant and equipment	164	229	280
Purchases of intangible assets	(6,636)	(7,451)	(4,070)
Proceeds from sales of intangible assets	171	—	0
Payments for lease and guarantee deposits	(7,080)	(7,900)	(5,205)
Proceeds from collection of lease and guarantee deposits	5,002	3,260	2,126
Increase in construction assistance fund receivables	(1,373)	(852)	(2,736)
Decrease in construction assistance fund receivables	2,137	1,876	1,706
Increase in guarantee deposits received	209	83	85
Decrease in guarantee deposits received	(434)	(230)	(330)
Increase in loans receivable	(812)	(63)	(322)
Collection of loans receivable	0	152	332
Acquisitions, net of cash acquired	—	—	(26,771)
Payments for purchase of shares of consolidated affiliates	(598)	—	(1,309)
Others, net	(453)	(438)	(15)
Net cash used in investing activities	(26,643)	(35,313)	(63,901)

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase/(decrease) in short-term loans payable .....	(3,814)	(1,288)	(1,722)
Additions to long-term loans payable .....	11,484	2,381	16,640
Repayment of long-term loans payable .....	(10,608)	(5,626)	(7,474)
Payment for treasury stock, net .....	(2)	(5)	(9)
Cash dividends paid .....	(21,370)	(21,892)	(27,507)
Cash dividends paid to minority shareholders .....	—	(248)	(891)
Repayments of lease obligations .....	(1,837)	(2,345)	(3,050)
Others, net .....	(7)	(29)	71
	<u>(26,156)</u>	<u>(29,056)</u>	<u>(23,945)</u>
Net cash used in financing activities .....			
Effect of exchange rate changes on cash and cash equivalents .....	(3,142)	68	18,007
Net increase/(decrease) in cash and cash equivalents .....	<u>1,215</u>	<u>63,341</u>	<u>29,600</u>
Cash and cash equivalents at beginning of year .....	200,462	202,104	266,020
Increase in cash and cash equivalents from newly consolidated subsidiaries .....	<u>427</u>	<u>574</u>	<u>1</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> .....	<u><u>202,104</u></u>	<u><u>266,020</u></u>	<u><u>295,622</u></u>
	<i>XII.1</i>		

**I. BASIS OF PRESENTATION**

The Financial Information of FAST RETAILING CO., LTD. (the "Company") and its consolidated subsidiaries (hereinafter referred to as the "Group") was prepared in accordance with the generally accepted accounting principles in Japan ("JGAAP") and was presented by reference to the "Rules Governing Term, Form and Preparation of Consolidated Financial Statements" (Finance Ministerial Order the 28th, 1976, which is hereinafter referred to as the "Consolidated Financial Statements Rule"). The Financial Information of the Group has been prepared on the historical cost basis except for certain investments which are stated at fair value, the details of which are listed below.

The Financial Information is presented in Japanese Yen ("Yen" or "¥" or "JPY").

**II. INFORMATION FOR THE SCOPE OF CONSOLIDATION****FOR THE YEAR ENDED 31 AUGUST 2011**

(1) Number of consolidated subsidiaries: 98

As compared with the year ended 31 August 2010, there were 10 additions and 2 exclusions from the scope of consolidation.

Additions — 3 entities commenced operations and increased in importance

UNIQLO (MALAYSIA) SDN. BHD.  
UNIQLO TAIWAN LTD.  
Fast Retailing (Shanghai) Business Management Consulting Co., Ltd.

Additions — 7 entities were newly established

UNIQLO Social Business Bangladesh Ltd.  
Theory Houston LLC  
Theory Hilton Head LLC  
Theory 1157 Madison LLC  
Theory Riverhead LLC  
Theory Westport LLC  
Theory Philadelphia LLC

Deconsolidation — 1 entity was deconsolidated due to liquidation

Comptoir des Cotonniers Korea Co., Ltd.

Deconsolidation — 1 entity was absorbed by LINK THEORY JAPAN CO., LTD.

Cabin Co., Ltd.

In previous years, UNIQLO (MALAYSIA) SDN. BHD. and UNIQLO TAIWAN LTD. were excluded from consolidation and accounted for as unconsolidated subsidiaries. During the year ended 31 August 2011, these entities commenced operations and thus increased in importance and are therefore consolidated.

Fast Retailing (Shanghai) Business Management Consulting Co., Ltd. has increased in importance as a company and is therefore consolidated during the year ended 31 August 2011. Newly incorporated companies UNIQLO Social Business Bangladesh Ltd., Theory Houston LLC, Theory Hilton Head LLC, Theory 1157 Madison LLC, Theory Riverhead LLC, Theory Westport LLC and Theory Philadelphia LLC are consolidated during the year ended 31 August 2011.

During the year ended 31 August 2011, Cabin Co., Ltd. was absorbed by LINK THEORY JAPAN CO., LTD. and Comptoir des Cotonniers Korea Co., Ltd. was liquidated. Therefore, both companies were excluded from consolidation during the year ended 31 August 2011.

(2) Names of major unconsolidated subsidiaries and reason for excluding from consolidation

The following subsidiaries are excluded from consolidation, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings.

Names of major unconsolidated subsidiaries (small size entities):

UNIQLO (THAILAND) COMPANY LIMITED  
 GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH

UNIQLO (THAILAND) COMPANY LIMITED, GRAMEEN UNIQLO LTD. and UNIQLO (Germany) GmbH were newly incorporated during the year ended 31 August 2011.

**FOR THE YEAR ENDED 31 AUGUST 2012**

(1) Number of consolidated subsidiaries: 91

As compared with the year ended 31 August 2011, there were 3 additions and 10 exclusions from the scope of consolidation.

Addition — 1 entity commenced operations and increased in importance

UNIQLO (THAILAND) COMPANY LIMITED

Additions — 2 entities were newly established

FAST RETAILING PHILIPPINES, Inc.  
 FAST RETAILING (SINGAPORE) PTE. LTD.

Deconsolidation — 8 entities were deconsolidated due to liquidation

Theory Round Rock LLC  
 UNIQLO Design Studio, New York, Inc.  
 DECLIC S.A.S.  
 Other 5 companies

Deconsolidation — 1 entity was absorbed by Theory Europe Management GmbH

Theory Europe GmbH & Co. KG



Deconsolidation — 1 entity was absorbed by Link Theory Holdings (Europe) GmbH

UNIQLO Studio GmbH

In previous years, UNIQLO (THAILAND) COMPANY LIMITED was excluded from consolidation and accounted for as an unconsolidated subsidiary. During the year ended 31 August 2012, UNIQLO (THAILAND) COMPANY LIMITED commenced operations and thus increased in importance. It is therefore consolidated during the year ended 31 August 2012.

Newly incorporated companies, namely FAST RETAILING PHILIPPINES, Inc. and FAST RETAILING (SINGAPORE) PTE. LTD. are consolidated during the year ended 31 August 2012.

Theory Europe GmbH & Co. KG and UNIQLO Studio GmbH, were excluded from consolidation during the year ended 31 August 2012, upon absorption by Theory Europe Management GmbH and Link Theory Holdings (Europe) GmbH, respectively. During the year ended 31 August 2012, Theory Round Rock LLC, UNIQLO Design Studio, New York, Inc., DECLIC S.A.S. and other five companies were liquidated or in process of liquidation and were excluded from consolidation accordingly.

(2) Names of unconsolidated subsidiaries and reason for excluding from consolidation

The following subsidiaries are excluded from consolidation, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings.

Names of major unconsolidated subsidiaries (small size entities):

GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH  
 Helmut Lang 32 Gansevoort LLC  
 UNIQLO Design Studio, NewYork, Inc  
 UNIQLO USA LLC  
 UNIQLO California LLC  
 UNIQLO New Jersey LLC

Helmut Lang 32 Gansevoort LLC, UNIQLO USA LLC, UNIQLO California LLC and UNIQLO New Jersey LLC were newly incorporated during the year ended 31 August 2012.

### **FOR THE YEAR ENDED 31 AUGUST 2013**

(1) Number of consolidated subsidiaries: 98

As compared with the year ended 31 August 2012, there were 9 additions and 2 exclusions from the scope of consolidation.

Additions — 3 entities commenced operations and increased in importance

UNIQLO USA LLC  
 UNIQLO California LLC  
 UNIQLO New Jersey LLC

Additions — 6 entities were newly established or acquired

FAST RETAILING (SHANGHAI) TRADING CO., LTD.  
 PT. FAST RETAILING INDONESIA  
 UNIQLO Connecticut LLC  
 J Brand Holdings, LLC  
 JB Intermediate Holdings, Inc.  
 J Brand, Inc.

Deconsolidation — 2 entities were deconsolidated due to liquidation

Theory SCP, Inc.  
 KOOKAI LINGERIE S.A.

## (2) Names of unconsolidated subsidiaries and reason for excluding from consolidation

The following subsidiaries are excluded from consolidation, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total assets, net sales, net income and retained earnings.

## Names of major unconsolidated subsidiaries (small size entities):

GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH  
 Helmut Lang 32 Gansevoort LLC  
 UNIQLO Design Studio, NewYork, Inc  
 UNIQLO AUSTRALIA PTY LTD  
 GU (Shanghai) Trading Co., Ltd.  
 Comptoir des Cotonniers (Shanghai) Trading Co., Ltd.  
 PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD.

UNIQLO AUSTRALIA PTY LTD, GU (Shanghai) Trading Co., Ltd, Comptoir des Cotonniers (Shanghai) Trading Co., Ltd. and PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD. were newly incorporated during the year ended 31 August 2013.

**III. INFORMATION FOR APPLICATION OF THE EQUITY METHOD OF ACCOUNTING****FOR THE YEAR ENDED 31 AUGUST 2011**

## (1) Number of companies that are accounted for using the equity method of accounting:

None

## (2) Unconsolidated subsidiaries that are not accounted for using the equity method of accounting

The following unconsolidated subsidiaries are not accounted for using the equity method of accounting, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total net income and retained earnings.

UNIQLO (THAILAND) COMPANY LIMITED  
 GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH

**FOR THE YEAR ENDED 31 AUGUST 2012**

- (1) Number of companies accounted for using the equity method of accounting:

None

- (2) Unconsolidated subsidiaries that are not accounted for using the equity method of accounting:

The following unconsolidated subsidiaries are not accounted for using the equity method of accounting, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total net income and retained earnings.

GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH  
 Helmut Lang 32 Gansevoort LLC  
 UNIQLO USA LLC  
 UNIQLO California LLC  
 UNIQLO New Jersey LLC

**FOR THE YEAR ENDED 31 AUGUST 2013**

- (1) Number of companies accounted for using the equity method of accounting:

None

- (2) Unconsolidated subsidiaries that are not accounted for using the equity method of accounting:

The following unconsolidated subsidiaries are not accounted for using the equity method of accounting, since they are immaterial in size, individually and in the aggregate, and insignificant in terms of the Group's total net income and retained earnings.

GRAMEEN UNIQLO LTD.  
 UNIQLO (Germany) GmbH  
 Helmut Lang 32 Gansevoort LLC  
 UNIQLO Design Studio, NewYork, Inc  
 UNIQLO AUSTRALIA PTY LTD  
 GU (Shanghai) Trading Co., Ltd.  
 Comptoir des Cotonniers (Shanghai) Trading Co., Ltd.  
 PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD.

**IV. INFORMATION FOR DIFFERENT BALANCE SHEET DATE OF CONSOLIDATED SUBSIDIARIES**

Consolidated subsidiaries whose balance sheet date is 31 December.

FAST RETAILING (CHINA) TRADING CO., LTD.  
 Theory Shanghai International Trading Co., Ltd.  
 UNIQLO TRADING CO., LTD.  
 Fast Retailing (Shanghai) Business Management Consulting Co., Ltd.  
 FAST RETAILING (SHANGHAI) TRADING CO., LTD.  
 LLC UNIQLO (RUS)

The management accounts of these subsidiaries as at 31 August are used for the Group's consolidation purpose.

**V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## (1) Valuation methods for significant assets

## (a) Securities

Investments in subsidiaries and affiliates:

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

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 "unrealised 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.

## (b) Inventories

Products are valued at the lower of cost, which is determined on the specific identification method, and net realisable value.

Supplies are valued at the lower of cost, which is determined on the latest purchase price method, and net realisable value.

## (c) Derivative financial instruments

Derivative financial instruments are stated at fair value.

## (2) Depreciation method for depreciable assets

## (a) Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated on the straight-line method, to write off the cost of property, plant and equipment to its residual value over its estimated useful lives. The principal ranges of estimated useful lives are as follows:

Freehold land . . . . .	Not depreciated
Buildings and structures . . . . .	3–50 years
Furniture, equipment and vehicles . . . . .	5 years

## (b) Intangible assets (except for leased assets)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation of intangible assets is calculated on the straight-line method. The principal ranges of estimated useful lives are as follows:

Software for internal use . . . . .	3–5 years
Patent . . . . .	15 years

## (c) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value. The finance costs of such leases are charged to the statements of income so as to provide a constant periodic rate of charge over the lease terms. Finance leases executed on or before 31 August 2008 that do not involve transfer of ownership are accounted for in similar manner as operating leases.

## (3) Provision basis of allowances

## (a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the Group's past experience and evaluation of the recoverability of the outstanding receivable balances including notes and accounts receivable — trade and other receivables.

## (b) Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

## (4) Foreign currency translation

Foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date. However, for transactions covered by forward exchange contracts, if the relation between the foreign currency transactions and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", those contracts can be translated at such contract rates.

At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated overseas subsidiaries are translated into yen. All assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Shareholders' equity accounts are translated at historical rates. The income and expenses of consolidated overseas subsidiaries are translated at the quarterly average exchange rates. A comprehensive adjustment resulting from translation of assets, liabilities and net assets is reported as foreign currency translation adjustment, a separate component of net assets.

(5) Hedge accounting

(a) Hedge accounting

The Group entered into forward currency contracts in order to hedge risks arising from fluctuations in foreign currency exchange rates. Receivables and payables denominated in foreign currencies are translated at the rates in the forward currency contracts qualified for hedge accounting.

(b) Hedging instruments and hedged items

Foreign currency fluctuation risk arising from transactions denominated in foreign currency is managed by the forward currency contracts.

(c) Hedging policy

For foreign currency-denominated transactions, the forward currency contracts are used to hedge risks arising from fluctuations in foreign currency exchange rates. Under the policies which have defined the transaction procedures and authorisation, the finance department of the Company executes, manages and reports the hedge transactions on a timely basis.

(d) Assessment of hedge effectiveness

The Group periodically compares cumulative changes in hedging instruments with those of hedged items when assessing hedge effectiveness. If the main provisions of the hedging instrument and the hedged item are the same and changes in market rates or cash flows are expected to perfectly offset, the Group does not assess the effectiveness of foreign exchange hedges.

(6) Amortisation of goodwill and amortisation period

Goodwill is amortised on a straight-line method over an appropriate period (within 20 years) based on the actual conditions upon acquisition.

(7) Cash and cash equivalents in the consolidated statements of cash flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value with a maturity within three months when acquired.

(8) Accounting for consumption taxes

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

## VI. CHANGES IN SIGNIFICANT FUNDAMENTAL MATTERS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

- (1) Adoption of the accounting standard for asset retirement obligations

### YEAR ENDED 31 AUGUST 2011

Effective from year beginning 1 September 2010, the Group adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on 31 March 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on 31 March 2008). The impact of adopting this new standard decreased operating income and ordinary income by ¥712 million, and income before income taxes and minority interests by ¥3,625 million, respectively.

- (2) Changes in depreciation method for significant depreciable assets and revision of useful lives

### YEAR ENDED 31 AUGUST 2011

In previous years, the Company and its consolidated subsidiaries in Japan primarily used the declining-balance method to calculate depreciation of items of property, plant and equipment whereas consolidated subsidiaries outside of Japan used the straight-line method. Starting from year beginning 1 September 2010, the Group aligned its depreciation method and straight-line method is consistently applied. In addition, the Group has changed the estimated useful lives to reflect the actual usage of individual assets as follows:

	<u>Before the change</u>	<u>After the change</u>
Fixtures, included in buildings and structures . . . . .	5–15 years	3–10 years
Furniture, equipment and vehicles . . . . .	5–8 years	5 years

This change and adjustment of depreciation accounting practice comes as the Group develops and expands its worldwide operations and seeks to unify decision-making and management methods at a group and global level. Following the launch of the common global system on 1 September 2010, this adoption of a common standard for depreciation accounting and calculation of useful lives at the group and global level will help refine the Group's profit and loss management, stabilise earnings and rate of application at each individual store, and reflect the actual reduction in the serviceable period of individual stores.

The net impact of the changes in depreciation method and estimated useful lives are an increase of ¥628 million in depreciation expenses and a corresponding decrease of ¥628 million in both operating income and ordinary income. This impact is comparatively insignificant and therefore has been disclosed on a net basis. In addition, non-recurring depreciation of ¥4,050 million have been recorded as an extraordinary loss, resulting in a decrease of ¥4,678 million in income before income taxes and minority interests.

### YEAR ENDED 31 AUGUST 2013

The Group reviews the useful lives of fixtures included in buildings and structures held by consolidated subsidiaries, which are estimated by reference to the actual usage of individual asset.



Starting from year beginning September 2012, the Group has changed the estimated useful lives of fixtures included in buildings and structures of specific retail stores, thereby reflecting a more appropriate usage pattern. The estimated useful lives of these individual assets of specific retail stores are still within the range of 3 to 10 years.

The effects of the above change on operating income, ordinary income and income before income taxes and minority interests for the year ended 31 August 2013 are insignificant.

- (3) Change in accounting treatment of distribution costs

#### **YEAR ENDED 31 AUGUST 2011**

In previous years, certain consolidated subsidiaries accounted for a portion of the distribution costs incurred after the products were delivered to the warehouse, such as storage or transportation from warehouse to retail stores as cost of sales. During the year ended 31 August 2011, distribution costs incurred prior to warehouse delivery are accounted for as cost of sales, while distribution costs subsequently incurred are accounted for as selling, general and administrative expenses.

The change in the accounting treatment of distribution costs comes as the Group develops and expands its worldwide operations and seeks to unify decision-making and management methods at a group and global level. Following the launch of the common global system on 1 September 2010, this new integrated treatment of distribution costs will help refine the Group's profit and loss management and define the scope of cost of sales at group and global level.

The impact of change in accounting treatment of distribution costs resulted in a net decrease of ¥15,466 million in cost of sales and an increase of ¥15,466 million in selling, general and administrative expenses. In addition, the Group recognised an extraordinary loss of ¥2,699 million as an adjustment of opening inventories balance as at 1 September 2010, which resulted in decrease of income before income taxes and minority interests amounted to ¥2,699 million.

- (4) Reclassification

#### **AS AT 31 AUGUST 2013**

ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" (adopted since the year beginning 1 September 2011) requires reclassification of the prior year amounts when a change in presentation is made in the year of the change. Accordingly, reclassifications are made to prior year consolidated financial statements to conform to the presentation as at 31 August 2013.

Balances of current and non-current deferred tax liabilities were immaterial and grouped in "Others" within the current and non-current liabilities, respectively in the consolidated balance sheets as at 31 August 2012. As at 31 August 2013, the individual balances of deferred tax liabilities exceeded the suggested numerical threshold set out in the Consolidated Financial Statements Rule and separate line items are disclosed in the consolidated balance sheets. Accordingly, certain prior year comparatives have been reclassified — Deferred tax liabilities of ¥33 million and ¥2,553 million were separately disclosed and reclassified from "Others" in current and non-current liabilities as at 31 August 2012, respectively.

**VII. ADDITIONAL INFORMATION**

Adoption of the accounting standard for accounting changes and error corrections

Effective from the accounting changes made at and after the beginning of the year ended 31 August 2012 and corrections of prior period errors, the Company applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and the "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on 4 December 2009).

**VIII. NOTES TO CONSOLIDATED BALANCE SHEETS**

1. Components of inventories are as follows:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Products .....	90,195	96,725	163,072
Supplies .....	<u>2,555</u>	<u>2,237</u>	<u>3,581</u>
Total .....	<u>92,750</u>	<u>98,963</u>	<u>166,654</u>

2. Assets pledged as collateral are as follows:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Other intangible assets .....	<u>268</u>	<u>109</u>	<u>—</u>

The above assets were pledged as collateral for:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Current portion of long-term loans payable .....	—	79	—
Long-term loans payable .....	<u>268</u>	<u>30</u>	<u>—</u>
Total .....	<u>268</u>	<u>109</u>	<u>—</u>

## 3. Contingent liabilities

Guarantees for loans from financial institutions

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Employees' Benefit Society			
Fast Retailing Mutual Aid Society .....	20	12	8

## 4. Accumulated depreciation includes accumulated impairment losses.

## 5. Investments in unconsolidated subsidiaries are as follows:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
"Others" under Investments and other assets .....	598	3	1,313

**IX. NOTES TO CONSOLIDATED STATEMENTS OF INCOME**

1. Net sales, which is also the Group's turnover, mainly represents the net invoiced value of goods sold after deduction of returns and the value of services rendered.

2. Major components of selling, general and administrative expenses are as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Advertising and promotion .....	35,871	43,694	52,519
Salaries .....	77,003	83,970	105,143
Rental expenses .....	78,891	90,509	111,171
Depreciation and amortisation .....	14,704	18,573	23,691
Amortisation of goodwill .....	6,596	5,664	5,297

3. The components of losses on retirement of non-current assets are as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Buildings and structures .....	445	663	287
Others .....	122	365	216
Total .....	<u>567</u>	<u>1,028</u>	<u>504</u>

## 4. Impairment losses

The Group recognised impairment losses mainly on the following groups of assets.

In the opinion of the Company's Directors, individual retail store represented separate asset group. The Group assessed impairment on an individual retail store basis.

**YEAR ENDED 31 AUGUST 2011**

Companies	Use	Type
UNIQLO CO., LTD.	Retail stores	Buildings and structures, etc
LLC UNIQLO (RUS)	Retail stores	Buildings and structures, etc
—	—	Goodwill

The Group wrote down the carrying amount of retail store assets to the recoverable amount according to profitability decreases and recorded impairment losses of ¥255 million as extraordinary loss. The impairment losses represented write down of buildings and structures of ¥234 million and, furniture, equipment and vehicles of ¥20 million.

The recoverable amount of individual retail store assets is estimated using the value in use approach. Retail store assets are assumed to have no recoverable value if the expected future cash flows derived from those assets are negative.

The recoverable amount of the asset groups to which the goodwill relates has been determined based on a value in use calculation using cash flow projections based on financial budgets. Due to decrease in profitability, an impairment loss of goodwill amounted to ¥577 million recorded as extraordinary loss in the income statement during the year ended 31 August 2011. The discount rate applied to the cash flow projections is 10%.

**YEAR ENDED 31 AUGUST 2012**

Companies	Use	Type
A.M.B. S.A.	Retail stores	Buildings and structures, etc
Comptoir des Cotonniers UK Ltd.	Retail stores	Buildings and structures, etc
Comptoir des Cotonniers Espagne S.L.	Retail stores	Buildings and structures, etc

The Group wrote down the carrying amount of retail store assets to the recoverable amount according to profitability decreases and recorded an impairment loss of ¥116 million as an extraordinary loss. The impairment losses represented write down of buildings and structures of ¥57 million and others of ¥59 million.

The recoverable amount of individual retail store assets is estimated using the value in use approach. Retail store assets are assumed to have no recoverable value if the expected future cash flows derived from those assets are negative.

## YEAR ENDED 31 AUGUST 2013

Companies	Use	Type
UNIQLO USA LLC	Retail stores	Buildings and structures, etc
UNIQLO CO., LTD.	Retail stores	Buildings and structures, etc
UNIQLO (U.K.) LIMITED	Retail stores	Buildings and structures, etc
G.U. CO., LTD.	Retail stores	Buildings and structures, etc

The Group wrote down the carrying amount of retail store assets to the recoverable amount according to profitability decreases and recorded an impairment loss of ¥5,068 million as an extraordinary loss. The impairment losses represented write down of buildings and structures of ¥4,551 million and others of ¥517 million.

The recoverable amount of individual retail store assets is estimated using the value in use approach. The Group used a discount rate of 8.9%-13.7%. Retail store assets are assumed to have no recoverable value if the expected future cash flows derived from those assets are negative.

5. Inventories are stated at the lower of cost and net realisable value. For the year ended 31 August 2011, 2012 and 2013, the following write-downs of inventories to net realisable value are included in "Cost of sales" in the consolidated statements of income:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Write down/(write back) of inventories to net realisable value . . . . .	(695)	(36)	836

6. Provision for losses on discontinued operation is recorded because closure of stores were planned due to determination of discontinuance of shoes business.
7. Loss on changes in accounting treatment is recorded as the adjustment of opening inventories balance due to changes in accounting treatment of distribution costs.
8. Losses on a disaster

Losses related to the Great East Japan Earthquake on 11 March 2011 are accounted for under "Losses on a disaster".

Breakdown of the amount is as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Public donations . . . . .	200	—	—
Restoration of damaged property, plant and equipment to their original states, etc. . . . .	193	—	—
Losses on disposal of inventories . . . . .	151	—	—
Fixed costs incurred during temporary closures of retail stores . . . . .	42	—	—
Others . . . . .	411	—	—
Total . . . . .	<u>999</u>	<u>—</u>	<u>—</u>

**X. NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

1. Reclassification adjustments related to other comprehensive income are as follows:

**YEAR ENDED 31 AUGUST 2011**

Disclosure is exempted under JGAAP in the first year adopting the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on 30 June 2010).

**YEAR ENDED 31 AUGUST 2012**

	(Millions of yen)	
Unrealised gains/(losses) on available-for-sale securities:		
Amount arising during the year	(57)	
Reclassification adjustments	164	107
Deferred gains on hedges:		
Amount arising during the year	36,093	36,093
Foreign currency translation adjustment:		
Amount arising during the year	918	918
Before tax-effect adjustment		37,119
Income tax effects		<u>(15,043)</u>
Total other comprehensive income		<u><u>22,075</u></u>

**YEAR ENDED 31 AUGUST 2013**

	(Millions of yen)	
Unrealised gains on available-for-sale securities:		
Amount arising during the year	9,491	9,491
Deferred gains on hedges:		
Amount arising during the year	137,328	137,328
Foreign currency translation adjustment:		
Amount arising during the year	16,951	
Reclassification adjustments	126	17,078
Before tax-effect adjustment		163,898
Income tax effects		<u>(51,825)</u>
Total other comprehensive income		<u><u>112,072</u></u>

2. Income tax effects related to other comprehensive income are as follows:

**YEAR ENDED 31 AUGUST 2011**

Disclosure is exempted under JGAAP in the first year adopting the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on 30 June 2010).

## YEAR ENDED 31 AUGUST 2012

	Before tax effect adjustment	Income tax effects	After tax effect adjustment
	(Millions of yen)		
Unrealised gains on available-for-sale securities . . . . .	107	(0)	106
Deferred gains on hedges . . . . .	36,093	(15,043)	21,050
Foreign currency translation adjustment . . . . .	918	—	918
	<u>37,119</u>	<u>(15,043)</u>	<u>22,075</u>
Total other comprehensive income . . . . .			

## YEAR ENDED 31 AUGUST 2013

	Before tax effect adjustment	Income tax effects	After tax effect adjustment
	(Millions of yen)		
Unrealised gains on available-for-sale securities . . . . .	9,491	(35)	9,455
Deferred gains on hedges . . . . .	137,328	(51,790)	85,538
Foreign currency translation adjustment . . . . .	17,078	—	17,078
	<u>163,898</u>	<u>(51,825)</u>	<u>112,072</u>
Total other comprehensive income . . . . .			

## XI. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

## YEAR ENDED 31 AUGUST 2011

1. Types and number of shares issued and Treasury Stock are as follows:

Types of share	As at 1 September 2010	Increase	Decrease	As at 31 August 2011
Shares issued:				
Common stock . . . . .	106,073,656	—	—	106,073,656
Total . . . . .	<u>106,073,656</u>	<u>—</u>	<u>—</u>	<u>106,073,656</u>
Treasury stock:				
Common stock (Note) . . . . .	4,288,758	216	31,331	4,257,643
Total . . . . .	<u>4,288,758</u>	<u>216</u>	<u>31,331</u>	<u>4,257,643</u>

Note: The reasons for increase or decrease in common stock of treasury stock are as follows:

Increase due to purchase of stock less than one unit . . . . .	216 shares
Decrease due to disposal of stock less than one unit . . . . .	16 shares
Decrease due to exercise of stock options . . . . .	31,315 shares



2. Subscription rights to shares and those in treasury stock are as follows:

Company	Description	Type of shares to be issued	Number of shares to be issued			As at 31 August 2011	Balance as at 31 August 2011 (Millions of yen)
			As at 1 September 2010	Increase	Decrease		
The Company . . . .	Subscription rights as stock options	—	—	—	—	—	510
Total . . . . .		—	—	—	—	—	510

3. Dividends

- (1) Dividend paid during the year ended 31 August 2011:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 8 November 2010 . . . .	Common stock	11,705	115	31 August 2010	26 November 2010
Meeting of the Board of Directors on 7 April 2011 . . . . .	Common stock	9,671	95	28 February 2011	16 May 2011

- (2) Declared date for dividend paid belonged to the year ended 31 August 2011 with effective date in the year ended 31 August 2012:

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 7 November 2011 . . . .	Common stock	8,654	Retained earnings	85	31 August 2011	25 November 2011

## YEAR ENDED 31 AUGUST 2012

1. Type and number of shares issued and treasury stock are as follows:

Types of share	As at 1 September 2011	Increase	Decrease	As at 31 August 2012
Shares issued:				
Common stock .....	106,073,656	—	—	106,073,656
Total .....	<u>106,073,656</u>	<u>—</u>	<u>—</u>	<u>106,073,656</u>
Treasury stock:				
Common stock (Note) .....	4,257,643	372	38,581	4,219,434
Total .....	<u>4,257,643</u>	<u>372</u>	<u>38,581</u>	<u>4,219,434</u>

Note: The reasons for increase or decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit .....	372 shares
Decrease due to execution of stock options .....	38,581 shares

2. Subscription rights to shares and those in treasury stock are as follows:

Company	Description	Number of shares to be issued				As at 31 August 2012	Balance as at 31 August (Millions of yen)
		Type of shares to be issued	As at 1 September 2011	Increase	Decrease		
The Company .....	Subscription rights as stock options	—	—	—	—	—	755
Total .....		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>755</u>

3. Dividends

- (1) Dividends paid during the year ended 31 August 2012:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 7 November 2011 .....	Common stock	8,654	85	31 August 2011	25 November 2011
Meeting of the Board of Directors on 12 April 2012 .....	Common stock	13,239	130	29 February 2012	14 May 2012

- (2) Declared date for dividend paid belonged to the year ended 31 August 2012 with effective date in the year ended 31 August 2013

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 5 November 2012 . . . . .	Common stock	13,241	Retained earnings	130	31 August 2012	26 November 2012

### YEAR ENDED 31 AUGUST 2013

1. Type and number of shares issued and treasury stock are as follows:

Types of share	As at 1 September 2012	Increase	Decrease	As at 31 August 2013
Shares issued:				
Common stock . . . . .	106,073,656	—	—	106,073,656
Total . . . . .	<u>106,073,656</u>	<u>—</u>	<u>—</u>	<u>106,073,656</u>
Treasury stock:				
Common stock (Note) . . . . .	4,219,434	335	42,605	4,177,164
Total . . . . .	<u>4,219,434</u>	<u>335</u>	<u>42,605</u>	<u>4,177,164</u>

Note: The reasons for increase or decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit . . . . .	335 shares
Decrease due to execution of stock options . . . . .	42,605 shares

2. Subscription rights to shares and those in treasury stock are as follows:

Company	Description	Number of shares to be issued				As at 31 August 2013	Balance as at 31 August 2013 (Millions of yen)
		Type of shares to be issued	As at 1 September 2012	Increase	Decrease		
The Company . . . . .	Subscription rights as stock options	—	—	—	—	—	896
Consolidated subsidiaries . . . . .	Subscription rights as stock options	—	—	—	—	—	274
Total . . . . .		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,170</u>

## 3. Dividends

(1) Dividends paid during the year ended 31 August 2013:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 5 November 2012 . . . . .	Common stock	13,241	130	31 August 2012	26 November 2012
Meeting of the Board of Directors on 11 April 2013 . . .	Common stock	14,263	140	28 February 2013	13 May 2013

(2) Declared date for dividend paid belonged to the year ended 31 August 2013 with effective date in the year ending 31 August 2014

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on 4 November 2013 . . . . .	Common stock	15,284	Retained earnings	150	31 August 2013	22 November 2013

**XII. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**

1. A reconciliation of cash and cash equivalents as stated in the consolidated balance sheets as at the balance sheet dates to the balances as stated in the consolidated statements of cash flows is as follows:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Cash and deposits . . . . .	64,386	132,238	147,429
Time deposits with maturities over three months . . . . .	(10)	(6)	(22)
Cash equivalents included in short-term securities . . . . .	<u>137,728</u>	<u>133,788</u>	<u>148,215</u>
Cash and cash equivalents . . . . .	<u>202,104</u>	<u>266,020</u>	<u>295,622</u>

2. Summary of assets and liabilities of newly consolidated subsidiaries as a result of business combination during year ended 31 August 2013.

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of J Brand Holdings, LLC, related acquisition costs and net disbursement:

	(Millions of yen)
Current assets . . . . .	4,673
Non-current assets . . . . .	19,769
Goodwill . . . . .	18,737
Current liabilities . . . . .	(1,423)
Non-current liabilities . . . . .	(8,255)
Minority interests . . . . .	(6,392)
Subscription rights to shares . . . . .	<u>(274)</u>
Acquisition costs of J Brand Holdings, LLC stocks . . . . .	26,834
Cash and cash equivalents of J Brand Holdings, LLC . . . . .	<u>(62)</u>
Expenditures for purchase of J Brand Holdings, LLC . . . . .	<u><u>26,771</u></u>

3. Significant non-cash transactions

Assets and liabilities related to finance leases newly recorded during the Relevant Periods are as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Assets and liabilities related to finance lease transactions . . . . .	<u>4,117</u>	<u>3,077</u>	<u>5,012</u>

Significant asset retirement obligations newly recorded during the Relevant Periods are as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Significant asset retirement obligations . . . . .	<u>5,978</u>	<u>682</u>	<u>1,679</u>

**XIII. LEASE TRANSACTIONS**

## 1. Finance leases

Finance leases that do not involve transfer of ownership

## (a) Leased assets

## (i) Property, plant and equipment

Leased assets primarily comprised of furniture and equipment such as fixtures in the retail clothing business.

## (ii) Intangible assets

Leased assets primarily comprised of software including Point-of-sales systems in the retail clothing business.

## (b) Depreciation method for leased assets

Leased assets were depreciated using straight-line method over the lease terms at zero residual value.

Finance leases which do not transfer ownership of the leased assets to the lessee and commenced on or before 31 August 2008 are accounted for in similar manner as operating leases and such "as if capitalised" information are as follows:

- (1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation, amounts equivalent to accumulated impairment losses and amounts equivalent to net carrying amounts as at balance sheet dates are as follows:

**AS AT 31 AUGUST 2011**

	<u>Acquisition costs</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Net carrying amount</u>
	(Millions of yen)			
Buildings and structures . . . . .	260	196	—	64
Furniture, equipment and vehicles . . . . .	<u>6,612</u>	<u>5,540</u>	<u>188</u>	<u>883</u>
Total . . . . .	<u><u>6,873</u></u>	<u><u>5,736</u></u>	<u><u>188</u></u>	<u><u>948</u></u>

## AS AT 31 AUGUST 2012

	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
	(Millions of yen)			
Buildings and structures . . . . .	134	119	—	15
Furniture, equipment and vehicles . . . . .	<u>2,519</u>	<u>2,296</u>	<u>188</u>	<u>33</u>
Total . . . . .	<u><u>2,653</u></u>	<u><u>2,416</u></u>	<u><u>188</u></u>	<u><u>48</u></u>

## AS AT 31 AUGUST 2013

	Acquisition costs	Accumulated depreciation	Accumulated impairment losses	Net carrying amount
	(Millions of yen)			
Buildings and structures . . . . .	—	—	—	—
Furniture, equipment and vehicles . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

## (2) Future minimum lease payments

	As at 31 August		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Millions of yen)		
Due within one year . . . . .	940	242	—
Due after one year . . . . .	<u>242</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u><u>1,182</u></u>	<u><u>242</u></u>	<u><u>—</u></u>
Balance of impairment loss account of leased assets . . . . .	14	0	—



- (3) Lease payments, reversal of allowance for impairment losses on leased assets, amounts equivalent to depreciation, amounts equivalent to interest expenses and impairment losses

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Lease payments .....	1,871	1,062	275
Reversal of allowances for impairment losses of leased assets .....	13	14	0
Amounts equivalent to depreciation .....	1,765	905	48
Amounts equivalent to interest expenses .....	46	15	1
Impairment losses .....	—	—	—

- (4) Calculation method for amounts equivalent to depreciation and amounts equivalent to interest expenses are as follows:

Calculation method for amounts equivalent to depreciation:

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value.

Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms by the interest method.

2. Future minimum lease payments relating to non-cancellable operating leases

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Due within one year .....	4,452	12,142	16,672
Due after one year .....	46,457	69,808	101,195
Total .....	<u>50,910</u>	<u>81,951</u>	<u>117,867</u>

#### XIV. FINANCIAL INSTRUMENTS

1. Financial instruments

- (a) The Group's policy towards financial instruments

Regarding the cash management, the Group seeks to ensure effective utilisation of group funds through the Group's Cash Management Service ("CMS"). The Group obtained credit facilities from financial institutions. 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.

(b) Financial portfolio components and risks

Listed securities held are mainly Money Market Funds ("MMFs"), which are exposed to fluctuation of fair values.

Lease and guarantee deposits mainly related to lease agreements and are exposed to counterparties' default risk.

Financial liabilities arising from principal business activities, such as notes and accounts payable will mature within one year.

(c) Risk management of financial instruments

(i) Management of credit risk (contractual default, etc.)

Regarding leases and guarantee deposits, the Group minimises risk by regularly monitoring the business conditions of the counterparties so as to be aware of any worsening of the counterparties' financial positions at the earliest opportunity.

(ii) Management of market risk (fluctuations in foreign currency exchange rates and interest rates)

Regarding foreign currency denominated financial liabilities arising from principal business activities, the Group, as a general rule, uses foreign currency forward contracts to hedge potential adverse fluctuations in foreign currency exchange rates over time.

Regarding listed securities, the Group regularly monitors the current share price and financial positions of the issuers.

(iii) Management of cash management liquidity risk (the failure to honour payment obligation on maturity dates)

The Group manages the liquidity risk by maintaining ready liquidity, while compiling and updating funding plans on a timely basis.

(d) Supplementary note on the estimated fair values of financial instruments

The fair values of financial instruments are based on quoted market prices, or, a reasonably estimated amount when no fair value is available. The reasonably estimated fair values have been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates.

## 2. Fair value of financial instruments

Carrying amounts of financial instruments, their fair values and respective differences are as follows:

**AS AT 31 AUGUST 2011**

		<u>Carrying amounts</u>	<u>Fair values</u>	<u>Difference</u>
	<i>Notes</i>	(Millions of yen)		
Assets:				
Cash and deposits .....	<i>(i)</i>	64,386	64,386	—
Short-term investment securities .....	<i>(ii)</i>	137,728	137,728	—
Leases and guarantee deposits .....	<i>(iii)</i>	39,310	38,435	(875)
Liabilities:				
Notes and accounts payable — trade .....	<i>(iv)</i>	(59,395)	(59,395)	—
Income taxes payable .....	<i>(v)</i>	(14,721)	(14,721)	—
Derivative transactions**:		(59,640)	(59,640)	—
Derivative transactions of which hedge accounting is not applied .....		(170)	(170)	—
Derivative transactions of which hedge accounting is applied .....		<u>(59,470)</u>	<u>(59,470)</u>	<u>—</u>

**AS AT 31 AUGUST 2012**

		<u>Carrying amounts</u>	<u>Fair values</u>	<u>Difference</u>
	<i>Notes</i>	(Millions of yen)		
Assets:				
Cash and deposits .....	<i>(i)</i>	132,238	132,238	—
Short-term investment securities .....	<i>(ii)</i>	133,788	133,788	—
Leases and guarantee deposits .....	<i>(iii)</i>	42,883	42,073	(809)
Liabilities:				
Notes and accounts payable — trade .....	<i>(iv)</i>	(71,142)	(71,142)	—
Income taxes payable .....	<i>(v)</i>	(27,738)	(27,738)	—
Derivative transactions**:		(22,625)	(22,625)	—
Derivative transactions of which hedge accounting is not applied .....		(144)	(144)	—
Derivative transactions of which hedge accounting is applied .....		<u>(22,481)</u>	<u>(22,481)</u>	<u>—</u>

## AS AT 31 AUGUST 2013

	Notes	Carrying amounts	Fair values	Differences
(Millions of yen)				
Assets:				
Cash and deposits . . . . .	(i)	147,429	147,429	—
Short-term investment securities . . . . .	(ii)	148,215	148,215	—
Leases and guarantee deposits . . . . .	(iii)	47,997	47,057	(939)
Liabilities:				
Notes and accounts payable — trade . . . . .	(iv)	(121,951)	(121,951)	—
Income taxes payable . . . . .	(v)	(26,005)	(26,005)	—
Derivative transactions**:		113,641	113,641	—
Derivative transactions of which hedge accounting is not applied . . . . .		(369)	(369)	—
Derivative transactions of which hedge accounting is applied . . . . .		114,011	114,011	—

\* The balances recorded under liabilities are shown in parenthesis.

\*\* Net receivables and payables arising from derivative transactions are presented on a net basis and net liability positions are shown in parenthesis.

*Note 1:* Method used in estimating the fair value of financial instruments and other matters related to short-term investment securities and derivative transactions

(i) Cash and deposits

Since these items are settled in a short period of time, their carrying amounts approximate the fair values.

(ii) Short-term investment securities

The fair values of short-term equity investment securities are based on quoted market prices.

The fair values of MMFs and negotiable deposits approximate to their carrying amounts due to the short term maturities.

(iii) Leases and guarantee deposits

Given that lease and guarantee deposits are considered redeemable after a fixed period, their fair values are calculated at present values discounted across the period to maturity at the government bond interest rate closest to the maturity date.

(iv) Notes and accounts payable—trade, and (v) Income taxes payable

The fair values of these financial instruments approximate to their carrying amounts due to the short term maturities.

Derivative transactions:

Please refer to "Derivative transactions" below.

Note 2: Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates:

### AS AT 31 AUGUST 2011

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits .....	62,811	—	—	—
Short-term investment securities .....	137,728	—	—	—
Total .....	<u>200,540</u>	<u>—</u>	<u>—</u>	<u>—</u>

### AS AT 31 AUGUST 2012

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits .....	130,489	—	—	—
Short-term investment securities .....	133,788	—	—	—
Total .....	<u>264,277</u>	<u>—</u>	<u>—</u>	<u>—</u>

### AS AT 31 AUGUST 2013

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits .....	144,735	—	—	—
Short-term investment securities .....	148,215	—	—	—
Total .....	<u>292,951</u>	<u>—</u>	<u>—</u>	<u>—</u>

## XV. AVAILABLE-FOR-SALE SECURITIES

## AS AT 31 AUGUST 2011

## 1. Available-for-sale securities

Types of securities	Carrying amounts	Acquisition costs	Differences
	(Millions of yen)		
Securities whose carrying amounts exceed their acquisition costs:			
(a) Equity securities .....	—	—	—
(b) Others .....	313	305	7
Subtotal .....	313	305	7
Securities whose carrying amounts do not exceed their acquisition costs:			
(a) Equity securities .....	196	313	(116)
(b) Others .....	137,463	138,110	(647)
Subtotal .....	137,660	138,424	(763)
Total .....	137,973	138,729	(756)

*Note:* As at 31 August 2011, certain unlisted equity securities without quoted price at carrying amount of ¥284 million are stated at costs less impairment losses and excluded from the table above, as the Group is of the opinion that their fair values cannot be reliably measured.

## 2. Available-for-sale securities sold during the year ended 31 August 2011:

Types of securities	Sales proceeds	Total gains	Total losses
	(Millions of yen)		
(a) Equity securities .....	281	—	(37)
(b) Others .....	—	—	—
Total .....	281	—	(37)

## 3. Securities for which an impairment losses were recognised

Not applicable.

## AS AT 31 AUGUST 2012

## 1. Available-for-sale securities

Types of securities	Carrying amounts	Acquisition costs	Differences
	(Millions of yen)		
Securities whose carrying amounts exceed their acquisition costs:			
(a) Equity securities . . . . .	—	—	—
(b) Others . . . . .	—	—	—
Subtotal . . . . .	—	—	—
Securities whose carrying amounts do not exceed their acquisition costs:			
(a) Equity securities . . . . .	147	149	(2)
(b) Others . . . . .	133,830	134,440	(609)
Subtotal . . . . .	133,977	134,589	(612)
Total . . . . .	133,977	134,589	(612)

Note: As at 31 August 2012, certain unlisted equity securities without quoted price at carrying amount of ¥165 million are stated at costs less impairment losses and excluded from the table above, as the Group is of the opinion that their fair values cannot be reliably measured.

## 2. Available-for-sale securities sold during the year ended 31 August 2012:

Types of securities	Sales proceeds	Total gains	Total losses
	(Millions of yen)		
(a) Equity securities . . . . .	3	—	(2)
(b) Others . . . . .	—	—	—
Total . . . . .	3	—	(2)

## 3. Securities of which impairment losses were recognised

For the year ended 31 August 2012, impairment losses amounted to ¥281 million were recognised for equity securities included in available-for-sale securities.

## AS AT 31 AUGUST 2013

## 1. Available-for-sale securities

Types of securities	Carrying amounts	Acquisition costs	Differences
	(Millions of yen)		
Securities whose carrying amounts exceed their acquisition costs:			
(a) Equity securities .....	247	151	96
(b) Others .....	3,548	3,425	123
Subtotal .....	3,795	3,576	219
Securities whose carrying amounts do not exceed their acquisition costs:			
(a) Equity securities .....	—	—	—
(b) Others .....	144,723	144,723	—
Subtotal .....	144,723	144,723	—
Total .....	148,519	148,299	219

*Note:* As at 31 August 2013, certain unlisted equity securities without quoted price at carrying amount of ¥167 million are stated at costs less impairment losses and excluded from the table above, as the Group is of the opinion that their values cannot be reliably measured.

## 2. Available-for-sale securities sold during the year ended 31 August 2013:

Not applicable.

## 3. Securities for which an impairment losses were recognised

Not applicable.

## XVI. DERIVATIVE TRANSACTIONS

## YEAR ENDED 31 AUGUST 2011

## 1. Derivative transactions not accounted for using hedge accounting:

Currency-related derivative transactions

Category/Type	Contract amount	Contract amount mature after one year	Fair value	Valuation gains/ (losses)
	(Millions of yen)			
Over the counter transactions:				
Forward currency contracts:				
Buy:				
United States dollars ("USD") .....	10,304	—	(170)	(170)

*Note:* The fair value represented the quoted prices presented by the financial institutions.



## 2. Derivative transactions accounted for using hedge accounting:

## Currency-related derivative transactions

Hedge accounting method/Type	Major hedged items	Contract amount	Contract amount mature after one year	Fair value
(Millions of yen)				

Forward currency contract rate is applied to hedged items.

Forward currency contracts:

Buy:

USD .....	Accounts payable—trade	546,979	324,210	(59,470)
-----------	------------------------	---------	---------	----------

Note: The fair value represented the quoted prices presented by the financial institutions.

**YEAR ENDED 31 AUGUST 2012**

## 1. Derivative transactions not accounted for using hedge accounting:

## Currency-related derivative transactions

Category/Type	Contract amount	Contract amount mature after one year	Fair value	Valuation gains/ (losses)
(Millions of yen)				

Over the counter transactions:

Forward currency contracts:

Buy:

USD .....	16,776	—	(144)	(144)
-----------	--------	---	-------	-------

Note: The fair value represented the quoted prices presented by the financial institutions.

## 2. Derivative transactions accounted for using hedge accounting:

## Currency-related derivative transactions

Hedge accounting method/Type	Major hedged items	Contract amount	Contract amount due over one year	Fair value
(Millions of yen)				

Forward currency contract rate is applied to hedged items.

Forward currency contracts:

Buy:

USD .....	Accounts payable—trade	619,510	349,719	(22,481)
-----------	------------------------	---------	---------	----------

Note: The fair value represented the quoted prices presented by the financial institutions.

## YEAR ENDED 31 AUGUST 2013

## 1. Derivative transactions not accounted for using hedge accounting:

Currency-related derivative transactions

Category/Type	Contract amount	Contract amount due over one year	Fair value	Valuation gains/ (losses)
(Millions of yen)				
Over the counter transactions:				
Forward currency contracts:				
Buy:				
USD .....	38,828	—	(369)	(369)

Note: The fair value represented the quoted prices presented by the financial institutions.

## 2. Derivative transactions accounted for using hedge accounting:

Currency-related derivative transactions

Hedge accounting method/Type	Major hedged items	Contract amount	Contract amount due over one year	Fair value
(Millions of yen)				
Forward currency contract rate is applied to hedged items.				
Forward currency contracts:				
Buy:				
USD .....	Accounts payable—trade	885,560	548,859	114,020
Euro ("EUR") .....	Accounts payable—trade	893	—	(8)

Note: The fair value represented the quoted prices presented by the financial institutions.

## XVII. RETIREMENT BENEFITS PLANS

## 1. Description of retirement benefit plans

The Group operates both defined contribution and defined benefits pension plans. Certain consolidated subsidiaries in Japan and overseas consolidated subsidiaries have either defined contribution pension plans or defined benefit pension plans.

2. The following table sets forth the funded status of retirement benefit plans:

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Retirement benefit obligations . . . . .	(63)	(64)	(75)
Plan assets at fair value . . . . .	—	—	—
Unfunded retirement benefit obligations . . . . .	(63)	(64)	(75)
Unrecognised net retirement benefit obligation at transition . . . . .	—	—	—
Unrecognised actuarial gain or loss . . . . .	—	—	—
Unrecognised prior service cost . . . . .	—	—	—
Accrued retirement and severance obligations . . . . .	(63)	(64)	(75)

*Note:* Certain consolidated subsidiaries adopt a simplified method in the calculation of their retirement benefit obligations.

3. The components of net retirement benefit expenses are as follows:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Retirement benefit expenses . . . . .	354	374	699
Service cost . . . . .	18	0	8
Interest cost . . . . .	—	—	—
Expected return on plan assets . . . . .	—	—	—
Amortisation of net retirement benefit obligation at transition . . . . .	—	—	—
Amortisation of actuarial gain or loss . . . . .	—	—	—
Amortisation of prior service cost . . . . .	—	—	—
Defined contribution pension costs . . . . .	335	374	691

- Notes:*
- Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost" in the table above.
  - In addition to the above retirement benefit expenses, severance benefits amounted to ¥192 million, ¥15 million and Nil are incurred during the year ended 31 August 2011, 2012 and 2013 respectively.

## XVIII. DEFERRED TAXES

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

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Deferred tax assets:			
Accrued business tax	932	1,967	2,123
Allowance for bonuses	2,147	2,203	2,707
Operating losses carried forward	14,617	7,348	9,239
Provision of allowance for doubtful accounts	100	104	288
Impairment losses on non-current assets	998	130	2,123
Unrealised losses on available-for-sale securities	6,697	5,822	2,509
Depreciation expenses	4,181	4,068	5,705
Deferred losses on hedges	23,888	8,840	—
Others	8,219	11,562	16,593
Subtotal	61,784	42,049	41,291
Valuation allowance	(21,798)	(17,984)	(15,264)
Total deferred tax assets	39,985	24,064	26,026
Deferred tax liabilities:			
Temporary differences on shares of subsidiaries	(2,503)	(2,190)	(2,203)
Accelerated depreciation	—	(2,136)	(2,645)
Deferred gains on hedges	—	—	(42,951)
Intangible assets	—	—	(8,344)
Others	(1,023)	(1,278)	(5,248)
Total deferred tax liabilities	(3,526)	(5,606)	(61,392)
Net deferred tax assets/(liabilities)	36,458	18,458	(35,365)

Note: Net deferred tax assets as at 31 August 2011, 2012 and 2013 are reflected in the following accounts of the consolidated balance sheets.

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Current assets — deferred tax assets	31,802	16,987	4,002
Non-current assets — deferred tax assets	7,417	4,057	9,498
Current liabilities — deferred tax liabilities	(131)	(33)	(38,494)
Non-current liabilities — deferred tax liabilities	(2,630)	(2,553)	(10,371)

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

**YEARS ENDED 31 AUGUST 2011 AND 2012**

The reconciliation between the effective income tax rates reflected in the consolidated financial statements and the statutory income tax rates is omitted because the difference is less than 5% of statutory income tax rates.

**YEAR ENDED 31 AUGUST 2013**

	<u>As at 31 August</u>
	<u>2013</u>
Statutory income tax rate . . . . .	38.0%
(Adjustments)	
Decrease in valuation allowance . . . . .	(2.5)
Amortisation of goodwill . . . . .	1.4
Difference in applicable tax rate of subsidiaries . . . . .	(2.6)
Others . . . . .	<u>(0.2)</u>
Effective tax rates after applying tax effect accounting . . . . .	<u><u>34.1</u></u>

3. The “Law for the Partial Revision of Income Tax Law et al. to Develop Taxation System in Response to Structural Changes of Economies and Societies” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on 2 December 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to statutory income taxes effective from year beginning 1 September 2012.

As a result, the effective income tax rate used to measure the Group’s deferred tax assets and liabilities were changed from 40.5% to 38.0% for the temporary differences expected to be realised or settled in the years from 1 September 2012 to 31 August 2015, and to 35.4% for temporary differences expected to be realised or settled during or after the year beginning 1 September 2015.

As a result, “Deferred tax assets, net” decreased by ¥1,254 million and “Income taxes-deferred,” “Unrealised gains/(losses) on available-for-sale securities” and “Deferred gains/(losses) on hedges” increased by ¥627 million, ¥0 million and ¥627 million for the year ended 31 August 2012, respectively.

In addition, as the rule of unused tax losses carried forward was amended, the deductible amount has been limited to 80% of the taxable income before deduction of unused tax losses carried forward from the year beginning 1 September 2012. As a result, “Deferred tax assets” decreased by ¥315 million while “Income taxes-deferred” increased by ¥315 million for the year ended 31 August 2012, respectively.

**XIX. ASSET RETIREMENT OBLIGATIONS**

Asset retirement obligations recorded in the consolidated balance sheets

## 1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore assets to their original states, etc. related to real estate lease agreements of the head office, other office buildings, and retail stores.

## 2. Method of calculating the total balance of asset retirement obligations

The Group estimated the period of potential use of assets (primarily 6 years) since the date of acquisition and used a discount rate (primarily 0.37%) when calculating total asset retirement obligations.

## 3. Changes in total asset retirement obligations

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Balance at the beginning of year ( <i>Note</i> ) . . . . .	5,190	5,722	6,196
Increase due to purchases of property, plant and equipment . . . . .	787	682	1,679
Accretion expense . . . . .	24	26	87
Decrease due to settlement of asset retirement obligations . . . . .	(288)	(205)	(226)
Others . . . . .	9	(29)	444
	<u>5,722</u>	<u>6,196</u>	<u>8,182</u>
Balance at the end of year . . . . .	<u>5,722</u>	<u>6,196</u>	<u>8,182</u>

*Note:* Beginning balance for the year ended 31 August 2011 represented the amount due to the adoption of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on 31 March 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on 31 March 2008).

**XX. SEGMENT INFORMATION**

## 1. Segment information

## (a) Overview of reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

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

The main operations and products covered by each reportable segment are as follows:

UNIQLO Japan: UNIQLO operations in Japan (clothing)

UNIQLO International: UNIQLO overseas operations (clothing)

Global Brands: Theory, Comptoir des Cotonniers, Princesse tam.tam, GU and J Brand operations (clothing)

- (b) Calculation method for net sales, income or loss, assets, liabilities and other items by reportable segments

Accounting policies adopted by the reportable segments are the same as those described in "Summary of significant accounting policies". Income figures for each business segment correspond to operating income.

The Group does not assign assets and liabilities to individual reportable segment.

- (c) Information about net sales, income or loss, assets, liabilities and other items by reportable segments are as follows:

#### YEAR ENDED 31 AUGUST 2011

	Reportable segments				Others	Adjustments	Consolidated Statements of Income
	UNIQLO Japan	UNIQLO International	Global Brands	Total			
					(Note 1)	(Note 2)	(Note 3)
	(Millions of yen)						
Net sales . . . .	600,148	93,717	124,065	817,931	2,417	—	820,349
Segment income . . . .	106,217	8,952	8,789	123,959	49	(7,643)	116,365
Other item: Depreciation	6,201	2,234	2,413	10,849	162	3,692	14,704

*Notes:*

- "Others" include real estate leasing business, etc.
- "Adjustments" include amortisation of goodwill amounted to ¥6,596 million (unamortised balance of goodwill: ¥21,648 million) which has not been allocated to individual reportable segment.
- Total segment income is adjusted to reconcile with the operating income of the Consolidated Statements of Income.

#### YEAR ENDED 31 AUGUST 2012

	Reportable segments				Others	Adjustments	Consolidated Statements of Income
	UNIQLO Japan	UNIQLO International	Global Brands	Total			
					(Note 2)	(Note 3)	(Note 4)
	(Millions of yen)						
Net sales . . . .	620,063	153,176	153,031	926,271	2,397	—	928,669
Segment income . . . .	102,347	10,999	14,539	127,886	123	(1,559)	126,450
Other item: Depreciation	7,109	4,579	2,595	14,284	166	4,122	18,573

*Notes:*

- Cabin business which had been included in the segment of Global Brands in previous years is not included in the year ended 31 August 2012 because the business was discontinued in February 2011.
- "Others" include real estate leasing business, etc.
- "Adjustments" include amortisation of goodwill amounted to ¥5,664 million (unamortised balance of goodwill: ¥15,992 million) which has not been allocated to individual reportable segment.
- Total segment income is adjusted to reconcile with the operating income of the Consolidated Statements of Income.

## YEAR ENDED 31 AUGUST 2013

	Reportable segments						Consolidated Statements of Income (Note 4)
	UNIQLO Japan	UNIQLO International	Global Brands (Note 1)	Total	Others (Note 2)	Adjustments (Note 3)	
	(Millions of yen)						
Net sales . . .	683,314	251,191	206,234	1,140,740	2,263	—	1,143,003
Segment income . . .	96,852	18,350	17,463	132,667	99	153	132,920
Other item: Depreciation	6,975	7,601	4,062	18,640	176	4,875	23,691

## Notes:

- J Brand business (distribution of J Brand's clothing), which the Group acquired during the year ended 31 August 2013 is included in the segment of Global Brands.
- "Others" include real estate leasing business, etc.
- "Adjustments" include amortisation of goodwill amounted to ¥5,297 million (unamortised balance of goodwill: ¥31,691 million) which has not been allocated to individual reportable segment.
- Total segment income is adjusted to reconcile with the operating income of the Consolidated Statements of Income.

## 2. Related information

## YEAR ENDED 31 AUGUST 2011

## (a) Information by product and service

Information by product and service is not presented since sales to external customers of clothing business exceeds 90% of the Group's net sales in the Consolidated Statements of Income.

## (b) Geographical information

## (1) Net sales

Japan	Overseas	Total
(Millions of yen)		
669,040	151,308	820,349

Note: Net sales is based on the location of customers and classified by country or region.

## (2) Property, plant and equipment

Japan	USA	Others	Total
(Millions of yen)			
36,690	7,708	13,618	58,016



## (c) Information by major customer

Information by major customer is not presented because there is no external customer who accounts for 10% or more of the Group's net sales in the Consolidated Statements of Income.

**YEAR ENDED 31 AUGUST 2012**

## (a) Information by product and service

Information by product and service is not presented since sales to external customers of clothing business exceeds 90% of the Group's net sales in the Consolidated Statements of Income.

## (b) Geographical information

## (1) Net sales

<u>Japan</u>	<u>Overseas</u>	<u>Total</u>
(Millions of yen)		
<u>716,625</u>	<u>212,043</u>	<u>928,669</u>

*Note:* Net sales is based on the location of customers and classified by country or region.

## (2) Property, plant and equipment

<u>Japan</u>	<u>China</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
(Millions of yen)				
<u>37,281</u>	<u>8,034</u>	<u>10,532</u>	<u>13,374</u>	<u>69,222</u>

## (c) Information by major customer

Information by major customer is not presented because there is no external customer who accounts for 10% or more of the Group's net sales in the Consolidated Statements of Income.

**YEAR ENDED 31 AUGUST 2013**

## (a) Information by product and service

Information by product and service is not presented since sales to external customers of clothing business exceeds 90% of the Group's net sales in Consolidated Statements of Income.

## (b) Geographical information

## (1) Net sales

<u>Japan</u>	<u>Overseas</u>	<u>Total</u>
(Millions of yen)		
<u>810,040</u>	<u>332,963</u>	<u>1,143,003</u>

*Note:* Net sales is based on the location of customers and classified by country or region.

## (2) Property, plant and equipment

<u>Japan</u>	<u>China</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
(Millions of yen)				
<u>40,172</u>	<u>15,040</u>	<u>10,671</u>	<u>24,521</u>	<u>90,405</u>

## (c) Information by major customer

Information by major customer is not presented because there is no external customer who accounts for 10% or more of the Group's net sales in the Consolidated Statements of Income.

## 3. Information about impairment losses on non-current assets by reportable segments

**YEAR ENDED 31 AUGUST 2011**

	<u>Reportable segments</u>						<u>Consolidated</u>
	<u>UNIQLO Japan</u>	<u>UNIQLO International</u>	<u>Global Brands</u>	<u>Total</u>	<u>Others</u>	<u>Elimination</u>	
					(Note 1)	(Note 2)	
	(Millions of yen)						
Impairment losses . . . . .	<u>6</u>	<u>194</u>	<u>54</u>	<u>255</u>	<u>—</u>	<u>577</u>	<u>832</u>

*Notes:*

1. "Others" include real estate leasing business, etc.
2. "Elimination" includes impairment losses on unamortised balance of goodwill related to certain consolidated subsidiaries due to the decline of profitability.

**YEAR ENDED 31 AUGUST 2012**

	<u>Reportable segments</u>						<u>Consolidated</u>
	<u>UNIQLO Japan</u>	<u>UNIQLO International</u>	<u>Global Brands</u>	<u>Total</u>	<u>Others</u>	<u>Elimination</u>	
					(Note 1)		
	(Millions of yen)						
Impairment losses . . . . .	<u>—</u>	<u>—</u>	<u>116</u>	<u>116</u>	<u>—</u>	<u>—</u>	<u>116</u>

*Note:*

1. "Others" include real estate leasing business, etc.

## YEAR ENDED 31 AUGUST 2013

	Reportable segments			Total	Others (Note 1)	Elimination	Consolidated
	UNIQLO Japan	UNIQLO International	Global Brands				
Impairment losses . . .	805	4,212	50	5,068	—	—	5,068

(Millions of yen)

Note:

1. "Others" include real estate leasing business, etc.

4. Information about amortisation and unamortised balance of goodwill by reportable segments

## YEARS ENDED 31 AUGUST 2011, 2012 AND 2013

Please refer to disclosures in "Segment information".

5. Information about gain on negative goodwill by reportable segments

## YEARS ENDED 31 AUGUST 2011, 2012 AND 2013

Not applicable.

## XXI. RELATED PARTY INFORMATION

## YEARS ENDED 31 AUGUST 2011 AND 2012

Not applicable.

## YEAR ENDED 31 AUGUST 2013

Transactions with directors and major individual shareholders of the Company (including entities controlled by them).

Type	Name	Address	Capital (Millions of yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (Millions of yen)	Balance Account (Millions of yen)
Non-executive Director	Toru Murayama	—	—	Non- executive Director	(Ownership by the related party) Direct 0.00	Outsourcing	The consulting agreement and advisory agreement about personnel training	11	Other current liabilities

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.

## XXII. STOCK OPTIONS

1. The amount recognised as expenses and the account related to stock options

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Selling, general and administrative expenses .....	853	707	723

2. Description of stock options, number and changes in stock options

## YEAR ENDED 31 AUGUST 2011

- (a) Description of stock options

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 7 Employees of the Company's subsidiaries: 3	The Company's employees: 266 Employees of the Company's subsidiaries: 413
Number of stock options by type of shares ( <i>Note</i> )	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

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

## (b) Changes in number of stock options

The following describes changes in the number of stock options that existed as at 31 August 2011. The number of stock options is equivalent to the number of shares.

## (i) Number of stock options

	1st Share subscription rights A type	1st Share subscription rights B type
Share subscription rights not yet vested:		
As at 31 August 2010 .....	—	—
Granted .....	3,370	77,542
Forfeited .....	1,010	33
Vested .....	—	77,509
	<u>2,360</u>	<u>—</u>
Share subscription rights which have already been vested:		
As at 31 August 2010 .....	—	—
Vested .....	—	77,509
Exercised .....	—	31,387
Forfeited .....	—	—
	<u>—</u>	<u>—</u>
Balance of options not exercised .....	<u>—</u>	<u>46,122</u>

## (ii) Unit price information

	1st Share subscription rights A type	1st Share subscription rights B type
Exercise price (Yen) .....	1	1
Average stock price on the date of execution (Yen) .....	—	12,639
Fair value on the grant date (Yen) .....	<u>10,623</u>	<u>10,924</u>

## YEAR ENDED 31 AUGUST 2012

## (a) Description of stock options

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 7 Employees of the Company's subsidiaries: 3	The Company's employees: 266 Employees of the Company's subsidiaries: 413
Number of stock options by type of shares ( <i>Note</i> )	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
	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 14 Employees of the Company's subsidiaries: 4	The Company's employees: 139 Employees of the Company's subsidiaries: 584
Number of stock options by type of shares ( <i>Note</i> )	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

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

## (b) Changes in number of stock options

The following describes changes in the number of stock options that existed as at 31 August 2012. The number of stock options is equivalent to the number of shares.

## (i) Number of stock options

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Share subscription rights not yet vested:		
As at 31 August 2011 .....	2,360	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
	<hr/>	<hr/>
Balance of non-vested options .....	2,360	—
Share subscription rights which have already been vested:		
As at 31 August 2011 .....	—	46,122
Vested .....	—	—
Exercised .....	—	15,125
Forfeited .....	—	133
	<hr/>	<hr/>
Balance of options not exercised .....	—	30,864
	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Share subscription rights not yet vested:		
As at 31 August 2011 .....	—	—
Granted .....	13,894	51,422
Forfeited .....	—	57
Vested .....	—	51,365
	<hr/>	<hr/>
Balance of non-vested options .....	13,894	—
Share subscription rights which have already been vested:		
As at 31 August 2011 .....	—	—
Vested .....	—	51,365
Exercised .....	—	23,384
Forfeited .....	—	76
	<hr/>	<hr/>
Balance of options not exercised .....	—	27,905

## (ii) Unit price information

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Exercise price (Yen) . . . . .	1	1
Average stock price on the date of exercise (Yen) . . . . .	—	14,966
Fair value on the grant date (Yen) . . . . .	<u>10,623</u>	<u>10,924</u>
	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Exercise price (Yen) . . . . .	1	1
Average stock price on the date of exercise (Yen) . . . . .	—	15,334
Fair value on the grant date (Yen) . . . . .	<u>12,498</u>	<u>12,741</u>

**YEAR ENDED 31 AUGUST 2013**

## (a) Description of stock options

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 7 Employees of the Company's subsidiaries: 3	The Company's employees: 266 Employees of the Company's subsidiaries: 413
Number of stock options by type of shares ( <i>Note</i> )	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



	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 14 Employees of the Company's subsidiaries: 4	The Company's employees: 139 Employees of the Company's subsidiaries: 584
Number of stock options by type of shares ( <i>Note</i> )	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
	<u>3rd Share subscription rights A type</u>	<u>3rd Share subscription rights B type</u>
Category and number of grantee	The Company's employees: 18 Employees of the Company's subsidiaries: 8	The Company's employees: 136 Employees of the Company's subsidiaries: 615
Number of stock options by type of shares ( <i>Note</i> )	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

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

## (b) Changes in number of stock options

The following describes changes in the number of stock options that existed as at 31 August 2013. The number of stock options is equivalent to the number of shares.

## (i) Number of stock options

	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Share subscription rights not yet vested:		
As at 31 August 2012 .....	2,360	—
Granted .....	—	—
Forfeited .....	—	—
Vested .....	—	—
	<hr/>	<hr/>
Balance of non-vested options .....	2,360	—
Share subscription rights which have already been vested:		
As at 31 August 2012 .....	—	30,864
Vested .....	—	—
Exercised .....	—	10,723
Forfeited .....	—	—
	<hr/>	<hr/>
Balance of options not exercised .....	—	20,141
	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Share subscription rights not yet vested:		
As at 31 August 2012 .....	13,894	—
Granted .....	—	—
Forfeited .....	749	—
Vested .....	—	—
	<hr/>	<hr/>
Balance of non-vested options .....	13,145	—
Share subscription rights which have already been vested:		
As at 31 August 2012 .....	—	27,905
Vested .....	—	—
Exercised .....	—	10,638
Forfeited .....	—	28
	<hr/>	<hr/>
Balance of options not exercised .....	—	17,239

	<u>3rd Share subscription rights A type</u>	<u>3rd Share subscription rights B type</u>
Share subscription rights not yet vested:		
As at 31 August 2012 .....	—	—
Granted .....	10,793	39,673
Forfeited .....	602	—
Vested .....	<u>—</u>	<u>39,673</u>
Balance of non-vested options .....	<u>10,191</u>	<u>—</u>
Share subscription rights which have already been vested:		
As at 31 August 2012 .....	—	—
Vested .....	—	39,673
Exercised .....	—	21,244
Forfeited .....	<u>—</u>	<u>—</u>
Balance of options not exercised .....	<u>—</u>	<u>18,429</u>
 (ii) Unit price information		
	<u>1st Share subscription rights A type</u>	<u>1st Share subscription rights B type</u>
Exercise price (Yen) .....	1	1
Average stock price on the date of exercise (Yen) .....	—	26,099
Fair value on the grant date (Yen) .....	<u>10,623</u>	<u>10,924</u>
	<u>2nd Share subscription rights A type</u>	<u>2nd Share subscription rights B type</u>
Exercise price (Yen) .....	1	1
Average stock price on the date of exercise (Yen) .....	—	24,813
Fair value on the grant date (Yen) .....	<u>12,498</u>	<u>12,741</u>
	<u>3rd Share subscription rights A type</u>	<u>3rd Share subscription rights B type</u>
Exercise price (Yen) .....	1	1
Average stock price on the date of exercise (Yen) .....	—	25,631
Fair value on the grant date (Yen) .....	<u>15,221</u>	<u>15,568</u>

## 3. Method of estimating the fair value of stock options

**YEAR ENDED 31 AUGUST 2011**

Method of estimating the fair value of the 1st Share subscription rights A type and the 1st Share subscription rights B type granted during the year ended 31 August 2011 is as follows:

- (1) Estimation model: Black-Scholes model
- (2) The following table lists the inputs to the model used:

	1st Share subscription rights A type	1st Share subscription rights B type
Stock price volatility ( <i>Note 1</i> ) . . . . .	37%	36%
Expected life of options ( <i>Note 2</i> ) . . . . .	6.5 years	5.04 years
Expected dividends ( <i>Note 3</i> ) . . . . .	¥230 per share	¥230 per share
Risk-free interest rate ( <i>Note 4</i> ) . . . . .	0.4345%	0.301%

*Notes:*

1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2004 to November 2010) and 5.04 years for B type (from November 2005 to November 2010).
2. Expected life of options is estimated to be the reasonable period from the grant date to the date of execution.
3. Expected dividends are the actual dividends for the year ended 31 August 2010.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected remaining period.

**YEAR ENDED 31 AUGUST 2012**

Method of estimating the fair unit price of the 2nd Share subscription rights A type and the 2nd Share subscription rights B type granted during the year ended 31 August 2012 is as follows:

- (1) Estimation method: Black-Scholes model
- (2) The following table lists the inputs to the model used:

	2nd Share subscription rights A type	2nd Share subscription rights B type
Stock price volatility ( <i>Note 1</i> ) . . . . .	39%	38%
Expected life of options ( <i>Note 2</i> ) . . . . .	6.5 years	5.04 years
Expected dividends ( <i>Note 3</i> ) . . . . .	¥180 per share	¥180 per share
Risk-free interest rate ( <i>Note 4</i> ) . . . . .	0.561%	0.396%

*Notes:*

1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2005 to November 2011) and 5.04 years for B type (from November 2006 to November 2011).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are the actual dividends for the year ended 31 August 2011.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected remaining period.

**YEAR ENDED 31 AUGUST 2013**

Method of estimating the fair unit price of the 3rd Share subscription rights A type and the 3rd Share subscription rights B type granted during the year ended 31 August 2013 is as follows:

- (1) Estimation method: Black-Scholes model
- (2) The following table lists the inputs to the model used:

	3rd Share subscription rights A type	3rd Share subscription rights B type
Stock price volatility ( <i>Note 1</i> ) . . . . .	36%	36%
Expected life of options ( <i>Note 2</i> ) . . . . .	6.5 years	5.04 years
Expected dividends ( <i>Note 3</i> ) . . . . .	¥260 per share	¥260 per share
Risk-free interest rate ( <i>Note 4</i> ) . . . . .	0.352%	0.203%

*Notes:*

1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2006 to November 2012) and 5.04 years for B type (from November 2007 to November 2012).
  2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
  3. Expected dividends are the actual dividends for the year ended 31 August 2012.
  4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected remaining period.
4. 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.

**XXIII. BUSINESS COMBINATIONS**

For the year ended 31 August 2013 were as follows:

**Acquisition**

1. Names and line of business of companies acquired, purpose for acquisition, date of acquisition, legal form of share purchase, name of the companies after acquisition, acquired voting rights, and main reason for determining the acquiring company
  - (1) Name and lines of business of the companies acquired
 

Name: J Brand Holdings, LLC and its wholly-owned subsidiaries — JB Intermediate Holdings, Inc. and J Brand, Inc. (collectively, "J Brand")

Line of business: Design and distribution of clothing
  - (2) Purpose for the acquisition
    - To expand the brand portfolio among the affordable luxury apparel category
    - To strengthen the Group's capability to develop denim products by leveraging J Brand's outstanding know-how in the area of premium denim
    - To reinforce the presence of the Group by acquiring a Los Angeles-based apparel brand in the crucial U.S. market

(3) Date of acquisition

20 December 2012

(4) Legal form of share purchase

Shares acquisition in the form of cash

(5) Name of the company after acquisition

J Brand Holdings, LLC, JB Intermediate Holdings, Inc. and J Brand, Inc.

(6) Acquired voting rights

80.76%

(7) Main reason for determining the acquiring company

The subsidiary of the Group acquired the shares in the form of cash consideration and became the acquiring company.

2. Period of the acquired company's results included in the Financial Information

From 21 December 2012 to 31 August 2013

3. The Group has elected to measure the minority-controlling interest in J Brand at the minority interests' proportionate share of J Brand's identifiable net assets.

The fair value of the identifiable assets and liabilities of J Brand (including the minority interests) as at the date of acquisition were as follows:

	(Millions of yen)
Current assets .....	4,673
Non-current assets .....	<u>38,506</u>
Total assets acquired .....	<u><u>43,180</u></u>
Current liabilities .....	1,423
Non-current liabilities .....	<u>8,255</u>
Total liabilities .....	<u><u>9,679</u></u>

4. Details of acquisition cost

	(Millions of yen)
Cash consideration paid for acquisition of shares .....	<u>26,834</u>
Acquisition cost .....	<u><u>26,834</u></u>

5. Amount of goodwill recognised, reasons for recognising goodwill, amortisation method and amortisation period

(1) Amount of goodwill : ¥18,737 million

(2) Reasons for recognising goodwill:

The acquisition cost of the shares of J Brand exceeded the fair value of the net assets of the acquired company at the acquisition date. The corresponding tax effects of assets and liabilities other than goodwill were included.

(3) Amortisation of goodwill and amortisation period:

Amortised on a straight-line basis over an estimated useful life of 10 years.

6. Estimated impact on consolidated statements of income for the year ended 31 August 2013 as if the business combination had taken place at the beginning of year

This information is not applicable due to immateriality.

#### XXIV. PER SHARE INFORMATION

	Year ended 31 August		
	2011	2012	2013
Net assets per share (Yen) . . . . .	3,091.17	3,797.04	5,489.86
Basic net income per share (Yen) . . . . .	533.93	703.62	887.12
Diluted net income per share (Yen) . . . . .	533.66	703.06	886.31

*Note:* The basis for calculation of basic net income per share and diluted net income per share is as follows:

	Year ended 31 August		
	2011	2012	2013
Basic net income per share:			
Net income (Millions of yen) . . . . .	54,354	71,654	90,377
Net income not attributable to common stockholders (Millions of yen) . . . . .	—	—	—
Net income attributable to common stockholders (Millions of yen) . . . . .	54,354	71,654	90,377
Average number of common stock during the year . . . . .	101,799,683	101,836,606	101,877,010
Diluted net income per share: . . . . .			
Adjustment to net income (Millions of yen) . . . . .	—	—	—
Increase in shares of common stock ( <i>Note</i> ) . . . . .	51,803	80,977	92,803
Potential shares excluded from the computation of diluted net income per share, because they do not have dilutive effects . . . . .	—	—	—

*Note:* The number of subscription rights to shares is equivalent to the number of shares.

**XXV. SUBSEQUENT EVENTS****YEAR ENDED 31 AUGUST 2013**

Issue of stock options for a Stock-Linked Compensation Plan (share subscription rights)

The Company decided to issue share subscription rights to employees of the Company and its subsidiaries as stock options for a Stock-Linked Compensation Plan based on Article 236, 238 and 240 of Companies Act of Japan as well as the resolution of the board of directors meeting held on 10 October 2013. The stock options were granted on 3 December 2013. The objective of the issue of share subscription rights was to enhance employees' motivation, strengthen the business development placing high priority on shareholder's interests and increase shareholders' value by compensating for employees' contribution to the group and linking the company's stock price with their interest. Summary of the option is as follows:

## Type A

Date of resolution of the board of directors	10 October 2013
Type of shares to be issued for share subscription rights	Common stock
Number of shares	Maximum 13,500 shares
Amount to be paid upon exercise of share subscription rights (Yen)	The total amount to be paid is determined based on the exercise price of the share subscription rights (1 yen per unit) and the number of the granted shares.
Exercise period of share subscription rights	From 3 December 2016 To 2 December 2023

## Type B

Date of resolution of the board of directors	10 October 2013
Type of shares to be issued for share subscription rights	Common stock
Number of shares	Maximum 30,000 shares
Amount to be paid upon exercise of share subscription rights (Yen)	The total amount to be paid is determined based on the exercise price of the share subscription rights (1 yen per unit) and the number of the granted shares.
Exercise period of share subscription rights	From 3 January 2014 To 2 December 2023



## XXVI. CONSOLIDATED SUPPLEMENTARY SCHEDULES

- Schedule of bonds payable

Not applicable.

- Schedule of loans payable

**AS AT 31 AUGUST 2011**

Categories	Beginning balance	Ending balance	Average interest rate (%)	Maturity
	(Millions of yen)			
Short-term loans payable . . . . .	7,414	3,978	1.00	—
Current portion of long-term loans payable . . .	9,944	3,243	1.63	—
Current portion of lease obligations . . . . .	1,400	2,070	2.80	—
Long-term loans payable (excluding current portion) . . . . .	5,865	13,688	1.67	2012 to 2017
Lease obligations (excluding current portion) . . . . .	4,209	5,282	1.85	2012 to 2016
Other interest-bearing liabilities . . . . .	—	—	—	—
Total . . . . .	<u>28,834</u>	<u>28,263</u>		

*Notes:*

- The average interest rate represents the weighted-average rate applicable to the year-end balance.
- The following table shows the aggregate annual maturities of long-term loans payable (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to 31 August 2011:

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
	(Millions of yen)			
Long-term loans payable . . . . .	3,474	3,281	3,118	3,013
Lease obligations . . . . .	<u>2,062</u>	<u>1,807</u>	<u>1,100</u>	<u>312</u>

## AS AT 31 AUGUST 2012

Categories	Beginning balance	Ending balance	Average interest rate (%)	Maturity
(Millions of yen)				
Short-term loans payable . . . . .	3,978	2,505	2.85	—
Current portion of long-term loans payable . . .	3,243	3,410	1.58	—
Current portion of lease obligations . . . . .	2,070	2,726	2.02	—
Long-term loans payable (excluding current portion) . . . . .	13,688	9,129	1.62	2013 to 2017
Lease obligations (excluding current portion) . . . . .	5,282	5,415	2.08	2013 to 2017
Other interest bearing liabilities . . . . .	—	—	—	—
Total . . . . .	<u>28,263</u>	<u>23,187</u>		

## Notes:

- The average interest rate represents the weighted-average rate applicable to the year-end balance.
- The following table shows the aggregate annual maturities of long-term loans payable (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to 31 August 2012:

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
(Millions of yen)				
Long-term loans payable . . . . .	2,796	2,766	2,766	800
Lease obligations . . . . .	2,450	1,749	971	244

## AS AT 31 AUGUST 2013

Categories	Beginning balance	Ending balance	Average interest rate (%)	Maturity
(Millions of yen)				
Short-term loans payable . . . . .	2,505	1,862	0.64	—
Current portion of long-term loans payable . . .	3,410	3,632	0.98	—
Current portion of lease obligations . . . . .	2,726	3,417	2.00	—
Long-term loans payable (excluding current portion) . . . . .	9,129	21,926	1.55	2014 to 2020
Lease obligations (excluding current portion) . . . . .	5,415	6,420	1.67	2014 to 2018
Other interest-bearing liabilities . . . . .	—	—	—	—
Total . . . . .	<u>23,187</u>	<u>37,259</u>		

## Notes:

- The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. The following table shows the aggregate annual maturities of long-term loans payable (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to 31 August 2013:

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
	(Millions of yen)			
Long-term loans payable .....	4,571	4,571	1,967	2,950
Lease obligations .....	2,735	1,971	1,255	457

3. Schedules of asset retirement obligations are as follows:

#### AS AT 31 AUGUST 2011

	Balance at the beginning of year	Increase	Decrease	Balance at the end of year
	(Millions of yen)			
Obligation to restore assets to their original states, etc. relating to real estate lease agreements of offices and retail stores, etc. ....	—	6,011	288	5,722

Note: "Increase" includes the costs of assets existed at the beginning of year amounted to ¥5,190 million when the accounting standard for asset retirement obligations was adopted.

#### AS AT 31 AUGUST 2012

	Balance at beginning of year	Increase	Decrease	Balance at end of year
	(Millions of yen)			
Obligation to restore assets to their original state, etc. relating to real estate lease agreements on the offices and stores, etc. ....	5,722	708	234	6,196

#### AS AT 31 AUGUST 2013

	Balance at the beginning of year	Increase	Decrease	Balance at the end of year
	(Millions of yen)			
Obligation to restore assets to their original state, etc. relating to real estate lease agreements on the offices and stores, etc. ....	6,196	2,212	226	8,182

## A.2. FINANCIAL INFORMATION FOR THE COMPANY

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

## BALANCE SHEETS

	Notes	As at 31 August		
		2011	2012	2013
		(Millions of yen)		
<b>ASSETS</b>				
Current assets				
Cash and deposits		17,310	48,938	41,589
Trade accounts receivable	VI.1	9,205	11,217	16,448
Short-term investment securities		127,678	123,732	138,156
Deferred tax assets		—	1,663	—
Short-term loans receivable from subsidiaries and affiliates		7,121	9,667	20,922
Income taxes receivable		10,068	10,038	8,458
Accounts receivable from subsidiaries and affiliates		4,345	8,029	9,162
Others		1,998	974	858
Allowance for doubtful accounts		(2,446)	(126)	(2)
Total current assets		<u>175,282</u>	<u>214,135</u>	<u>235,594</u>
Non-current assets				
Property, plant and equipment				
Buildings		5,437	5,487	5,561
Accumulated depreciation	VI.3	(2,367)	(2,901)	(3,437)
Buildings, net		<u>3,069</u>	<u>2,586</u>	<u>2,124</u>
Structures		297	297	298
Accumulated depreciation	VI.3	(188)	(196)	(202)
Structures, net		<u>109</u>	<u>101</u>	<u>95</u>
Tools, furniture and equipment		1,715	1,358	1,366
Accumulated depreciation	VI.3	(1,314)	(1,120)	(1,198)
Tools, furniture and equipment, net		<u>401</u>	<u>237</u>	<u>168</u>
Land		1,158	1,158	1,158
Leased assets		11	14	20
Accumulated depreciation	VI.3	(3)	(6)	(11)
Leased assets, net		<u>7</u>	<u>7</u>	<u>8</u>
Total property, plant and equipment		<u>4,746</u>	<u>4,092</u>	<u>3,555</u>

	Notes	As at 31 August		
		2011	2012	2013
		(Millions of yen)		
Intangible assets				
Software		10,229	9,258	12,549
Software in progress		624	5,211	2,603
Others		128	143	95
		<u>10,982</u>	<u>14,613</u>	<u>15,247</u>
Investments and other assets				
Investment securities		473	306	403
Investments in subsidiaries and affiliates		60,583	70,358	85,561
Investments in capital of subsidiaries and affiliates		5,712	5,712	9,992
Long-term loans receivable from subsidiaries and affiliates		5,754	11,638	18,244
Leases and guarantee deposits		3,645	3,885	3,957
Others		109	136	700
Allowance for doubtful accounts		(1)	(2,289)	(3,146)
		<u>76,279</u>	<u>89,747</u>	<u>115,712</u>
Total non-current assets		<u>92,008</u>	<u>108,453</u>	<u>134,515</u>
Total assets		<u><u>267,290</u></u>	<u><u>322,589</u></u>	<u><u>370,110</u></u>
LIABILITIES				
Current liabilities				
Accounts payable		2,787	2,407	3,728
Accruals		1,186	930	882
Deposits received	VI.1	8,202	29,489	22,876
Allowance for bonuses		663	750	827
Others		687	612	1,992
		<u>13,527</u>	<u>34,190</u>	<u>30,308</u>
Non-current liabilities				
Guarantee deposits received		1,174	1,148	1,109
Deferred tax liabilities		2,630	2,426	2,440
Others		516	509	497
		<u>4,322</u>	<u>4,085</u>	<u>4,047</u>
Total liabilities		<u>17,849</u>	<u>38,275</u>	<u>34,356</u>

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
NET ASSETS			
Stockholders' equity			
Capital stock . . . . .	10,273	10,273	10,273
Capital surplus			
Capital reserve . . . . .	4,578	4,578	4,578
Other capital surplus . . . . .	644	962	1,384
Total capital surplus . . . . .	<u>5,223</u>	<u>5,541</u>	<u>5,963</u>
Retained earnings			
Legal reserve . . . . .	818	818	818
Other retained earnings			
Special reserve fund . . . . .	185,100	185,100	185,100
Retained earnings carried forward . . . . .	<u>80,199</u>	<u>114,262</u>	<u>155,534</u>
Total retained earnings . . . . .	<u>266,117</u>	<u>300,180</u>	<u>341,452</u>
Treasury stock . . . . .	<u>(16,144)</u>	<u>(16,003)</u>	<u>(15,851)</u>
Total stockholders' equity . . . . .	<u>265,471</u>	<u>299,992</u>	<u>341,838</u>
Valuation and translation adjustments			
Unrealised gains/(losses) on available-for-sale securities . . . . .	<u>(16,540)</u>	<u>(16,433)</u>	<u>(6,980)</u>
Total valuation and translation adjustments . . . . .	<u>(16,540)</u>	<u>(16,433)</u>	<u>(6,980)</u>
Subscription rights to shares . . . . .	<u>510</u>	<u>755</u>	<u>896</u>
Total net assets . . . . .	<u>249,441</u>	<u>284,314</u>	<u>335,754</u>
Total liabilities and net assets . . . . .	<u>267,290</u>	<u>322,589</u>	<u>370,110</u>

## STATEMENTS OF INCOME

	Notes	Year ended 31 August		
		2011	2012	2013
		(Millions of yen)		
Operating revenue				
Management income from operating companies	VII.1	22,595	27,986	32,512
Dividend income from subsidiaries and affiliates	VII.1	50,092	50,468	59,057
Total operating revenue		72,687	78,454	91,570
Operating expenses				
Selling, general and administrative expenses				
Salaries		2,397	2,420	2,822
Bonuses		466	497	448
Allowance for bonuses		663	750	827
Rental expenses		3,519	3,712	3,775
Depreciation		3,148	3,570	4,109
Outsourcing expenses		6,598	5,833	6,420
Others		6,076	5,849	6,761
Total operating expenses		22,870	22,634	25,165
Operating income		49,817	55,820	66,404
Non-operating income				
Interest income		3	4	34
Interest income from investment securities		173	220	148
Penalty income		436	—	—
Foreign exchange gains		—	—	9,904
Others		94	105	151
Total non-operating income		707	330	10,239
Non-operating expenses				
Interest expenses		25	37	39
Foreign exchange losses		548	825	—
Others		61	305	35
Total non-operating expenses		635	1,169	74
Ordinary income		49,889	54,982	76,569
Extraordinary losses				
Losses on retirement of non-current assets	VII.2	50	335	58
Impairment losses of investment securities		—	281	—
Impairment losses of investments in subsidiaries and affiliates		1,375	—	—
Allowance for doubtful accounts		198	—	857
Non-recurring depreciation on non-current assets		92	—	—
Impact of the adoption of accounting standard for asset retirement obligations		69	—	—
Others		40	—	—
Total extraordinary losses		1,826	616	916
Income before income taxes		48,062	54,365	75,653
Income taxes-current		152	276	5,233
Income taxes-deferred		127	(1,867)	1,643
Total income taxes		279	(1,591)	6,877
Net income		47,783	55,956	68,776

## STATEMENTS OF CHANGES IN NET ASSETS

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Stockholders' equity			
Capital stock			
Balance at the beginning of year	10,273	10,273	10,273
Changes during the year			
Net changes during the year	—	—	—
Balance at the end of year	10,273	10,273	10,273
Capital surplus			
Capital reserve			
Balance at the beginning of year	4,578	4,578	4,578
Changes during the year			
Net changes during the year	—	—	—
Balance at the end of year	4,578	4,578	4,578
Other capital surplus			
Balance at the beginning of year	421	644	962
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Disposal of treasury stock	0	—	—
Net changes during the year	223	317	421
Balance at the end of year	644	962	1,384
Total capital surplus			
Balance at the beginning of year	5,000	5,223	5,541
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Disposal of treasury stock	0	—	—
Net changes during the year	223	317	421
Balance at the end of year	5,223	5,541	5,963
Retained earnings			
Legal reserve			
Balance at the beginning of year	818	818	818
Changes during the year			
Net changes during the year	—	—	—
Balance at the end of year	818	818	818
Other retained earnings			
Special reserve fund			
Balance at the beginning of year	185,100	185,100	185,100
Changes during the year			
Net changes during the year	—	—	—
Balance at the end of year	185,100	185,100	185,100



	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Retained earnings carried forward			
Balance at the beginning of year	53,792	80,199	114,262
Changes during the year			
Dividends	(21,376)	(21,893)	(27,504)
Net income	47,783	55,956	68,776
Net changes during the year	26,406	34,062	41,271
Balance at the end of year	80,199	114,262	155,534
Total retained earnings			
Balance at the beginning of year	239,711	266,117	300,180
Changes during the year			
Dividends	(21,376)	(21,893)	(27,504)
Net income	47,783	55,956	68,776
Net changes during the year	26,406	34,062	41,271
Balance at the end of year	266,117	300,180	341,452
Treasury stock			
Balance at the beginning of year	(16,260)	(16,144)	(16,003)
Changes during the year			
Purchase of treasury stock	(2)	(5)	(9)
Disposal of treasury stock	118	146	161
Net changes during the year	116	140	152
Balance at the end of year	(16,144)	(16,003)	(15,851)
Total stockholders' equity			
Balance at the beginning of year	238,725	265,471	299,992
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Dividends	(21,376)	(21,893)	(27,504)
Net income	47,783	55,956	68,776
Purchase of treasury stock	(2)	(5)	(9)
Disposal of treasury stock	118	146	161
Net changes during the year	26,746	34,521	41,845
Balance at the end of year	265,471	299,992	341,838

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Valuation and translation adjustments			
Unrealised gains/(losses) on available-for-sale securities			
Balance at the beginning of year	(13,916)	(16,540)	(16,433)
Changes during the year			
Net changes of items other than those in stockholders' equity	(2,624)	106	9,453
Net changes during the year	(2,624)	106	9,453
Balance at the end of year	(16,540)	(16,433)	(6,980)
Total valuation and translation adjustments			
Balance at the beginning of year	(13,916)	(16,540)	(16,433)
Changes during the year			
Net changes of items other than those in stockholders' equity	(2,624)	106	9,453
Net changes during the year	(2,624)	106	9,453
Balance at the end of year	(16,540)	(16,433)	(6,980)
Subscription rights to shares			
Balance at the beginning of year	—	510	755
Changes during the year			
Net changes of items other than those in stockholders' equity	510	244	140
Net changes during the year	510	244	140
Balance at the end of year	510	755	896
Total net assets			
Balance at the beginning of year	224,808	249,441	284,314
Changes during the year			
Gain on disposal of treasury stock	223	317	421
Dividends	(21,376)	(21,893)	(27,504)
Net income	47,783	55,956	68,776
Purchase of treasury stock	(2)	(5)	(9)
Disposal of treasury stock	118	146	161
Net changes of items other than those in stockholders' equity	(2,113)	351	9,594
Net changes during the year	24,632	34,872	51,439
Balance at the end of year	<u>249,441</u>	<u>284,314</u>	<u>335,754</u>

**I. BASIS OF PRESENTATION**

The Financial Information of the Company was prepared in accordance with the JGAAP and was presented by reference to the "Rules Governing Term, Form and Preparation of Financial Statements" (Finance Ministerial Order the 59th, 1963, which is hereinafter referred to as the "Financial Statements Rule"). The Financial Information of the Company has been prepared on the historical cost basis except for certain investments which are stated at fair value, the details of which are listed below.

**II. SUMMARY OF 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. Cost of securities sold is determined by average method.

## (b) Available-for-sale securities:

## (i) Listed securities:

Listed securities are stated at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealised 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 (except for leased assets)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated on the straight-line method, to write off the cost of property, plant and equipment to its residual value over its estimated useful lives. The principal ranges of estimated useful lives are as follows:

Freehold land	Not depreciated
Buildings and structures	5–10 years
Tools, furniture and equipment	5 years

## (b) Intangible assets (except for leased assets)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation of intangible assets is calculated on the straight-line method. The principal range of estimated useful life is as follows:

Software for internal use	5 years
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(c) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated using the straight-line method over the lease terms at zero residual value. The finance costs of such leases are charged to the statement of income so as to provide a constant periodic rate of charge over the lease terms. Finance leases executed on or before 31 August 2008 that do not involve transfer of ownership are accounted for in similar manner as operating leases.

(3) Provision basis for allowances

(a) Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on the Company's past experience and evaluation of the recoverability of the outstanding receivable balances including notes and accounts receivable — trade accounts and other receivables.

(b) Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

(4) Other significant matter for the preparation of non-consolidated financial statements

Accounting for consumption taxes

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

### III. CHANGES IN ACCOUNTING POLICIES

(1) Adoption of the accounting standard for asset retirement obligations

#### YEAR ENDED 31 AUGUST 2011

Effective from the year beginning 1 September 2010, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on 31 March 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on 31 March 2008). The impact of adopting this new standard decreased operating income and ordinary income by ¥84 million, and income before income taxes by ¥153 million, respectively.

(2) Changes in depreciation method for significant depreciable assets and revision of useful lives

#### YEAR ENDED 31 AUGUST 2011

In previous years, the Company primarily used the declining-balance method to calculate depreciation of items of property, plant and equipment. Starting, from year beginning

1 September 2010, the straight-line method is consistently applied exclusively. In addition, the Company has changed the estimated useful lives to reflect the actual usage of individual assets as follows:

	<u>Before the change</u>	<u>After the change</u>
Fixtures, included in buildings and structures . . . . .	5-15 years	5-10 years
Tools, furniture and equipment . . . . .	5-8 years	5 years

This change and adjustment of depreciation accounting practice comes as the Company develops and expands its worldwide operations and seeks to unify decision-making and management methods at a group and global level. Following the launch of the common global system on 1 September 2010, this adoption of a common standard for depreciation accounting and calculation of useful lives at the group and global level will help refine the Company's profit and loss management, stabilise earnings and rate of application at each individual store, and reflect the actual reduction in the serviceable period of individual stores.

The net impact of the changes depreciation method and estimated useful lives are decrease of ¥97 million in depreciation expenses and a corresponding increase of ¥97 million in both operating income and ordinary income. This impact is comparatively insignificant and therefore has been disclosed on a net basis. In addition, non-recurring depreciation of ¥92 million have been recorded as an extraordinary loss, resulting in an increase of ¥5 million in income before income taxes.

#### IV. CHANGES IN PRESENTATION METHOD

Not applicable.

#### V. ADDITIONAL INFORMATION

Adoption of the accounting standard for accounting changes and error corrections

Effective from the accounting changes made at and after the beginning of year ended 31 August 2012 and corrections of prior period errors, the Company applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and the "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on 4 December 2009).

#### VI. NOTES TO BALANCE SHEETS

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

	<u>As at 31 August</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Millions of yen)		
Trade accounts receivable . . . . .	9,146	11,140	16,371
Deposits received . . . . .	<u>7,960</u>	<u>29,256</u>	<u>22,651</u>

## 2. Contingent liabilities

## (1) Guarantees for office and retail store leases

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Subsidiaries:			
UNIQLO (U.K.) LTD. . . . . .	1,036	825	727
	(GBP8 million)	(GBP6 million)	(GBP4 million)
Fast Retailing USA, Inc. . . . .	34,120	34,896	40,501
	(USD444 million)	(USD443 million)	(USD411 million)
UNIQLO FRANCE S.A.S. . . . .	297	264	350
	(EUR2 million)	(EUR2 million)	(EUR2 million)

## (2) Guarantees on payment deferral of duties

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Subsidiary:			
UNIQLO (U.K.) LTD. . . . . .	375	372	76
	(GBP3 million)	(GBP3 million)	(GBP0 million)

## (3) Guarantees on loans payable to financial institutions

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Employees' Benefit Society:			
Fast Retailing Mutual Aid Society . . . . .	20	12	8
LINK THEORY JAPAN CO., LTD. . . . .	6,595	4,565	—
UNIQLO (U.K.) LTD. . . . . .	294	—	—
	(GBP2 million)	(—)	(—)
FAST RETAILING FRANCE S.A.S. . . . . .	12,617	7,865	7,813
	(EUR114 million)	(EUR80 million)	(EUR60 million)
Fast Retailing USA, Inc . . . . .	—	—	17,704
	(—)	(—)	(EUR180 million)

## 3. Accumulated depreciation includes accumulated impairment losses.

## VII. NOTES TO STATEMENTS OF INCOME

1. The following transactions with subsidiaries and affiliates are included in Statements of Income.

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Operating revenue:			
Management income from operating companies . . . . .	20,403	25,711	30,205
Dividend income from subsidiaries and affiliates . . . . .	<u>50,092</u>	<u>50,468</u>	<u>59,057</u>

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

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Buildings . . . . .	1	—	4
Tools, furniture and equipment . . . . .	—	56	0
Leased assets . . . . .	48	—	—
Software . . . . .	<u>—</u>	<u>279</u>	<u>53</u>

## VIII. NOTES TO STATEMENTS OF CHANGES IN NET ASSETS

## YEAR ENDED 31 AUGUST 2011

Type and number of shares of treasury stock

Types of share	As at	Increase	Decrease	As at
	1 September			31 August
	2010			2011
Common stock (Shares) . . . . .	<u>4,288,758</u>	<u>216</u>	<u>31,331</u>	<u>4,257,643</u>
Total . . . . .	<u>4,288,758</u>	<u>216</u>	<u>31,331</u>	<u>4,257,643</u>

Note: The reasons for increase or decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit . . . . .	216 shares
Decrease due to sales of shares less than one unit . . . . .	16 shares
Decrease due to execution of stock options . . . . .	31,315 shares

**YEAR ENDED 31 AUGUST 2012**

Type and number of shares of treasury stock

<u>Types of share</u>	<u>As at 1 September 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>As at 31 August 2012</u>
Common stock (Shares) .....	4,257,643	372	38,581	4,219,434
Total .....	<u>4,257,643</u>	<u>372</u>	<u>38,581</u>	<u>4,219,434</u>

Note: The reasons for increase or decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit .....	372 shares
Decrease due to execution of stock options .....	38,581 shares

**YEAR ENDED 31 AUGUST 2013**

Type and number of shares of treasury stock

<u>Types of share</u>	<u>As at 1 September 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>As at 31 August 2013</u>
Common stock (Shares) .....	4,219,434	335	42,605	4,177,164
Total .....	<u>4,219,434</u>	<u>335</u>	<u>42,605</u>	<u>4,177,164</u>

Note: The reasons for increase or decrease in common stock of treasury stock is as follows:

Increase due to purchase of shares less than one unit .....	335 shares
Decrease due to execution of stock options .....	42,605 shares

**IX. LEASE TRANSACTIONS**

## 1. Finance leases

Finance leases that do not involve a transfer of ownership

## (a) Leased assets

## (i) Property, plant and equipment

Leased assets principally comprised of office furniture and equipment.

## (ii) Intangible assets

Leased assets principally comprised of software such as business support system.



## (b) Depreciation method for leased assets

Leased assets were depreciated using straight-line method over the lease terms at zero residual value.

Finance leases which do not transfer ownership of the leased assets to the lessee and commenced on or before 31 August 2008 are accounted for in a similar manner as operating leases and such "as if capitalised" information is as follows:

- (1) Amounts equivalent to acquisition costs, amounts equivalent to accumulated depreciation and amounts equivalent to net carrying amount at the balance sheet dates

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Amounts equivalent to acquisition costs . . . . .	1,438	18	—
Amounts equivalent to accumulated depreciation . . . . .	1,319	16	—
Net carrying amount . . . . .	<u>118</u>	<u>1</u>	<u>—</u>

- (2) Future minimum lease payments

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Due within one year . . . . .	123	1	—
Due after one year . . . . .	<u>1</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u>124</u>	<u>1</u>	<u>—</u>

- (3) Lease payments, amounts equivalent to depreciation and amounts equivalent to interest expenses

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Lease payments . . . . .	515	165	1
Amounts equivalent to depreciation . . . . .	485	117	1
Amounts equivalent to interest expenses . . . . .	<u>9</u>	<u>0</u>	<u>0</u>

- (4) Calculation method for amounts equivalent to depreciation and amounts equivalent to interest expenses are as follows:

Calculation method for amounts equivalent to depreciation:

Depreciation of leased assets is calculated using the straight-line method over the lease terms at zero residual value.

Calculation method for amounts equivalent to interest expenses:

The difference between total lease payments and amounts equivalent to acquisition costs of leased assets is assumed to be interest expenses and allocated over the lease terms by the interest method.

2. Future minimum lease payments related to non-cancellable operating leases

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Due within one year .....	1,011	1,634	1,011
Due after one year .....	<u>6,295</u>	<u>5,284</u>	<u>4,272</u>
Total .....	<u>7,307</u>	<u>6,918</u>	<u>5,284</u>

## X. INVESTMENTS IN SUBSIDIARIES

### AS AT 31 AUGUST 2011

Investments in subsidiaries amounting to ¥60,583 million are not presented here, since it is extremely difficult to identify the fair value because there is no market price.

### AS AT 31 AUGUST 2012

Shares of subsidiaries amounting to ¥70,358 million are not presented here, since it is extremely difficult to identify the fair value because there is no market price.

### AS AT 31 AUGUST 2013

Shares of subsidiaries amounting to ¥85,561 million are not presented here, since it is extremely difficult to identify the fair value because there is no market price.

## XI. DEFERRED TAXES

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

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Deferred tax assets:			
Allowance for bonus . . . . .	289	306	339
Depreciation . . . . .	108	725	409
Write-down of shares of subsidiaries and affiliates . . . . .	18,580	16,301	16,400
Provision of allowance for doubtful accounts . . . . .	985	855	1,122
Unrealised gains/(losses) on available-for-sale securities	6,697	5,822	2,509
Unused tax losses carried forward . . . . .	5,541	1,961	—
Others . . . . .	2,077	3,266	3,075
Subtotal . . . . .	34,279	29,239	23,858
Valuation allowance . . . . .	(34,279)	(27,576)	(23,858)
Total deferred tax assets . . . . .	—	1,663	—
Deferred tax liabilities:			
Asset retirement obligations . . . . .	(126)	(82)	(53)
Temporary differences on shares of subsidiaries . . . . .	(2,503)	(2,190)	(2,203)
Others . . . . .	—	(153)	(183)
Total deferred tax liabilities . . . . .	(2,630)	(2,426)	(2,440)
Net deferred tax liabilities . . . . .	(2,630)	(762)	(2,440)

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

	As at 31 August		
	2011	2012	2013
Statutory income tax rate . . . . .	40.5%	40.5%	38.0%
(Adjustments)			
Non-taxable dividend income . . . . .	(42.1)	(37.4)	(29.5)
Increase in valuation allowance . . . . .	2.0	(10.7)	(0.5)
Non-deductible donation . . . . .	—	4.5	0.1
Others . . . . .	0.2	0.2	1.0
Effective tax rates after applying tax effect accounting . . . . .	0.6	(2.9)	9.1

3. The “Law for the Partial Revision of Income Tax Law et al. to Develop Taxation System in Response to Structural Changes of Economies and Societies” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on 2 December 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to statutory income taxes effective from year beginning 1 September 2012.

As a result, the effective income tax rate used to measure the Company's deferred tax assets and liabilities were changed from 40.5% to 38.0% for the temporary differences expected to be realised or settled in the years from 1 September 2012 to 31 August 2015, and to 35.4% for temporary differences expected to be realised or settled during or after the year beginning 1 September 2015. As a result, “Deferred tax assets, net” increased by ¥238 million and “Income taxes-deferred” decreased by ¥238 million for the year ended 31 August 2012, respectively.

In addition, as the rule of unused tax losses carried forward was amended, the deductible amount has been limited to 80% of the taxable income before deduction of unused tax losses carried forward from the year beginning 1 September 2012. As a result, “Deferred tax assets” decreased by ¥315 million while “Income taxes-deferred” increased by ¥315 million for the year ended 31 August 2012, respectively.

## **XII. BUSINESS COMBINATIONS**

Not applicable.

## **XIII. ASSET RETIREMENT OBLIGATIONS**

Asset retirement obligations recorded in the balance sheets:

1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore assets to their original states, etc. related to real estate lease agreements of the head office and other office buildings.

2. Method for calculating the total amount of asset retirement obligations

The Company estimates the period of potential use (primarily 5 years) since date of acquisition and uses a discount rate of 0.27% when calculating total asset retirement obligations.

## 3. Changes in total amount of asset retirement obligations

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Balance at the beginning of year ( <i>Note</i> ) . . . . .	465	467	469
Increase due to acquisition of property, plant and equipment . . . . .	—	—	—
Accretion adjustment . . . . .	2	2	2
Decrease due to settlement of asset retirement obligations . . . . .	—	—	—
Others . . . . .	—	—	—
Balance at the end of year . . . . .	<u>467</u>	<u>469</u>	<u>471</u>

*Note:* Beginning balance for the year ended 31 August 2011 represented the amount due to the adoption of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on 31 March 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on 31 March 2008).

## XIV. PER SHARE INFORMATION

	Year ended 31 August		
	2011	2012	2013
Net assets per share (Yen) . . . . .	2,449.92	2,783.97	3,286.26
Basic net income per share (Yen) . . . . .	469.38	549.48	675.09
Diluted net income per share (Yen) . . . . .	469.15	549.04	674.48

*Note:* The basis for calculation of the basic net income per share and the diluted net income per share is as follows:

	Year ended 31 August		
	2011	2012	2013
Basic net income per share:			
Net income (Millions of yen) . . . . .	47,783	55,956	68,776
Net income not attributable to common stock holders (Millions of yen) . . . . .	—	—	—
Net income attributable to common stock holders (Millions of yen) . . . . .	47,783	55,956	68,776
Average number of common stock during the year . . . . .	101,799,683	101,836,606	101,877,010
Diluted net income per share:			
Adjustment to net income (Millions of yen) . . . . .	—	—	—
Increase in shares of common stock ( <i>Note</i> ) . . . . .	51,803	80,977	92,803
Potential shares excluded from the computation of diluted net income per share, because they do not have dilutive effects. . . . .	—	—	—

*Note:* The number of subscription rights to shares is equivalent to the number of shares.

**XV. SUBSEQUENT EVENTS****YEAR ENDED 31 AUGUST 2013**

Issue of stock options for a Stock-Linked Compensation Plan (share subscription rights)

The Company decided to issue share subscription rights to employees of the Company and its subsidiaries as stock options for a Stock-Linked Compensation Plan based on Article 236, 238 and 240 of Companies Act of Japan as well as the resolution of the board of directors meeting held on 10 October 2013. The stock options were granted on 3 December 2013. The objective of the issue of share subscription rights was to enhance employees' motivation, strengthen the business development placing high priority on shareholder's interests and increase shareholders' value by compensating for employees' contribution to the group and linking the company's stock price with their interest. Summary of the option is as follows:

## Type A

Date of resolution of the board of directors	10 October 2013
Type of shares to be issued for share subscription rights	Common stock
Number of shares	Maximum 13,500 shares
Amount to be paid upon exercise of share subscription rights (Yen)	The total amount to be paid is determined based on the exercise price of the share subscription rights (1 yen per unit) and the number of the granted shares.
Exercise period of share subscription rights	From 3 December 2016 To 2 December 2023

## Type B

Date of resolution of the board of directors	10 October 2013
Type of shares to be issued for share subscription rights	Common stock
Number of shares	Maximum 30,000 shares
Amount to be paid upon exercise of share subscription rights (Yen)	The total amount to be paid is determined based on the exercise price of the share subscription rights (1 yen per unit) and the number of the granted shares.
Exercise period of share subscription rights	From 3 January 2014 To 2 December 2023

**XVI. SUPPLEMENTARY SCHEDULES**

Detailed schedules of securities, property, plant and equipment and allowances

## 1. Detailed schedule of securities

## (a) Equity securities

**AS AT 31 AUGUST 2011**

	Number of shares	Carrying amount
	(Shares)	(Millions of yen)
(Investment securities)		
Available-for-sale securities:		
Sojitz Corporation . . . . .	1,342,540	191
Matsuoka Corporation . . . . .	573	181
Nihon Venture Capital Co., Ltd. . . . .	800	84
上海優尼克服裝有限公司 . . . . .	—	8
JUST CO., LTD. . . . .	<u>20,000</u>	<u>6</u>
Total . . . . .	<u>1,363,913</u>	<u>473</u>

**AS AT 31 AUGUST 2012**

	Number of shares	Carrying amount
	(Shares)	(Millions of yen)
(Investment securities)		
Available-for-sale securities:		
Sojitz Corporation . . . . .	1,342,540	140
Matsuoka Corporation . . . . .	573	64
Nihon Venture Capital Co., Ltd. . . . .	800	84
上海優尼克服裝有限公司 . . . . .	—	8
JUST CO., LTD. . . . .	<u>20,000</u>	<u>6</u>
Total . . . . .	<u>1,363,913</u>	<u>306</u>

## AS AT 31 AUGUST 2013

	Number of Shares	Carrying amount
	(shares)	(Millions of yen)
(Investment securities)		
Available-for-sale securities:		
Sojitz Corporation .....	1,342,540	236
Matsuoka Corporation .....	573	64
Nihon Venture Capital Co., Ltd. ....	800	84
上海優尼克服裝有限公司 .....	—	11
JUST CO., LTD. ....	20,000	6
Total .....	<u>1,363,913</u>	<u>403</u>

(b) Others

## AS AT 31 AUGUST 2011

	Number of units	Carrying amount
	(Millions of units)	(Millions of yen)
(Short-term investment securities)		
Available-for-sale securities:		
Negotiable certificates of deposits .....	—	75,000
MMFs in USD (4 issues) .....	—	25,960
Cash liquidity fund in JPY .....	18,012	18,012
MMFs in EUR .....	53	5,921
Cash fund in USD .....	0	2,482
Cash fund in EUR .....	0	302
Total .....	<u>—</u>	<u>127,678</u>



## AS AT 31 AUGUST 2012

	Number of units	Carrying amount
	(Millions of units)	(Millions of yen)
(Short-term investment securities)		
Available-for-sale securities:		
Negotiable certificates of deposit .....	—	70,000
MMF in USD (5 issues) .....	—	27,608
Cash liquidity fund in JPY .....	18,021	18,021
MMF in EUR .....	53	5,285
Cash fund in USD .....	0	2,547
Cash fund in EUR .....	0	269
	<hr/>	<hr/>
Total .....	—	123,732
	<hr/> <hr/>	<hr/> <hr/>

## AS AT 31 AUGUST 2013

	Number of units	Carrying amount
	(Millions of units)	(Millions of yen)
(Short-term investment securities)		
Available-for-sale securities:		
Negotiable certificates of deposit .....	—	75,000
MMFs in USD (5 issues) .....	—	34,578
Cash liquidity fund in JPY .....	18,028	18,028
MMFs in EUR .....	0	7,001
Cash fund in USD .....	0	3,191
Cash fund in EUR .....	0	356
	<hr/>	<hr/>
Total .....	—	138,156
	<hr/> <hr/>	<hr/> <hr/>

## 2. Detailed schedule of property, plant and equipment, etc

Type of assets	Balance			Accumulated depreciation or amortisation			Net book value as at 31 August 2011
	as at 1 September 2010	Increase	Decrease	as at 31 August 2011	as at 31 August 2011	Depreciation or amortisation for the year	
(Millions of yen)							
Property, plant and equipment:							
Buildings . . . . .	4,963	476	3	5,437	2,367	549	3,069
Structures . . . . .	297	—	—	297	188	10	109
Tools, furniture and equipment . . . . .	1,840	41	166	1,715	1,314	229	401
Land . . . . .	1,158	—	—	1,158	—	—	1,158
Construction in progress . . . . .	—	—	—	—	—	—	—
Leased assets . . . . .	16	8	13	11	3	4	7
Total property, plant and equipment . . . . .	<u>8,277</u>	<u>526</u>	<u>183</u>	<u>8,620</u>	<u>3,874</u>	<u>793</u>	<u>4,746</u>
Intangible assets							
Software . . . . .	12,101	10,164	547	21,718	11,489	2,381	10,229
Software in progress . . .	6,896	3,864	10,136	624	—	—	624
Leased assets . . . . .	295	49	205	139	69	64	69
Others . . . . .	63	—	—	63	5	0	58
Total intangible assets . . . .	<u>19,355</u>	<u>14,078</u>	<u>10,888</u>	<u>22,545</u>	<u>11,563</u>	<u>2,445</u>	<u>10,982</u>
Long-term prepaid expenses . . . . .	<u>283</u>	<u>53</u>	<u>—</u>	<u>336</u>	<u>228</u>	<u>171</u>	<u>108</u>
Deferred assets . . . . .	—	—	—	—	—	—	—
Total deferred assets . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes: 1. Major components of the increase during the year ended 31 August 2011 are as follows:

Type of assets	Amount (Millions of yen)	Contents
Software . . . . .	10,164	Construction costs for new system
Software in progress . . . . .	3,864	Construction costs for new system

2. Major components of the decrease during the year ended 31 August 2011 are as follows:

Type of assets	Amount (Millions of yen)	Contents
Software in progress . . . . .	10,136	Construction costs for new system (transferred to software as the new system was launched)

Type of assets				Accumulated depreciation or amortisation			Net book value as at 31 August 2012
				Balance as at 1 September 2011	Increase	Decrease	
(Millions of yen)							
Property, plant and equipment:							
Buildings . . . . .	5,437	50	—	5,487	2,901	533	2,586
Structures . . . . .	297	—	—	297	196	7	101
Tools, furniture and equipment . . . . .	1,715	48	405	1,358	1,120	142	237
Land . . . . .	1,158	—	—	1,158	—	—	1,158
Leased assets . . . . .	11	3	—	14	6	3	7
Total property, plant and equipment . . . . .	8,620	102	405	8,317	4,225	686	4,092
Intangible assets							
Software . . . . .	21,718	2,435	7,446	16,707	7,449	2,832	9,258
Software in progress . . .	624	7,022	2,435	5,211	—	—	5,211
Leased assets . . . . .	139	114	—	254	168	48	85
Others . . . . .	63	—	3	60	2	0	58
Total intangible assets . . . .	22,545	9,572	9,885	22,234	7,620	2,880	14,613
Long-term prepaid expenses . . . . .	336	52	182	206	71	26	134
Deferred assets . . . . .	—	—	—	—	—	—	—
Total deferred assets . . . . .	—	—	—	—	—	—	—

Notes: 1. Major components of the increase during the year ended 31 August 2012 are as follows:

Type of assets	Amount	Contents
	(Millions of yen)	
Software . . . . .	2,435	Construction costs for new system
Software in progress . . . . .	7,022	Construction costs for new system

2. Major components of the decrease during the year ended 31 August 2012 are as follows:

Type of assets	Amount	Contents
	(Millions of yen)	
Software . . . . .	7,446	Retirement of system
Software in progress . . . . .	2,435	Construction costs for new system (transferred to software as the new system was launched)

Type of assets	Balance			Balance as at 31 August 2013	Accumulated depreciation or amortisation as at 31 August 2013	Depreciation or amortisation for the year	Net book value as at 31 August 2013
	as at 1 September 2012	Increase	Decrease				
(Millions of yen)							
Property, plant and equipment:							
Buildings . . . . .	5,487	79	6	5,561	3,437	537	2,124
Structures . . . . .	297	0	—	298	202	6	95
Tools, furniture and equipment . . . . .	1,358	30	23	1,366	1,198	99	168
Land . . . . .	1,158	—	—	1,158	—	—	1,158
Leased assets . . . . .	14	168	162	20	11	11	8
Total property, plant and equipment . . . . .	<u>8,317</u>	<u>278</u>	<u>191</u>	<u>8,405</u>	<u>4,849</u>	<u>654</u>	<u>3,555</u>
Intangible assets							
Software . . . . .	16,707	6,748	662	22,793	10,244	3,403	12,549
Software in progress . . . . .	5,211	4,140	6,748	2,603	—	—	2,603
Leased assets . . . . .	254	—	13	241	206	48	34
Others . . . . .	60	4	1	64	3	0	60
Total intangible assets . . . . .	<u>22,234</u>	<u>10,893</u>	<u>7,425</u>	<u>25,701</u>	<u>10,453</u>	<u>3,452</u>	<u>15,247</u>
Long-term prepaid expenses . . . . .	<u>206</u>	<u>599</u>	<u>—</u>	<u>805</u>	<u>107</u>	<u>35</u>	<u>698</u>
Deferred assets . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred assets . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes: 1. Major components of the increase during the year ended 31 August 2013 are as follows:

Type of assets	Amount	Contents
	(Millions of yen)	
Software . . . . .	6,748	Construction costs for new system
Software in progress . . . . .	4,140	Construction costs for new system

2. Major components of the decrease during the year ended 31 August 2013 are as follows:

Type of assets	Amount	Contents
	(Millions of yen)	
Software . . . . .	662	Retirement of system
Software in progress . . . . .	6,748	Construction costs for new system (transferred to software as the new system was launched)

### 3. Detailed schedule of allowances

Categories	Balance as at 1 September 2010	Increase	Decrease (Intended purposes)	Decrease (Other purposes) (Note)	Balance as at 31 August 2011
	(Millions of yen)				
Allowance for doubtful accounts . . . . .	2,246	2,448	—	2,246	2,448
Allowance for bonuses . . . . .	656	663	656	—	663

Note: Decrease (other purposes) in "Allowance for doubtful accounts" is due to reversal of the allowances provided in previous years.

Categories	Balance as at 1 September 2011	Increase	Decrease (Intended purposes)	Decrease (Other purposes) (Note)	Balance as at 31 August 2012
	(Millions of yen)				
Allowance for doubtful accounts . . . . .	2,448	2,415	—	2,448	2,415
Allowance for bonus . . . . .	663	750	663	—	750

Note: Decrease (other purposes) in "Allowance for doubtful accounts" is due to reversal of the full amount.

Categories	Balance as at 1 September 2012	Increase	Decrease (Intended purposes)	Decrease (Other purposes) (Note)	Balance as at 31 August 2013
	(Millions of yen)				
Allowance for doubtful accounts . . . . .	2,415	3,149	—	2,415	3,149
Allowance for bonus . . . . .	750	827	750	—	827

Note: Decrease (other purposes) in "Allowance for doubtful accounts" is due to reversal of the full amount.

**B. OTHER ADDITIONAL INFORMATION REQUIRED UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE**

Additional information required under the relevant disclosure rules covering the Listing of Securities on the Stock Exchange and not shown elsewhere in this report is as follows:

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million, unless otherwise stated.)

B1. Net current assets and total assets less current liabilities

	Group As at 31 August		
	2011	2012	2013
	(Millions of yen)		
NET CURRENT ASSETS .....	187,125	251,138	386,143
TOTAL ASSETS LESS CURRENT LIABILITIES .....	<u>350,931</u>	<u>421,724</u>	<u>631,834</u>

	Company As at 31 August		
	2011	2012	2013
	(Millions of yen)		
NET CURRENT ASSETS .....	161,755	179,945	205,286
TOTAL ASSETS LESS CURRENT LIABILITIES .....	<u>253,763</u>	<u>288,399</u>	<u>339,802</u>

B2. Finance costs

An analysis of finance costs is as follows:

	Group Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Interest on bank loans, overdrafts and other loans wholly repayable within five years .....	417	446	424
Interest on bank loans repayable after five years .....	7	—	72
Interest on finance leases .....	<u>108</u>	<u>122</u>	<u>137</u>
Total interest expense on financial liabilities not at fair value through profit or loss .....	532	568	633
Less: Interest capitalised .....	<u>—</u>	<u>—</u>	<u>—</u>
	<u>532</u>	<u>568</u>	<u>633</u>

	Company		
	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Interest on bank loans, overdrafts and other loans wholly repayable within five years . . . . .	22	35	38
Interest on finance leases . . . . .	<u>3</u>	<u>2</u>	<u>1</u>
Total interest expense on financial liabilities not at fair value through profit or loss . . . . .	25	37	39
Less: Interest capitalised . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>25</u></u>	<u><u>37</u></u>	<u><u>39</u></u>

## B3. Income tax

Taxation arising in Japan and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

## B4. Investments in subsidiaries

	Company		
	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
Unlisted shares, at cost . . . . .	91,176	100,951	120,434
Loans to subsidiaries . . . . .	<u>12,875</u>	<u>21,305</u>	<u>39,166</u>
	104,051	122,256	159,600
Impairment (note) . . . . .	(24,881)	(24,881)	(24,881)
Allowance for doubtful accounts . . . . .	<u>(2,443)</u>	<u>(2,415)</u>	<u>(3,146)</u>
	<u><u>76,727</u></u>	<u><u>94,960</u></u>	<u><u>131,573</u></u>

Note: An impairment was recognised for certain unlisted investments because the fair value of them was much less than their carrying amount.

Allowance for doubtful accounts is provided for the amounts due from subsidiaries included in the Company's current assets amounting to JPY18,169 million, JPY28,710 million and JPY46,455 million as at 31 August 2011, 2012 and 2013, respectively.

The amounts due to subsidiaries included in the Company's current liabilities of JPY10,070 million, JPY30,659 million and JPY24,991 million as at 31 August 2011, 2012 and 2013, respectively, are unsecured, interest-free and are repayable on demand or within one year.

## B5. Investment securities

	Group			Company		
	As at 31 August			As at 31 August		
	2011	2012	2013	2011	2012	2013
	(Millions of yen)					
Listed equity investments outside Hong Kong, at fair value . .	196	147	247	191	140	236
Unlisted equity investments, at cost . . . . .	284	165	167	281	165	167
	<u>480</u>	<u>312</u>	<u>414</u>	<u>473</u>	<u>306</u>	<u>403</u>

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

There was a significant decline in the market value of certain listed equity investments during the Relevant Periods. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of Nil, JPY281 million and Nil has been recognised in the statements of income for each of the years ended 31 August 2011, 2012 and 2013, respectively.

## B6. Expense Items

The Group's income before income taxes and minority interests is arrived at after charging:

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Auditors' remuneration . . . . .	<u>156</u>	<u>164</u>	<u>197</u>
Depreciation and amortisation			
Depreciation of property, plant and equipment and amortisation of intangible assets other than goodwill . . . . .	14,704	18,573	23,691
Non-recurring depreciation on non-current assets . . . . .	4,050	—	—
Amortisation of goodwill . . . . .	<u>6,596</u>	<u>5,664</u>	<u>5,297</u>
Total depreciation and amortisation . . . . .	<u>25,350</u>	<u>24,237</u>	<u>28,988</u>
Impairment losses			
Property, plant and equipment and intangible assets . . . . .	255	116	5,068
Goodwill . . . . .	<u>577</u>	<u>—</u>	<u>—</u>
Total impairment losses . . . . .	<u>832</u>	<u>116</u>	<u>5,068</u>



## B7. Bank loans and overdrafts

## Interest-bearing bank and other loans payables

Group	As at 31 August								
	2011			2012			2013		
	Effective interest rates(%)	Maturity	Millions of yen	Effective interest rates(%)	Maturity	Millions of yen	Effective interest rates(%)	Maturity	Millions of yen
<b>Current</b>									
Finance lease payables	0.29-6.60	2012	2,070	0.28-3.00	2013	2,726	0.17-4.14	2014	3,417
Bank loans — unsecured	0.20-1.62	2012	3,978	0.71-5.04	2013	2,505	0.58-0.71	2014	1,862
Current portion of long term bank loans — unsecured	0.77-2.07	2012	3,243	0.77-2.07	2013	3,331	0.60-4.41	2014	3,632
Current portion of long term bank loans — secured			—	4.40	2013	79			—
			<u>9,293</u>			<u>8,642</u>			<u>8,912</u>
<b>Non-current</b>									
Finance lease payables	0.29-3.65	2012-2016	5,282	0.28-3.00	2013-2017	5,415	0.07-3.00	2014-2018	6,420
Bank loans — unsecured	0.77-2.07	2012-2017	13,419	0.94-2.07	2013-2017	9,099	0.60-1.84	2014-2019	21,926
Bank loans — secured	4.40	2012-2014	268	4.40	2013-2014	30			—
			<u>18,970</u>			<u>14,545</u>			<u>28,347</u>
			<u>28,263</u>			<u>23,187</u>			<u>37,259</u>

Company	As at 31 August								
	2011			2012			2013		
	Effective interest rates(%)	Maturity	Millions of yen	Effective interest rates(%)	Maturity	Millions of yen	Effective interest rates(%)	Maturity	Millions of yen
<b>Current</b>									
Finance lease payables	2.15-2.32	2012	30	1.88	2013	55	1.69-2.56	2014	17
			<u>30</u>			<u>55</u>			<u>17</u>
<b>Non-current</b>									
Finance lease payables	2.15	2012-2016	49	1.88	2013-2017	40	1.46-2.56	2014-2017	26
			<u>49</u>			<u>40</u>			<u>26</u>
			<u>79</u>			<u>95</u>			<u>43</u>

	Group			Company		
	As at 31 August			As at 31 August		
	2011	2012	2013	2011	2012	2013
	(Millions of yen)					
Bank loans and overdrafts repayable:						
Within one year or on demand	7,222	5,916	5,495	—	—	—
In the second year	3,474	2,796	4,571	—	—	—
In the third to fifth years, inclusive	9,414	6,333	9,489	—	—	—
Beyond five years	800	—	7,866	—	—	—
	<u>20,910</u>	<u>15,045</u>	<u>27,421</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other loans repayable:						
Within one year or on demand	2,070	2,726	3,417	30	55	17
In the second year	2,062	2,450	2,735	30	16	13
In the third to fifth years, inclusive	3,221	2,966	3,686	19	24	13
Beyond five years	—	—	—	—	—	—
	<u>7,353</u>	<u>8,142</u>	<u>9,838</u>	<u>79</u>	<u>95</u>	<u>43</u>
	<u>28,263</u>	<u>23,187</u>	<u>37,259</u>	<u>79</u>	<u>95</u>	<u>43</u>

## Notes:

1. The Group's overdraft facilities as at the end of each of the Relevant Periods amounted to EUR12 million, EUR12 million and EUR36 million as at 31 August 2011, 2012 and 2013, respectively, of which EUR11 million, EUR2 million and EUR5 million had been utilised, as at 31 August 2011, 2012 and 2013, respectively.
2. Certain of the Group's bank loans are secured by mortgages over the Group's intangible assets, which had an aggregate carrying value at the end of the Relevant Periods of approximately JPY268 million, JPY109 million and Nil as at 31 August 2011, 2012 and 2013, respectively.

As at the end of each of the Relevant Periods, the Company has guaranteed certain of the Group's bank loans up to JPY2,100 million, EUR32 million and GBP2 million as at 31 August 2011; JPY100 million and GBP2 million as at 31 August 2012; and JPY100 million as at 31 August 2013.

## B8. Income from listed and unlisted investments

**Group**

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Interest income from short-term unlisted investment securities . . . . .	<u>181</u>	<u>228</u>	<u>153</u>
Dividend income from investment securities:			
Listed . . . . .	2	2	4
Unlisted . . . . .	<u>4</u>	<u>4</u>	<u>24</u>
	<u>6</u>	<u>6</u>	<u>28</u>

**Company**

	Year ended 31 August		
	2011	2012	2013
	(Millions of yen)		
Interest income from short-term unlisted investment securities . . . . .	<u>173</u>	<u>220</u>	<u>148</u>
Dividend income from investment securities:			
Listed . . . . .	2	2	4
Unlisted . . . . .	<u>4</u>	<u>4</u>	<u>24</u>
	<u>6</u>	<u>6</u>	<u>28</u>

## B9. Land

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
<b>Group</b>			
The carrying value of properties located on land outside Hong Kong			
Land—freehold . . . . .	<u>3,881</u>	<u>3,879</u>	<u>3,879</u>
<b>Company</b>			
The carrying value of properties located on land outside Hong Kong			
Land—freehold . . . . .	<u>1,158</u>	<u>1,158</u>	<u>1,158</u>

The Group had no property and investment property in Hong Kong as at 31 August 2011, 2012 and 2013.

## B10. Intangible assets

**Group**

	<u>Goodwill</u>	<u>Software</u>	<u>Patent</u>	<u>Others</u>	<u>Total</u>
	(Millions of yen)				
Cost					
At 31 August 2011 .....	59,647	23,769	5,725	7,587	96,728
At 31 August 2012 .....	59,647	23,411	6,568	8,085	97,711
At 31 August 2013 .....	78,384	27,471	19,044	22,638	147,537
Accumulated amortisation and impairment					
At 31 August 2011 .....	37,921	12,579	4,300	1,099	55,899
At 31 August 2012 .....	43,585	8,631	5,715	1,494	59,425
At 31 August 2013 .....	48,882	11,870	7,731	3,128	71,611
Exchange realignment					
At 31 August 2011 .....	(78)	—	—	—	(78)
At 31 August 2012 .....	(70)	—	—	—	(70)
At 31 August 2013 .....	2,189	—	—	—	2,189
Carrying amount					
At 31 August 2011 .....	<u>21,648</u>	<u>11,190</u>	<u>1,425</u>	<u>6,488</u>	<u>40,751</u>
At 31 August 2012 .....	<u>15,992</u>	<u>14,780</u>	<u>853</u>	<u>6,591</u>	<u>38,216</u>
At 31 August 2013 .....	<u>31,691</u>	<u>15,601</u>	<u>11,313</u>	<u>19,510</u>	<u>78,115</u>

**Company**

	<u>Software</u>	<u>Patent</u>	<u>Others</u>	<u>Total</u>
	(Millions of yen)			
Cost				
At 31 August 2011 .....	22,342	6	196	22,545
At 31 August 2012 .....	21,918	3	311	22,234
At 31 August 2013 .....	25,396	8	297	25,701
Accumulated amortisation and impairment				
At 31 August 2011 .....	11,489	5	69	11,563
At 31 August 2012 .....	7,449	2	168	7,620
At 31 August 2013 .....	10,244	3	206	10,453
Carrying amount				
At 31 August 2011 .....	<u>10,853</u>	<u>1</u>	<u>126</u>	<u>10,982</u>
At 31 August 2012 .....	<u>14,469</u>	<u>1</u>	<u>142</u>	<u>14,613</u>
At 31 August 2013 .....	<u>15,152</u>	<u>4</u>	<u>91</u>	<u>15,247</u>

## B11. Commitments

The Group and the Company had the following commitments at the end of the Relevant Periods:

	<u>Group</u>			<u>Company</u>		
	As at 31 August			As at 31 August		
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Millions of yen)					
Authorised, but not contracted for .....	—	—	—	—	—	—
Contracted, but not provided for:						
Commitments for the acquisition of property, plant and equipment .....	8,210	5,587	8,409	—	—	—
Commitments for the acquisition of intangible assets .....	<u>606</u>	<u>745</u>	<u>1,202</u>	<u>565</u>	<u>642</u>	<u>1,198</u>
Total .....	<u>8,816</u>	<u>6,332</u>	<u>9,611</u>	<u>565</u>	<u>642</u>	<u>1,198</u>

**C. SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN JAPAN (“JGAAP”)**

The Financial Information of the Group is prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refers to the accounting policies applied by the Group in preparing the Underlying Financial Statements in accordance with the prevailing JGAAP for the three years ended 31 August 2011, 2012, and 2013. IFRS refers to International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), International Financial Reporting Standards Interpretations (“IFRICs”) and Standing Interpretations Committee Interpretations (“SICs”) that are effective for annual financial period beginning on or after 1 September 2012.

This summary provides information about the differences between the Group’s JGAAP consolidated financial statements and IFRS (net of tax) that, in the opinion of the directors, would have a material effect on total assets, total liabilities, total equity (total net assets) and net income of the Group. This summary is prepared assuming 1 September 2010 as the date of transition from JGAAP to IFRS, however, additional disclosures about the effects on the Financial Information of the Group as would be required under IFRS 1 “First-time Adoption of International Financial Reporting Standards”, are not provided.

Material quantifiable GAAP differences are summarised as follows:

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million unless otherwise stated)

	Notes	As at 31 August		
		2011	2012	2013
		(Millions of yen)		
Total assets under JGAAP		533,777	595,102	885,800
Material quantifiable effects for different accounting treatments:				
Amortisation of goodwill	(i)	6,603	12,264	17,695
Impairment loss of goodwill	(ii)	(550)	(550)	(550)
Changes of useful lives and method of depreciation of non-current assets	(iii)	2,030	1,316	930
Capitalisation of finance lease assets	(iv)	1,155	320	—
Amortisation of intangible assets	(v)	2,558	5,004	7,018
Employee benefits	(vii)	769	649	732
Onerous contracts	(viii)	243	219	236
Advertising and promotion expenditure	(ix)	(208)	(214)	(317)
Consolidation — unconsolidated subsidiaries	(xii)	236	—	(138)
Lease incentives	(xiv)	95	321	391
Forward currency contracts	(xv)	681	1,528	(836)
Total assets under IFRS as adjusted for the above material quantifiable effects		<u>547,389</u>	<u>615,959</u>	<u>910,961</u>

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
<i>Notes</i>			
Total liabilities under JGAAP . . . . .	213,866	200,210	306,209
Material quantifiable effects for different accounting treatments:			
Changes of useful lives and method of depreciation of non-current assets . . . . .	(iii) 453	147	53
Capitalisation of finance lease assets . . . . .	(iv) 1,182	247	—
Employee benefits . . . . .	(vii) 1,725	1,894	2,168
Onerous contracts . . . . .	(viii) 600	606	666
Advertising and promotion expenditure . . . . .	(ix) (16)	(16)	(9)
Consolidation— unconsolidated subsidiaries . . . . .	(xii) 291	—	104
Lease incentives . . . . .	(xiv) 464	1,207	1,478
Forward currency contracts . . . . .	(xv) 276	580	(317)
Total liabilities under IFRS as adjusted for the above material quantifiable effects . . . . .	<u>218,841</u>	<u>204,875</u>	<u>310,352</u>

	As at 31 August		
	2011	2012	2013
	(Millions of yen)		
<i>Notes</i>			
Total equity (total net assets) under JGAAP . . . . .	319,911	394,892	579,591
Material quantifiable effects for different accounting treatments:			
Amortisation of goodwill . . . . .	(i) 6,603	12,264	17,695
Impairment loss of goodwill . . . . .	(ii) (550)	(550)	(550)
Changes of useful lives and method of depreciation of non-current assets . . . . .	(iii) 1,576	1,169	876
Capitalisation of finance lease assets . . . . .	(iv) (26)	73	—
Amortisation of intangible assets . . . . .	(v) 2,558	5,004	7,018
Employee benefits . . . . .	(vii) (956)	(1,245)	(1,436)
Onerous contracts . . . . .	(viii) (357)	(387)	(430)
Advertising and promotion expenditure . . . . .	(ix) (192)	(197)	(308)
Consolidation— unconsolidated subsidiaries . . . . .	(xii) (54)	—	(243)
Lease incentives . . . . .	(xiv) (369)	(886)	(1,086)
Forward currency contracts . . . . .	(xv) 405	947	(518)
Total equity (total net assets) under IFRS as adjusted for the above material quantifiable effects . . . . .	<u>328,549</u>	<u>411,084</u>	<u>600,609</u>

	Notes	Year ended 31 August		
		2011	2012	2013
		(Millions of yen)		
Net income for the year under JGAAP		54,354	71,654	90,377
Material quantifiable effects for different accounting treatments:				
Amortisation of goodwill	(i)	6,596	5,664	5,297
Impairment loss of goodwill	(ii)	577	—	—
Changes of useful lives and method of depreciation of non-current assets	(iii)	2,099	(407)	(292)
Capitalisation of finance lease assets	(iv)	38	100	(73)
Amortisation of intangible assets	(v)	375	2,341	690
Asset retirement obligations	(vi)	2,279	—	—
Employee benefits	(vii)	77	(289)	(180)
Onerous contracts	(viii)	41	(30)	(43)
Advertising and promotion expenditure	(ix)	289	(5)	(110)
Foreign currency financial instruments	(x)	(2,640)	(13)	9,248
Net investments in foreign operations	(xi)	(38)	488	(1,077)
Consolidation—unconsolidated subsidiaries	(xii)	(54)	—	(212)
Change in accounting policies	(xiii)	1,662	—	—
Lease incentives	(xiv)	(201)	(512)	(65)
Forward currency contracts	(xv)	(859)	1,161	(333)
Net income for the year under IFRS as adjusted for the above material quantifiable effects		<u>64,595</u>	<u>80,152</u>	<u>103,227</u>

## Notes:

## (i) Amortisation of goodwill

Under JGAAP, goodwill is amortised using the straight-line method over an appropriate period (within 20 years).

Under IFRS, goodwill is not amortised but is subject to impairment review annually, or more frequently if events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 “Impairment of Assets”. Detailed information about impairment is described in the following note (ii).

Accordingly, the Group reversed the accumulated amortisation of goodwill recognised under JGAAP.

## (ii) Impairment loss of goodwill

Under JGAAP, goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment is identified, goodwill is allocated to the asset groups of the combined businesses to which it relates and any impairment is determined using a two-step approach. First, the entity estimates the sum of the undiscounted cash flows expected to be generated by the asset groups of the multiple businesses to which the goodwill relates (the “Asset Groups”) and any subsequent disposal value of the assets within that Asset Groups (the



“total of the Asset Groups’ cash flows”). Second, if the total of the Asset Groups’ cash flows on an undiscounted basis is less than the carrying amount of the Asset Groups, an impairment loss is recognised. The amount of the impairment loss is measured as the excess of the carrying amount of the Asset Groups over the total of the Asset Groups’ cash flows on a discounted basis. The reversal of previous impairments of goodwill is prohibited.

Under IFRS, goodwill is reviewed for impairment at least annually, at the same time each year, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. When the recoverable amount (the higher of fair value less costs to sell and value in use) of the cash-generating unit (“CGU”) (or group of CGUs), including the goodwill, is less than the carrying amount of that CGU (or group of CGUs), including goodwill, an impairment loss is recognised to the extent of the difference of the carrying amount of the CGU (or group of CGUs) over the recoverable amount. The reversal of previous impairments of goodwill is prohibited.

Goodwill was tested for impairment throughout the Relevant Periods. An impairment loss is recognised as the excess of the carrying amount of the CGU (or group of CGUs) over the recoverable amount.

(iii) Changes of useful lives and method of depreciation of non-current assets

In the Group’s JGAAP consolidated financial statements for the year beginning 1 September 2010, the prior year effect of changes in estimated useful lives of non-current assets were reflected in the balance of accumulated depreciation. In the year of change, the carrying amount of non-current assets is recalculated based on the revised accounting estimates and the impact thereof was recognised as non-recurring depreciation, an extraordinary loss in the consolidated statements of income. Generally, adjustments are only recognised for the assets whose useful lives are shortened.

Under IFRS, changes in useful lives and expected pattern of consumption of future economic benefits embodied in depreciable assets are accounted for as changes in accounting estimates. The reassessed useful lives are prospectively applied as the depreciation basis of the corresponding non-current assets. Further, at the transition date, adjustments to the carrying amount of non-current assets made in accordance with IFRS 1 are recognised in retained earnings.

As described in Section A.1 of the Accountants’ Report (Note VI.(2)), the Group changed the estimated useful lives and depreciation method of non-current assets during the year ended 31 August 2011 and, as a result, the carrying amount of non-current assets decreased by JPY4,050 million. Under IFRS, a portion of the impact of the change under JGAAP corresponds to the transition date adjustment of non-current assets to IFRS values and also under IFRS, the revision of useful lives applies to the extension of useful lives rather than just the shortening thereof.

(iv) Capitalisation of finance lease assets

Under JGAAP, finance lease agreements entered into prior to 1 September 2008 which do not involve transfer of ownership, are accounted for in a manner similar to that of operating leases.

Under IFRS, an entity is required to capitalise all finance leases.

Accordingly, under IFRS, finance leases which were treated as operating leases under JGAAP are capitalised and depreciated. The corresponding minimum lease payments are recognised as interest-bearing borrowings.

(v) Amortisation of intangible assets

Under JGAAP, there is no specific concept of intangible assets with indefinite useful lives. In principle, all intangible assets are amortised over their determined useful lives using the straight-line method.

Under IFRS, intangible assets with indefinite useful lives are not amortised.

In accordance with IFRS, the amortisation of certain trademarks, which in substance are intangible assets with indefinite useful lives, is reversed accordingly and these assets are tested for impairment on an annual basis. Impairment losses are recognised as the excess of the carrying amount over the recoverable amount.

(vi) Asset retirement obligations

Under JGAAP, The Accounting Standards Board of Japan ("ASBJ") issued new accounting standard and guidance for asset retirement obligations on 31 March 2008, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Implementation Guidance on Accounting Standard for Asset Retirement Obligations", effective for years beginning on or after 1 September 2010. This new accounting standard requires all entities to recognise obligations associated with the future retirement of tangible non-current assets on the acquisition, construction, or development and (or) the normal operation of a non-current asset. The impact of accumulated depreciation on profit or loss is accounted for as an extraordinary loss in the consolidated statement of income on the initial recognition of the asset retirement obligation.

Under IFRS, obligations associated with the future retirement of tangible non-current assets and the associated asset retirement costs are recognised.

The Group recognised an asset retirement obligation on 1 September 2010 and recorded a corresponding accumulated depreciation adjustment as an extraordinary loss under JGAAP. Under IFRS, this adjustment was recorded as an adjustment through retained earnings.

(vii) Employee benefits

Under JGAAP, accruals for employees' unused accumulating paid holiday are not required.

Under IFRS, the accounting treatment for employees' unused accumulating paid holiday is stipulated in IAS 19 "Employee Benefits" and an entity shall accrue for the expected cost of employees' unused accumulating paid holiday.

The Group accrued for employees' unused accumulating paid holiday in accordance with IFRS.

(viii) Onerous contracts

Under JGAAP, there are no specific guidelines on the accounting treatment for onerous contracts.

IFRS generally requires recognition of an onerous loss for all contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs under a contract are determined by considering the minimum cost to exit the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it.

The Group made relevant assessments and recognised provisions for onerous contracts under IFRS.

(ix) Advertising and promotion expenditure

Under JGAAP, advertising and promotion costs are expensed based on the terms of advertising contract or the distribution of catalogues and others.

Under IFRS, advertising and promotion costs are expensed as incurred.

Deferred expenditure on advertising and promotion, which is recognised as an asset under JGAAP, is derecognised and expensed as incurred under IFRS.

(x) Foreign currency financial instruments

Under JGAAP, the total changes in fair value of available-for-sale securities including foreign exchange movements, net of associated tax effects, are recognised in other comprehensive income. As an alternative treatment, the foreign exchange gains or losses associated with available-for-sale debt securities may be recognised in the consolidated statement of income.

Under IFRS, the portion of the change in fair value of monetary available-for-sale securities arising from foreign exchange movements is recognised as profit or loss in the consolidated statement of income.

The Group recognised the total change in fair value, including foreign exchange movements of available-for-sale debt securities, in other comprehensive income under JGAAP. The portion of the change arising from foreign exchange movements is reclassified to profit or loss in the consolidated statement of income under IFRS.

(xi) Net investments in foreign operations

Under JGAAP, there is no specific accounting standard relating to the treatment of exchange differences arising on items, other than shares, which are considered part of an entity's net investment in a foreign operation. Accordingly, foreign exchange differences corresponding to such items are recognised in the consolidated statements of income of the reporting entity.

Under IFRS, exchange differences arising on the translation of an entity's net investment (including shares and other items considered to represent equity) are recognised in other

comprehensive income and accumulated as a separate component of equity. On disposal of the foreign operation, all such exchange differences relating to that particular foreign operation are reclassified to the consolidated statements of income.

Accordingly, exchange differences arising from the net investment in foreign operations under JGAAP are adjusted to other comprehensive income under IFRS.

(xii) Consolidation — unconsolidated subsidiaries

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. However, unconsolidated subsidiaries with insignificant assets and revenues, for which exclusion from the scope of consolidation does not affect the overall reasonableness of the financial position and operating results of the Group, may be excluded from the scope of consolidation.

Under IFRS, a subsidiary that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Accordingly, such unconsolidated subsidiaries have been consolidated under IFRS.

(xiii) Changes in accounting policies

In the Group's JGAAP consolidated financial statements for the year beginning 1 September 2010, the prior year effects of changes in accounting policies were accounted for as extraordinary items in the consolidated statement of income in the year of the change.

Under IFRS, changes in accounting policies are accounted for retrospectively and the corresponding prior year effects are recognised in the opening balances of the earliest period presented.

As described in "Changes in significant fundamental matters for the preparation of consolidated financial statements" in Part A of the Accountants' Report, the Group changed its accounting policy for distribution costs incurred subsequent to products being delivered to the warehouse during the year ended 31 August 2011 and, under JGAAP, recognised an extraordinary loss. Under IFRS, the impact of this change is recognised as an adjustment of opening retained earnings.

(xiv) Lease incentives

Under JGAAP, there is no specific guidance on the accounting treatment for lease incentives, such as a rent-free period.

Under IFRS, lease incentives shall be recognised by a lessee as part of the net consideration for the use of the leased asset and amortised over the lease term on a straight-line basis.

The Group recognised the lease liabilities, net of any incentives received, and amortised these accordingly over the lease term on a straight-line basis under IFRS.

## (xv) Forward currency contracts

Under JGAAP, the principle treatment of cash flow hedge accounting is the same as IFRS. Under the JGAAP optional treatment for hedge accounting, foreign currency denominated receivables and payables are translated using the rates in the related forward currency contracts (the "Assignment method"). The hedging transaction must match the settlement dates of the foreign currency denominated receivables and payables and no deferred gains or losses are permitted on early settlement of the hedging instruments.

Under IFRS, the Assignment method for hedge accounting under JGAAP does not exist. The effective portion of the gain or loss arising from changes in the fair value of a hedging instrument that meets the criteria for cash flow hedge accounting is recognised directly in other comprehensive income. If the forward currency contracts expire, are sold, terminated or exercised, before the settlement dates of the corresponding hedged items, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the settlement of the corresponding hedged items.

The Group adopts the Assignment method for entities which meet the criteria of hedge accounting under JGAAP. Accordingly, the Group made the relevant adjustments.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 August 2013.

Yours faithfully,

**Ernst & Young ShinNihon LLC**  
*Certified Public Accountants*  
Tokyo, Japan

Under the rules of FIEA, the Company is required to publish its interim financial statements on a quarterly basis.

The information set out in this Appendix II does not form part of the Accountants' Report prepared by Ernst & Young ShinNihon LLC, Certified Public Accountants, Tokyo, Japan, the reporting accountants of the Company, as set out in Appendix I to the listing document, and is included herein for information only.

The following is the unaudited interim financial information, which comprises the interim consolidated balance sheet of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as at 30 November 2013 and the related interim consolidated statement of income, comprehensive income and cash flows for the three-month period then ended, and other explanatory notes (the "Interim Financial Information"), prepared in accordance with generally accepted accounting principles for quarterly consolidated financial statements in Japan (the "JGAAP") for the purpose of inclusion in this listing document.



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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Directors  
FAST RETAILING CO., LTD.

### Introduction

We have reviewed the interim financial information included in pages II-2 to II-18, which comprises the interim consolidated balance sheet of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as at 30 November 2013 and the related interim consolidated statements of income, comprehensive income and cash flows for the three-month period then ended, and other explanatory notes (the "Interim Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with generally accepted accounting principles for quarterly consolidated financial statements in Japan (the "JGAAP"). Our responsibility is to express a conclusion on the Interim Financial Information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with JGAAP.

## Ernst & Young ShinNihon LLC

Certified Public Accountants  
Tokyo, Japan  
14 February 2014

**BASIS OF PRESENTATION**

The Interim Financial Information of FAST RETAILING CO., LTD. (the “Company”) and its consolidated subsidiaries (hereinafter referred to as the “Group”) was prepared in accordance with Generally Accepted Accounting Principles for Quarterly Consolidated Financial Statements in Japan (“JGAAP”) and presented by reference to the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, which is hereinafter referred to as “Consolidated Quarterly Financial Statements Rules”). The Interim Financial Information of the Group has been prepared on the historical cost basis except for certain investments which are stated at fair value.

**A. INTERIM FINANCIAL INFORMATION FOR THE GROUP**

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

**INTERIM CONSOLIDATED BALANCE SHEET**

	As at 31 August 2013	As at 30 November 2013
<i>Note</i>	(Millions of yen)	
		(unaudited)
<b>ASSETS</b>		
Current assets		
Cash and deposits .....	147,429	208,166
Notes and accounts receivable — trade .....	34,187	89,792
Short-term investment securities .....	148,215	115,318
Inventories .....	166,654	183,461
Deferred tax assets .....	4,002	3,937
Income taxes receivable .....	8,980	10,378
Forward currency contracts .....	113,641	137,671
Others .....	17,486	21,052
Allowance for doubtful accounts .....	(488)	(529)
	<u>640,109</u>	<u>769,251</u>
Total current assets .....		
Non-current assets		
Property, plant and equipment .....	90,405	100,270
Intangible assets		
Goodwill .....	31,691	30,987
Others .....	46,423	47,402
	<u>78,115</u>	<u>78,390</u>
Total intangible assets .....		
Investments and other assets .....	<i>II.1</i> 77,170	75,286
	<u>245,690</u>	<u>253,947</u>
Total non-current assets .....		
Total assets .....	<u>885,800</u>	<u>1,023,199</u>

	As at 31 August 2013	As at 30 November 2013
	(Millions of yen) (unaudited)	
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable — trade .....	121,951	164,841
Short-term loans payable .....	1,862	11,053
Current portion of long-term loans payable .....	3,632	3,851
Income taxes payable .....	26,005	24,167
Provision .....	10,081	5,497
Others .....	90,432	129,437
	<u>253,966</u>	<u>338,849</u>
Non-current liabilities		
Long-term loans payable .....	21,926	22,988
Provision .....	75	76
Others .....	30,240	28,305
	<u>52,243</u>	<u>51,370</u>
Total liabilities .....	<u>306,209</u>	<u>390,219</u>
<b>NET ASSETS</b>		
Stockholders' equity		
Capital stock .....	10,273	10,273
Capital surplus .....	5,963	5,992
Retained earnings .....	482,109	508,673
Treasury stock, at cost .....	(15,851)	(15,847)
	<u>482,495</u>	<u>509,091</u>
Accumulated other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities ...	(6,978)	(4,886)
Deferred gains/(losses) on hedges .....	71,005	87,052
Foreign currency translation adjustments .....	12,875	17,561
	<u>76,901</u>	<u>99,727</u>
Subscription rights to shares .....	1,170	2,274
Minority interests .....	19,024	21,885
	<u>579,591</u>	<u>632,979</u>
Total net assets .....	<u>579,591</u>	<u>632,979</u>
Total liabilities and net assets .....	<u><u>885,800</u></u>	<u><u>1,023,199</u></u>



## INTERIM CONSOLIDATED STATEMENT OF INCOME

	Three months ended	
	30 November	
	2012	2013
	(Millions of yen)	
	(unaudited)	(unaudited)
Net sales .....	318,142	389,052
Cost of sales .....	156,495	189,436
Gross profit .....	161,647	199,616
Selling, general and administrative expenses .....	105,037	135,584
Operating income .....	56,609	64,032
Non-operating income		
Interest and dividend income .....	113	120
Foreign exchange gains .....	3,094	4,847
Others .....	165	308
Total non-operating income .....	3,373	5,277
Non-operating expenses		
Interest expenses .....	90	289
Others .....	131	347
Total non-operating expenses .....	222	637
Ordinary income .....	59,760	68,672
Extraordinary gains		
Gains on sales of non-current assets .....	24	876
Total extraordinary gains .....	24	876
Extraordinary losses		
Loss on retirement of non-current assets .....	116	28
Others .....	147	204
Total extraordinary losses .....	263	232
Income before income taxes and minority interests .....	59,521	69,316
Income taxes-current .....	17,839	21,128
Income taxes-deferred .....	1,929	3,818
Total income taxes .....	19,769	24,947
Income before minority interests .....	39,752	44,369
Minority interests .....	1,279	2,520
Net income .....	38,473	41,848

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 November	
	2012	2013
	(Millions of yen)	
	(unaudited)	(unaudited)
Income before minority interests .....	39,752	44,369
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities .....	1,806	2,092
Deferred gains/(losses) on hedges .....	19,621	16,047
Foreign currency translation adjustments .....	3,233	5,996
	<u>24,661</u>	<u>24,136</u>
Total other comprehensive income .....		
Comprehensive income .....	<u>64,413</u>	<u>68,505</u>
Comprehensive income attributable to:		
Shareholders of FAST RETAILING CO., LTD. ....	62,399	64,673
Minority interests .....	<u>2,014</u>	<u>3,831</u>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended 30 November	
	2012	2013
	(Millions of yen)	
	(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income taxes and minority interests	59,521	69,316
Depreciation and amortisation	4,768	6,664
Amortisation of goodwill	985	1,512
Increase/(decrease) in allowance for doubtful accounts	(28)	6
Increase/(decrease) in provision for retirement benefits	0	0
Increase/(decrease) in other provisions	(4,343)	(4,792)
Interest and dividend income	(113)	(120)
Interest expenses	90	289
Foreign exchange losses/(gains)	(1,692)	(4,489)
Losses on retirement of non-current assets	116	28
Decrease/(increase) in notes and accounts receivable — trade	(40,728)	(54,074)
Decrease/(increase) in inventories	(9,702)	(12,228)
Increase/(decrease) in notes and accounts payable — trade	62,797	39,852
Decrease/(increase) in other assets	1,281	1,047
Increase/(decrease) in other liabilities	10,949	24,742
Others, net	390	(1,203)
Subtotal	84,292	66,552
Interest and dividend income received	113	113
Interest paid	(71)	(144)
Income taxes paid	(25,979)	(25,317)
Income taxes refund	—	718
Net cash from operating activities	58,354	41,921
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(6,806)	(10,619)
Proceeds from sales of property, plant and equipment	27	1,274
Purchases of intangible assets	(898)	(1,867)
Payments for lease and guarantee deposits	(1,553)	(1,910)
Proceeds from collection of lease and guarantee deposits	699	123
Increase in construction assistance fund receivables	(844)	(1,003)
Decrease in construction assistance fund receivables	433	423
Increase in guarantee deposits received	12	103
Decrease in guarantee deposits received	(132)	(202)
Others, net	(141)	(34)
Net cash used in investing activities	(9,205)	(13,712)

	Three months ended 30 November	
	2012	2013
	(Millions of yen)	
	(unaudited)	(unaudited)
<i>Note</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in short-term loans payable . . . . .	3,234	8,674
Repayment of long-term loans payable . . . . .	(4,597)	(8)
Cash dividends paid . . . . .	(13,142)	(15,183)
Repayments of lease obligations . . . . .	(571)	(835)
Others, net . . . . .	(41)	(63)
	<u>(15,118)</u>	<u>(7,415)</u>
Net cash used in financing activities . . . . .		
Effect of exchange rate changes on cash and cash equivalents . . . .	4,421	6,118
	<u>38,452</u>	<u>26,912</u>
Net increase/(decrease) in cash and cash equivalents . . . . .		
Cash and cash equivalents at beginning of period . . . . .	266,020	295,622
Increase in cash and cash equivalents from newly consolidated subsidiaries . . . . .	1	681
	<u>304,474</u>	<u>323,216</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD . . . . . <i>III.1</i>		

## I. CHANGES IN THE SCOPE OF CONSOLIDATION AND APPLICATION OF THE EQUITY METHOD OF ACCOUNTING

### FOR THE THREE MONTHS ENDED 30 NOVEMBER 2013

#### (1) Significant changes in the scope of consolidation

As compared with the year ended 31 August 2013, there were 5 additions and 1 exclusion from the scope of consolidation.

#### Additions — 3 entities commenced operations and increased in importance

GU (Shanghai) Trading Co., Ltd.  
Comptoir des Cotonniers (Shanghai) Trading Co., Ltd.  
PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD.

#### Additions — 2 entities were newly established

J BRAND Japan Co., LTD.  
Theory Holdings LLC

#### Deconsolidation — 1 entity was deconsolidated due to liquidation

LTH GmbH

#### (2) Number of consolidated subsidiaries: 102

## II. NOTES TO INTERIM CONSOLIDATED BALANCE SHEET

### 1. Allowance for doubtful accounts deducted directly from assets consisted of the following:

	As at 31 August 2013	As at 30 November 2013
	(Millions of yen)	
	(unaudited)	
Investments and other assets .....	78	78

## III. NOTES TO INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

### 1. A reconciliation of cash and cash equivalents stated in the consolidated statement of cash flows to the balances as stated in the consolidated balance sheet as at 30 November 2012 and 2013 is as follows:

	As at 30 November	
	2012	2013
	(Millions of yen)	
	(unaudited) (unaudited)	
Cash and deposits .....	170,896	208,166
Time deposits with maturities over three months .....	(27)	(268)
Cash equivalents included in short-term securities .....	133,605	115,318
Cash and cash equivalents .....	<u>304,474</u>	<u>323,216</u>

## IV. NOTES TO STOCKHOLDERS' EQUITY

## FOR THE THREE MONTHS ENDED 30 NOVEMBER 2012

## 1. Dividends

- (1) Dividend paid during the three months ended 30 November 2012:

<u>Resolution</u>	<u>Type of shares</u>	<u>Total Dividends (Millions of yen)</u>	<u>Dividends per share (Yen)</u>	<u>Record date</u>	<u>Effective date</u>	<u>Source of dividends</u>
Meeting of the Board of Directors on 5 November 2012 . . . . .	Common stock	13,241	130	31 August 2012	26 November 2012	Retained earnings

- (2) Declared date for dividend paid belonged to the three months ended 30 November 2012 with effective date after 30 November 2012:

Not applicable.

## 2. Significant changes in stockholders' equity:

Not applicable.

## FOR THE THREE MONTHS ENDED 30 NOVEMBER 2013

## 1. Dividends

- (1) Dividend paid during the three months ended 30 November 2013:

<u>Resolution</u>	<u>Type of shares</u>	<u>Total Dividends (Millions of yen)</u>	<u>Dividends per share (Yen)</u>	<u>Record date</u>	<u>Effective date</u>	<u>Source of dividends</u>
Meeting of the Board of Directors on 4 November 2013 . . . . .	Common stock	15,284	150	31 August 2013	22 November 2013	Retained earnings

- (2) Declared date for dividend paid belonged to the three months ended 30 November 2013 with effective date after 30 November 2013:

Not applicable.

## Significant changes in stockholders' equity:

Not applicable.

**V. SEGMENT INFORMATION**

1. Information about net sales and income or loss by reportable segments is as follows:

**FOR THE THREE MONTHS ENDED 30 NOVEMBER 2012**

(unaudited)	Reportable segments				Others	Adjustments	Interim Consolidated Statement of Income
	UNIQLO Japan	UNIQLO International	Global Brands	Total			
					(Note 1)	(Note 2)	(Note 3)
	(Millions of yen)						
Net sales . . . . .	204,731	64,521	48,301	317,553	589	—	318,142
Segment income . . . .	39,995	8,402	6,274	54,673	(2)	1,939	56,609

*Notes:*

1. "Others" include real estate leasing business, etc.
2. "Adjustments" include amortisation of goodwill amounting to ¥985 million, which has not been allocated to individual reportable segments.
3. Total segment income is adjusted to reconcile with operating income of the Interim Consolidated Statement of Income.

**FOR THE THREE MONTHS ENDED 30 NOVEMBER 2013**

(unaudited)	Reportable segments				Others	Adjustments	Interim Consolidated Statement of Income
	UNIQLO Japan	UNIQLO International	Global Brands	Total			
					(Note 1)	(Note 2)	(Note 3)
	(Millions of yen)						
Net sales . . . . .	208,497	114,096	65,907	388,501	551	—	389,052
Segment income . . . .	42,463	16,549	6,852	65,865	(23)	(1,809)	64,032

*Notes:*

1. "Others" include real estate leasing business, etc.
2. "Adjustments" include amortisation of goodwill amounting to ¥1,512 million, which has not been allocated to individual reportable segments.
3. Total segment income is adjusted to reconcile with operating income of the Interim Consolidated Statement of Income.

2. Information about impairment losses on non-current assets and goodwill by reportable segments

**FOR THE THREE MONTHS ENDED 30 NOVEMBER 2012**

(Significant impairment losses on non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

**FOR THE THREE MONTHS ENDED 30 NOVEMBER 2013**

(Significant impairment losses on non-current assets)  
Not applicable.

(Significant changes in goodwill)  
Not applicable.

(Significant gain on negative goodwill)  
Not applicable.

**VI. PER SHARE INFORMATION**

The basis for calculation of basic net income per share for the period and diluted net income per share for the period is as follows:

	Three months ended 30 November	
	2012 (unaudited)	2013 (unaudited)
Basic net income per share for the period (Yen) . . . . .	377.72	410.69
Basis of calculation:		
Net income (Millions of yen) . . . . .	38,473	41,848
Net income not attributable to common stockholders (Millions of yen) . . . . .	—	—
Net income attributable to common stockholders (Millions of yen) . . . . .	38,473	41,848
Average number of common stock during the period . . . . .	101,856,088	101,898,095
Diluted net income per share for the period (Yen) . . . . .	377.41	410.37
Basis of calculation:		
Adjustment to net income (Millions of yen) . . . . .	—	—
Increase in shares of common stock . . . . .	83,775	80,216
Significant changes in potential shares excluded from the computation of diluted net income per share for the period, because they do not have dilutive effects . . . . .	—	—

**VII. SUBSEQUENT EVENT**

**Not applicable**



**B. SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN JAPAN (“JGAAP”)**

The Interim Financial Information of the Group is prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refers to the accounting policies applied by the Group in preparing the Interim Financial Information in accordance with the prevailing JGAAP for the three months ended 30 November 2013. IFRS refers to International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), International Financial Reporting Standards Interpretations (“IFRICs”) and Standing Interpretations Committee Interpretations (“SICs”) that are effective for annual financial period beginning on or after 1 September 2013.

This summary provides information about the differences between the Group’s JGAAP interim consolidated financial statements and IFRS (net of tax) that, in the opinion of the directors, would have a material effect on total assets, total liabilities, total equity (total net assets) and net income of the Group. This summary is prepared assuming 1 September 2010 as the date of transition from JGAAP to IFRS, however, separate disclosure of the effects on the Financial Information of the Group on transition to IFRS as would have been required under IFRS 1 “First-time Adoption of International Financial Reporting Standards”, is not provided.

Material quantifiable GAAP differences are summarised as follows:

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

		As at 30 November 2013
	<i>Notes</i>	(Millions of yen) (unaudited)
Total assets under JGAAP		1,023,199
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	<i>(i)</i>	19,291
Impairment loss of goodwill	<i>(ii)</i>	(550)
Changes of useful lives and method of depreciation of non-current assets	<i>(iii)</i>	856
Amortisation of intangible assets	<i>(iv)</i>	7,362
Employee benefits	<i>(v)</i>	928
Onerous contracts	<i>(vi)</i>	155
Advertising and promotion expenditure	<i>(vii)</i>	(528)
Consolidation — unconsolidated subsidiaries	<i>(x)</i>	(183)
Lease incentives	<i>(xi)</i>	497
Forward currency contracts	<i>(xii)</i>	(1,470)
Total assets under IFRS as adjusted for the above material quantifiable effects		<u>1,049,557</u>

	<i>Notes</i>	As at 30 November 2013 (Millions of yen) (unaudited)
Total liabilities under JGAAP .....		390,219
Material quantifiable effects for different accounting treatments:		
Changes of useful lives and method of depreciation of non-current assets .....	<i>(iii)</i>	35
Employee benefits .....	<i>(v)</i>	2,743
Onerous contracts .....	<i>(vi)</i>	432
Advertising and promotion expenditure .....	<i>(vii)</i>	(27)
Consolidation — unconsolidated subsidiaries .....	<i>(x)</i>	34
Lease incentives .....	<i>(xi)</i>	1,930
Forward currency contracts .....	<i>(xii)</i>	(559)
		<hr/>
Total liabilities under IFRS as adjusted for the above material quantifiable effects .....		<u>394,807</u>
		<hr/>
		As at 30 November 2013 (Millions of yen) (unaudited)
	<i>Notes</i>	
Total equity (total net assets) under JGAAP .....		632,979
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill .....	<i>(i)</i>	19,291
Impairment loss of goodwill .....	<i>(ii)</i>	(550)
Changes of useful lives and method of depreciation of non-current assets .....	<i>(iii)</i>	820
Amortisation of intangible assets .....	<i>(iv)</i>	7,362
Employee benefits .....	<i>(v)</i>	(1,815)
Onerous contracts .....	<i>(vi)</i>	(276)
Advertising and promotion expenditure .....	<i>(vii)</i>	(501)
Consolidation — unconsolidated subsidiaries .....	<i>(x)</i>	(218)
Lease incentives .....	<i>(xi)</i>	(1,432)
Forward currency contracts .....	<i>(xii)</i>	(910)
		<hr/>
Total equity (total net assets) under IFRS as adjusted for the above material quantifiable effects .....		<u>654,750</u>
		<hr/>

		Three months ended 30 November 2013
	Notes	(Millions of yen) (unaudited)
Net income for the period under JGAAP .....		41,848
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill .....	(i)	1,512
Changes of useful lives and method of depreciation of non-current assets .....	(iii)	(56)
Amortisation of intangible assets .....	(iv)	52
Employee benefits .....	(v)	(380)
Onerous contracts .....	(vi)	154
Advertising and promotion expenditure .....	(vii)	(192)
Foreign currency financial instruments .....	(viii)	2,048
Net investments in foreign operations .....	(ix)	(1,486)
Consolidation—unconsolidated subsidiaries .....	(x)	125
Lease incentives .....	(xi)	(289)
Forward currency contracts .....	(xii)	(1,262)
		<hr/>
Net income for the period under IFRS as adjusted for the above material quantifiable effects .....		<u>42,074</u>

## Notes:

## (i) Amortisation of goodwill

Under JGAAP, goodwill is amortised using the straight-line method over an appropriate period (within 20 years).

Under IFRS, goodwill is not amortised but is subject to impairment review annually, or more frequently if events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 “Impairment of Assets”. Detailed information about impairment is described in the following note (ii).

Accordingly, the Group reversed the accumulated amortisation of goodwill recognised under JGAAP.

## (ii) Impairment loss of goodwill

Under JGAAP, goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment is identified, goodwill is allocated to the asset groups of the combined businesses to which it relates and any impairment is determined using a two-step approach. First, the entity estimates the sum of the undiscounted cash flows expected to be generated by the asset groups of the multiple businesses to which the goodwill relates (the “Asset Groups”) and any subsequent disposal value of the assets within that Asset Groups (the “total of the Asset Groups’ cash flows”). Second, if the total of the Asset Groups’ cash flows on an undiscounted basis is less than the carrying amount of the Asset Groups, an impairment loss is recognised. The amount of the impairment loss is measured as the excess of the carrying amount of the Asset Groups over the total of the Asset Groups’ cash flows on a discounted basis. The reversal of previous impairments of goodwill is prohibited.

Under IFRS, goodwill is reviewed for impairment at least annually, at the same time each year, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. When the recoverable amount (the higher of fair value less disposal costs and value in use) of the cash-generating unit ("CGU") (or group of CGUs), including the goodwill, is less than the carrying amount of that CGU (or group of CGUs), including goodwill, an impairment loss is recognised to the extent of the difference of the carrying amount of the CGU (or group of CGUs) over the recoverable amount. The reversal of previous impairments of goodwill is prohibited.

Goodwill was tested for impairment during the three-month period ended 30 November 2013. An impairment loss is recognised as the excess of the carrying amount of the relevant CGU (or group of CGUs) over the recoverable amount.

(iii) Changes of useful lives and method of depreciation of non-current assets

In the Group's JGAAP consolidated financial statements for the year beginning 1 September 2010, the prior year effect of changes in estimated useful lives of non-current assets were reflected in the balance of accumulated depreciation. In the year of change, the carrying amount of non-current assets is recalculated based on the revised accounting estimates and the impact thereof was recognised as non-recurring depreciation, an extraordinary loss in the consolidated statements of income. Generally, adjustments are only recognised for the assets whose useful lives are shortened.

Under IFRS, changes in useful lives and expected pattern of consumption of future economic benefits embodied in depreciable assets are accounted for as changes in accounting estimates. The reassessed useful lives are prospectively applied as the depreciation basis of the corresponding non-current assets. Further, at the transition date, adjustments to the carrying amount of non-current assets made in accordance with IFRS 1 are recognised in retained earnings.

As described in Section A.1 of the Accountants' Report (Note VI.(2)) as included in Appendix I of the Listing Document, the Group changed the estimated useful lives and depreciation method of non-current assets during the year ended 31 August 2011 and, as a result, the carrying amount of non-current assets decreased by JPY4,050 million. Under IFRS, a portion of the impact of the change under JGAAP corresponds to the transition date adjustment of non-current assets to IFRS values and also under IFRS, the revision of useful lives applies to the extension of useful lives rather than just shortening thereof.

(iv) Amortisation of intangible assets

Under JGAAP, there is no specific concept of intangible assets with indefinite useful lives. In principle, all intangible assets are amortised over their determined useful lives using the straight-line method.

Under IFRS, intangible assets with indefinite useful lives are not amortised.

In accordance with IFRS, the amortisation of certain trademarks, which in substance are intangible assets with indefinite useful lives, is reversed accordingly and these assets are tested for impairment on an annual basis. Impairment losses are recognised as the excess of the carrying amount over the recoverable amount.

(v) Employee benefits

Under JGAAP, accruals for employees' unused accumulating paid holiday are not required.

Under IFRS, the accounting treatment for employees' unused accumulating paid holiday is stipulated in IAS 19 "Employee Benefits" and an entity shall accrue for the expected cost of employees' unused accumulating paid holiday.

The Group accrued for employees' unused accumulating paid holiday in accordance with IFRS.

(vi) Onerous contracts

Under JGAAP, there are no specific guidelines on the accounting treatment for onerous contracts.

IFRS generally requires recognition of an onerous loss for all contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs under a contract are determined by considering the minimum cost to exit the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it.

The Group made relevant assessments and recognised provisions for onerous contracts under IFRS.

(vii) Advertising and promotion expenditure

Under JGAAP, advertising and promotion costs are expensed based on the terms of the advertising contract or the distribution of catalogs and others.

Under IFRS, advertising and promotion costs are expensed as incurred.

Deferred expenditure on advertising and promotion, which is recognised as an asset under JGAAP, is derecognised and expensed as incurred under IFRS.

(viii) Foreign currency financial instruments

Under JGAAP, the total changes in fair value of available-for-sale securities including foreign exchange movements, net of associated tax effects, are recognised in other comprehensive income. As an alternative treatment, the foreign exchange gains or losses associated with available-for-sale debt securities may be recognised in the consolidated statement of income.

Under IFRS, the portion of the change in fair value of monetary available-for-sale securities arising from foreign exchange movements is recognised as profit or loss in the consolidated statement of income.

The Group recognised the total change in fair value, including foreign exchange movements of available-for-sale debt securities, in other comprehensive income under JGAAP. The portion of the change arising from foreign exchange movements is reclassified to profit or loss in the consolidated statement of income under IFRS.

(ix) Net investments in foreign operations

Under JGAAP, there is no specific accounting standard relating to the treatment of exchange differences arising on items, other than shares, which are considered part of an entity's net investment in a foreign operation. Accordingly, foreign exchange differences corresponding to such items are recognised in the consolidated statements of income of the reporting entity.

Under IFRS, exchange differences arising on the translation of an entity's net investment (including shares and other items considered to represent equity) are recognised in other comprehensive income and accumulated as a separate component of equity. On disposal of the foreign operation, all such exchange differences relating to that particular foreign operation are reclassified to the consolidated statements of income.

Accordingly, exchange differences arising from the net investment in foreign operations under JGAAP are adjusted to other comprehensive income under IFRS.

(x) Consolidation — unconsolidated subsidiaries

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. However, unconsolidated subsidiaries with insignificant assets and revenues, for which exclusion from the scope of consolidation does not affect the overall reasonableness of the financial position and operating results of the Group, may be excluded from the scope of consolidation.

Under IFRS, a subsidiary that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Accordingly, such unconsolidated subsidiaries have been consolidated under IFRS.

(xi) Lease incentives

Under JGAAP, there is no specific guidance on the accounting treatment for lease incentives, such as a rent-free period.

Under IFRS, lease incentives shall be recognised by a lessee as part of the net consideration for the use of the leased asset and amortised over the lease term on a straight-line basis.

The Group recognised the lease liabilities, net of any incentives received, and amortised these accordingly over the lease term on a straight-line basis under IFRS.

(xii) Forward currency contracts

Under JGAAP, the principle treatment of cash flow hedge accounting is the same as IFRS. Under the JGAAP optional treatment for hedge accounting, foreign currency denominated receivables and payables are translated using the rates in the related forward currency contracts (the "Assignment method"). The hedging transaction must match the settlement dates of the foreign currency denominated receivables and payables and no deferred gains or losses are permitted on early settlement of the hedging instruments.

Under IFRS, the Assignment method for hedge accounting under JGAAP does not exist. The effective portion of the gain or loss arising from changes in the fair value of a hedging instrument that meets the criteria for cash flow hedge accounting is recognised directly in other comprehensive income. If the forward currency contracts expire, are sold, terminated or exercised, before the settlement dates of the corresponding hedged items, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the settlement of the corresponding hedged items.

The Group adopts the Assignment method for entities which meet the criteria of hedge accounting under JGAAP. Accordingly, the Group made the relevant adjustments.

*Our financial guidance in respect of the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 (the “**Financial Guidance**”) is set out in the section headed “Disclosure of Financial Guidance” in this listing document.*

#### **A. BASES AND ASSUMPTIONS**

Our Directors have prepared the financial guidance in respect of the six months ending February 28, 2014 and for the fiscal year ending August 31, 2014 (the “**Financial Guidance Period**”) based on our unaudited consolidated results for the three months ended November 30, 2013 and a forecast of our consolidated results for the three months ending February 28, 2014 and the remaining nine months ending August 31, 2014.

The Financial Guidance has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group for the Track Record Period and is based on the following principal assumptions:

1. There will be no material changes to general global economic conditions and consumer spending patterns.
2. There will be no material changes in inflation, interest rates or foreign currency exchange rates from those currently prevailing. Forecasted foreign exchange rates at the time of the preparation of the forecast were applied consistently throughout the Financial Guidance Period. The Financial Guidance has been prepared adopting the following major exchange rates, except for purchases which are accounted for using the average exchange rate for entities which meet the criteria of hedge accounting under JGAAP:

US\$1.00 = JPY 94.0

EUR1.00 = JPY120.5

GBP1.00 = JPY143.0

RMB1.00 = JPY15.0

KRW1.00 = JPY0.085

3. The Group will be opening new stores in accordance with its plan.
4. There will be no abnormal changes in the weather conditions in the principal markets in which the Group operates during the Financial Guidance Period.
5. The Group’s third-party suppliers that produce a significant proportion of the Group’s products will continue to deliver products of sufficient quality, quantity and in a timely manner.
6. There will be no abnormal costs incurred during the Financial Guidance Period.
7. Leases will be maintained in line with their agreed terms and major tenancy agreements will not be cancelled or terminated during the contract period.
8. The Group’s operations will not be materially affected or interrupted by any unforeseeable events or factors that are beyond the control of the Directors.
9. There will be no material changes in existing government policies or political or legal conditions, including changes in legislations or rules, regulatory, fiscal, social, economic or market conditions in countries or regions in which the Group currently operates.



10. Except as disclosed in the sections headed “Risk Factors — Risks Relating to Conducting Business in Japan — Consumption tax is likely to increase in Japan, which may in turn affect consumer spending.” and “Business — Regulatory Matters” in this listing document, there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or regions in which the Group operates except as otherwise disclosed in this listing document.
11. Except as disclosed in the sections headed “Summary — Our Strategies”, “Business — Our Strategies” and “Disclosure of Financial Guidance” in this listing document, there will be no material changes to our operations and no material acquisitions, disposals and assets or investment transactions.
12. There will be no material changes in accounting standards or financial reporting requirements which will have a significant impact on the Financial Guidance.
13. The Group will be able to retain the Directors and senior management during the Financial Guidance Period.
14. The Group will not be materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors” of this listing document.

**B. LETTERS**

*The following is the text of the letters prepared for the purposes of incorporation in this listing document received from Ernst & Young ShinNihon LLC, Certified Public Accountants, Tokyo, Japan, and from the Sole Sponsor in connection with the net income guidance of the Group for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014.*

*These letters should be read in light of the specific nature and purpose of the Financial Guidance as set out in the section headed "Disclosure of Financial Guidance" in this listing document.*

**(1) LETTER FROM THE REPORTING ACCOUNTANTS**

Hibiya Kokusai Building  
2-2-3 Uchisaiwai-cho  
Chiyoda-ku  
Tokyo 100-0011  
Japan

14 February 2014

The Directors  
FAST RETAILING CO., LTD.

Morgan Stanley Asia Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the net income guidance of FAST RETAILING CO., LTD. (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the six months ending 28 February 2014 and the year ending 31 August 2014 (the "Net Income Guidance") as set out in the section headed "Disclosure of Financial Guidance" in the listing document of the Company dated 14 February 2014 (the "Listing Document") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 *Accountants' Report on Profit Forecasts* issued by the Hong Kong Institute of Certified Public Accountants.

The Net Income Guidance has been prepared by the Directors based on the unaudited consolidated results of the Group for the three months ended 30 November 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 28 February 2014 and for the remaining nine months ending 31 August 2014.

In our opinion, so far as the accounting policies and calculations are concerned, the Net Income Guidance has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Part A of Appendix III to the Listing Document, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 14 February 2014, the text of which is set out in Appendix I to the Listing Document.

Yours faithfully,

**Ernst & Young ShinNihon LLC**  
*Certified Public Accountants*  
Tokyo, Japan

**(2) LETTER FROM THE SOLE SPONSOR****Morgan Stanley**

February 14, 2014  
The Directors  
FAST RETAILING CO., LTD.

Dear Sirs

We refer to the net income guidance for FAST RETAILING CO., LTD. (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) for the six months ending February 28, 2014 and the fiscal year ending August 31, 2014 (the “**Net Income Guidance**”) as set out in the section headed “Disclosure of Financial Guidance” in the listing document issued by the Company dated February 14, 2014 (the “**Listing Document**”).

We understand the Net Income Guidance, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited management accounts for the three months ending November 30, 2013 and a forecast of the consolidated results of the Group for the three months ending February 28, 2014 and the nine months ending August 31, 2014.

We have discussed with you the bases and assumptions made by the directors of the Company upon which the Net Income Guidance has been made. We have also considered, and relied upon, the letter dated February 14, 2014 addressed to you and us from Ernst & Young ShinNihon LLC regarding the accounting policies and calculations upon which the Net Income Guidance has been made.

On the basis of the information comprising the Net Income Guidance and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young ShinNihon LLC with reference to Auditing Guideline 3.341 *Accountants’ Report on Profit Forecasts* issued by the Hong Kong Institute of Certified Public Accountants, we are of the opinion that the Net Income Guidance, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

This letter should be read in light of the specific nature and purpose of the financial guidance included under the section headed “Disclosure of Financial Guidance” in the Listing Document.

Yours faithfully,  
For and on behalf of  
Morgan Stanley Asia Limited

Terence Keyes  
Managing Director

Part A of this Appendix set out a summary of certain provisions of our Articles, the Companies Act, certain TSE Listing Regulations and certain other Japanese laws and policies that may be relevant to investors. As the information contained below is in summary form, it does not contain all of the information that may be important to potential investors. Unless otherwise specified, there are no material provisions relating to the specific topics noted in Part A under our Articles, the Companies Act, the TSE Listing Regulations or other laws and policies (as the case may be).

Part B of this Appendix sets out a comparison of the applicable laws and regulations in Hong Kong and Japan on each of the key shareholder protection standards as set out in the Joint Policy Statement, as well as certain shareholder protections provided under the Listing Rules and the measures taken by us to address the differences, where applicable, between the relevant laws and regulations of Hong Kong and Japan.

## **PART A. SUMMARY OF JAPANESE LEGAL AND REGULATORY MATTERS**

### **1. BACKGROUND**

The Company was incorporated in Japan as a stock company (“*kabushiki kaisha*”) on May 8, 1963. The Articles of Incorporation comprise the Company’s constitution. The provisions normally set out in the memorandum of association and articles of association of a Hong Kong incorporated company are generally either contained in a Japanese company’s articles of incorporation or stipulated in the Companies Act.

The Articles of Incorporation of our Company were executed by the incorporator of our Company and certified by a notary public on or around the date of the incorporation. The Articles of Incorporation have been amended from time to time. The current Articles of Incorporation were last amended on November 26, 2009. An English translation of the Articles of Incorporation is available for inspection at the location specified in “Appendix VIII – Documents Available for Inspection” in this listing document.

### **2. SUMMARY OF GENERAL PROVISIONS WITH RESPECT TO CORPORATE MATTERS**

#### **(a) Objects of our Company**

Under our Articles:

The Articles of Incorporation of our Company set out detailed and exhaustive lists of the purposes for which the Company was formed, though they also allow our Company to undertake any business activities that are not explicitly stated in the Articles.

#### **(b) Form of Company**

Under our Articles:

Our Company was formed as a stock company (*kabushiki kaisha*) with a Board of Statutory Auditors.

Under the Companies Act:

Companies are categorized into stock companies (*kabushiki kaisha*) and partnership-type companies (*mochibun kaisha*). A partnership-type company is a generic concept that embraces so-called personal companies (*jinteki kaisha*) (that is, companies where there are strong personal connections

between its members and where a high degree of flexibility in structuring corporate governance within the organization is recognized), such as a partnership company (*gomei kaisha*), a limited partnership company (*goshi kaisha*) and a limited liability company (*godo kaisha*).

Companies are also categorized into public or non-public companies, and large or other companies. A public company (*kokai kaisha*) is defined as a company whose articles of incorporation do not require the approval of the company for the transfer of any share of one or more classes of the company's stock. On the other hand, a non-public company (*kabushiki joto seigen kaisha*) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Our Company is categorized as a public company. Companies whose balance sheet for the most recent fiscal year shows a capital of ¥500 million or more, or total liabilities of ¥20 billion or more are defined as large companies (*daigaisha*). There are certain differences in governance between large companies and other companies. Our Company is categorized as a large company. Under the Companies Act, a company may select several types of corporate governance structures.

Under the TSE Listing Requirements:

A listed company is required to be either (i) a company with a board of statutory auditors or (ii) a company with three committees. As noted above, our Company is a company with a Board of Statutory Auditors.

**(c) Matters with respect to share capital, share certificates and Share Acquisition Rights (*shinkabu yoyakuken*)**

Under our Articles:

The total shares most recently authorized by our Shareholders to be issued by our Company is 300,000,000 Shares (as at November 26, 2009). Our Company has adopted the unit share system (as described below) under which each unit will represent 100 Shares. Our Company is a Company Not Issuing Share Certificates (as also described below). The Company has only one class of shares.

Under the Companies Act:

**With respect to share capital:**

The share capital of a company is divided into shares. The amount of share capital is the amount paid in by those who are to become shareholders at the time of the establishment of the company, or the issuance of shares. Up to half of this amount is not required to be capitalized, but this amount has to be kept as a capital reserve. The amount of the share capital is subject to registration. The Companies Act permits a company to issue shares with specified rights that are not held by all shares.

**With respect to share certificates:**

The Companies Act defines a "Company Issuing Share Certificates" as a company the articles of incorporation of which have provisions to the effect that a share certificate representing its shares (or, in the case of a company with class shares, shares of all classes) shall be issued. A company which does not have provisions in its articles of incorporation to the effect that a share certificate represents its shares will be hereinafter referred to as a "Company Not Issuing Share Certificates".

In addition, under the Book-Entry Act and the listing rules of stock exchanges, a company listed on the Japanese stock exchange may not issue share certificates. The Shares of our Company are listed on

the TSE, and the Company does not issue any share certificates. Under the unit share system, Shareholders have, in principle, one vote per share. However, if a company adopts a unit share system, a vote is given not to each share, but to a unit of shares set by its articles of incorporation. One unit of shares cannot exceed 1,000 shares. Shareholders who hold shares below a unit are entitled to require the company to purchase these shares.

***With respect to Share Acquisition Rights (shinkabu yoyakuken):***

The Companies Act defines a SAR as a right by the exercise of which the holder is entitled to receive shares of the issuing company. SARs do not need to be combined with bonds. It is possible to grant SARs on their own as well as in combination with other financial products.

In order to offer a SAR, certain details need to be approved by a special resolution of the shareholders' meeting, including: (i) its details and number; (ii) whether it is issued in a gratuitous manner or not; and, (iii) if not, the amount of payment or the method of its calculation, etc. However, for public companies such as our Company, the board of directors may make this decision with certain exceptions described below.

If SARs are issued in a gratuitous manner and they comprise an especially favorable term to the subscriber, or if the issue price is especially favorable to the subscriber, the board of directors must explain why the SARs need to be issued in such a manner at the shareholders' meeting. For public companies, the terms of such issuance must be reported at the general shareholders' meeting and approved by a special resolution in such cases. According to a case decided by the Tokyo District Court on June 30, 2006, whether or not the issuance of SARs is made at an "especially favorable price/especially favorable conditions" is determined based on the price of the SARs at the time of issuance, calculated pursuant to the option pricing theory and considering factors such as the market price of the shares, exercise price of the SARs, exercise period of the SARs, interest rate, and volatility of the price of the shares ("**Fair Option Price**"). When the amount to be paid in upon issuance (or substantive consideration for SARs when they are issued without consideration) is significantly below the Fair Option Price, then in principle, the price or condition of the SARs is interpreted to be "especially favorable." SARs may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the share acquisition rights in proportion to their shareholding.

**(d) Matters relating to Directors**

***(i) Powers of the Board of Directors generally:***

*Under the Companies Act:*

The board of directors (except in companies with three committees within the board of directors) has the power to:

- determine the execution of the business of the company;
- supervise the carrying out of duties by directors; and
- appoint and dismiss representative directors.

Matters which fall within exclusive jurisdiction of the board of directors (decision-making in significant matters involving the execution of business) include the following:

- disposal or acquisition of significant assets;

- borrowing of a large amount;
- appointment and dismissal of important employees;
- establishment, change, and abolition of branches and other organizational units;
- significant matters involving the issuing of bonds;
- introduction of a system to ensure compliance of directors carrying out duties with the law and the articles of incorporation; and
- discharge of liabilities of managements, including directors and statutory auditors, in accordance with the Companies Act and its articles of incorporation

**(ii) Power to issue and allot shares**

Under our Articles:

Although there are no specific provisions, the Articles provide the total shares authorized to be issued by the Company (which was 300,000,000 Shares as at November 26, 2009).

Under the Companies Act:

Subject to certain exceptions, our Company may issue and allot Shares to any party by resolution of the Board of Directors.

**(iii) Power to dispose of the assets of our Company or any subsidiary**

Under the Companies Act:

A Representative Director or a Director who is authorized to execute certain operations has the power to dispose of the assets of our Company unless such assets are “significant assets” (whether an asset is considered significant is determined by, among other things, its value as compared to the company’s assets as a whole, its purpose and the frequency of such transactions) of our Company. Alternatively, neither the Directors nor the Board of the Directors of the Company have the power to dispose of any assets of any subsidiary of our Company.

**(iv) Compensation or payments to Directors for loss of office**

Under the Companies Act:

A Director dismissed by a resolution of the Shareholders in general meeting is entitled to demand damages arising from the dismissal from our Company, except in cases where there are justifiable grounds for such dismissal.

**(v) Loans and the giving of security for loans to Directors**

Under the Companies Act:

Loans and the giving of securities for loans to directors are not prohibited. However, if our Company makes loans to its Directors or gives security for loans to Directors, prior approval of the Board of Directors is required.

**(vi) The granting of financial assistance to purchase shares of our Company or our holding Company**Under the Companies Act:

There is no specific restriction under the Companies Act on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. However, if a company's act of financial assistance to another person is deemed to equate to an acquisition of Treasury Stock by the company for the account of the company, the regulations concerning the repurchase of its shares (noted in paragraph (m) below) apply to that act. Although there are no established rules as to what constitutes an "acquisition for the account of the company," in general, this should be determined from a comprehensive review as follows:

- (i) *terms of the financial assistance by the company to another person such as the creditworthiness of the person and collectability of the receivables including the collateral and interest;*
- (ii) *whether or not the terms of the purchase of, or subscription for, a company's shares (including the selection of the person from whom the shares are purchased, the price of the shares, and the timing of the purchase) are determined by that company's decision; and*
- (iii) *whether or not the control over the acquired shares in the company (including the authority to dispose of the shares and the right to receive dividends of surplus) belongs to that company.*

**(vii) Disclosure of interests in contracts with our Company or any of our subsidiaries**Under the Companies Act:

If a Director is interested in any contract to be entered into by our Company, the disclosure to the Board of Directors of all material information regarding the transaction is required. However, there are no specific provisions concerning the disclosure of any interest by a Director in a contract to be entered into by a subsidiary of our Company.

**(viii) Remuneration**Under the Companies Act:

Financial benefits received from a company as consideration for the execution of duties, such as compensation and bonuses of directors is determined by a resolution of the shareholders' meeting. The total amount of the directors' compensation may be determined by the resolution of a shareholders' meeting and each director's compensation may be determined by the board of directors or a director who has been authorized to determine it.

**(ix) Composition of the Board of Directors; retirement, appointment and removal of Directors and committees of the Board**Under our Articles:

Our Company must have no less than three Directors and no more than ten Directors. The cumulative voting system for the election of Directors is excluded and the term of office of a Director will



end at the close of an annual general shareholders' meeting unless such Director is re-elected. The Representative Director shall be appointed by a resolution of the Board of Directors.

Under the Companies Act:

**General:**

It is mandatory for each company to have a director. Public companies, companies with three committees, and companies with a board of statutory auditors must have a board of directors. In these companies, there must be at least three directors. The board of directors must appoint representative directors from among the directors. Representative directors are empowered to carry out all judicial and extra-judicial acts involving the business of the company.

**Appointment:**

Directors must be appointed or dismissed on an annual basis at our annual general Shareholders' meeting. Shareholders representing over one-third of the votes need to be present, and an ordinary resolution of shareholders' meeting is required. When the appointment of two or more directors is on the agenda, shareholders may propose resorting to the cumulative voting system, but this can be excluded by the articles of incorporation. In almost all listed companies, including our Company, it is excluded.

**Term of office:**

The term of office of a director terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within two years from the election of the director. However, such term may be shortened by the articles of incorporation or a resolution of a general meeting of shareholders.

**Qualifications of directors:**

Certain persons such as a legal person may not become a director of a company. However, a public company may not limit the qualifications of directors by requiring such directors to be one of its shareholders.

**Dismissal:**

Directors can be dismissed any time at the general shareholders' meeting by an ordinary resolution. For companies that have issued shares with a veto right regarding the dismissal of directors, such dismissal must also be approved at the meeting of shareholders of this class. In companies with shares to appoint a certain number of directors, dismissal of such directors so appointed requires the approval of this class of shareholders.

Under the TSE Listing Regulations:

Under the TSE Listing Regulations, a domestic company listed on the TSE must establish and appoint (i) a board of directors; (ii) a board of auditors or the three committees (meaning a committee specified in the Companies Act, including a nomination committee, an audit committee and a remuneration committee); and (iii) accounting auditors. For the protection of general investors, the TSE Listing Regulations also require a domestic listed company on the TSE to appoint at least one independent director/auditor or outside auditor who is unlikely to have conflicts of interest with general investors.

**(x) Proceedings at Directors' meetings**Under our Articles:

The chairman of the Board of Directors (or a Director determined in advance by the Board of Directors) shall convene a meeting of the Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of the Board of Directors shall be sent to each Director and Statutory Auditor at least three days prior to the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Directors and Statutory Auditors consent. A resolution of the Board of Directors shall be made by a majority of the Directors present at a meeting where the majority of the Directors entitled to participate in votes are present. The Directors may also pass written board resolutions by way of unanimous vote.

**(xi) Borrowing powers**Under the Companies Act:

A representative director or a director who is authorized to execute certain operations has the power to determine the execution of any such operation such as borrowing unless such borrowing is of a large amount (taking into account, among other things, the amount compared to the value of the Company as a whole, its purpose and the frequency of such borrowings).

**(xii) Qualification shares**

No specific provisions under the Articles, the Companies Act or the TSE Listing Regulations.

**(xiii) Indemnities granted in favor of Directors**Under our Articles:

Our Company may discharge our Directors from liabilities owed to our Company by way of a resolution of a shareholders' meeting or a resolution passed in a meeting of the Board of Directors, or our Company may enter into an agreement with an external Director to the effect that his or her liability for damages shall be limited. If our Company enters into an indemnity with an external Director (being a director who has never been a representative director, an executive director, an executive officer or an employee of Group) then the maximum cap on his liability must be ¥5,000,000 (or such higher amount provided under Japanese law).

Under the Companies Act:

As described above.

**(xiv) Directors' duties**Under the Companies Act:

There is a mandate relationship between the company and the officers (the directors, the accounting adviser, and statutory auditors). As such, directors and others have a duty to act as good managers. Directors owe a fiduciary duty vis-à-vis the company: i.e., the duty to comply with the law, articles of incorporation, and the resolutions of the general shareholders' meeting, and loyally carry out their duties.

**(e) Alterations to our Articles**

Under the Companies Act:

Our Company may amend our Articles by a special resolution of our Shareholders in general meeting.

**(f) Alterations to capital**

Under the Companies Act:

***Increases and reductions:***

The issued capital may be increased at the time of the issuance of shares and may be reduced by a special resolution of Shareholders in general meeting. However, where the share capital is reduced in order to cover the deficit, an ordinary resolution at the annual shareholders' meeting will suffice. When reducing the share capital (and the reserves), a procedure to protect the interests of creditors needs to be followed. The company must publicize the proposed reduction and inform creditors of their entitlement to an objection within a fixed period of no less than one month in the official gazette. The company also must individually notify known creditors, but this can be exempted under certain circumstances.

***Splits, gratuitous allocations and consolidations***

A company may at any time split shares on issue into a greater number by a resolution of the board of directors. Under the Companies Act, a company may also allot any class of shares to the company's existing shareholders without any additional contribution by resolution of the board of directors, or gratuitous allocation; provided that, although treasury stock may be allotted to shareholders, any such gratuitous allocation will not accrue to any treasury stock. A company may at any time also consolidate its shares into a smaller number of shares by a special resolution of the general meeting of shareholders.

**(g) Variations of rights of existing shares or classes of shares**

Under the Companies Act:

A company is required to amend its articles of incorporation by way of special resolution in order to change the rights of our existing ordinary shares or to issue new classes of shares.

**(h) Matters with respect to Shareholders' meetings and voting requirements**

Under our Articles:

***Ordinary Resolutions:***

There is no specific quorum requirement for meetings at which ordinary resolutions are passed. An ordinary resolution must be passed by a majority of the voting rights of the Shareholders present and entitled to vote at the relevant meeting.

***Special Resolutions:***

A special resolution shall be passed if (1) Shareholders having one-third or more of the outstanding voting shares of the Company vote at the shareholders' meeting and (2) two-thirds or more of Shareholders vote in favor of the transaction.

Under the Companies Act:

**General:**

The shareholders' meeting is empowered to decide upon matters provided for in the Companies Act as well as all matters concerning, among other things, the organization, management and administration of the company. In companies with a board of directors, the general shareholders' meeting is empowered to decide only upon matters provided for in the Companies Act and in the articles of incorporation.

**Ordinary and special resolutions:**

In an ordinary resolution, the resolution shall be made by a majority of the voting rights of the shareholders present who are entitled to exercise their voting rights. Shareholders representing more than half of the votes need to be present. Quorum can be set by the articles of incorporation. In a resolution to appoint or dismiss directors or statutory auditors, among others, even by the articles of incorporation, the quorum cannot be set below one third. In a special resolution, the resolution shall be made by a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders present at the meeting where the shareholders holding a majority (where a proportion of one third or more is provided for in the articles of incorporation, that proportion or more) of the votes of the shareholders entitled to exercise their votes at the shareholders' meeting are present. Quorum can be set by the articles of incorporation but cannot be set below one third. A special resolution is required in certain matters, including:

- reverse stock split;
- issuance of new shares at a particularly favorable subscription price;
- issuance of share acquisition rights at a particularly favorable subscription price or particularly favorable conditions;
- distribution of dividend in kind without giving shareholders the rights to demand distribution in cash;
- acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and which continue to be used for its business (*jigo-setsuritu*);
- merger;
- corporate split;
- share exchange and share transfer;
- assignment of the entire business or a significant part of the business; and
- dissolution of the company.

The requirements under the Companies Act in respect of the requirements relating to ordinary and special resolutions have been modified by operation of our Company's Articles as described above. See also "6. Transactions Requiring Shareholder Approval" below.

**(i) Voting rights, right to demand a poll and right to speak**Under the Companies Act:

Shareholders (excluding (i) a shareholder who is prescribed as an entity in a relationship that may allow the company to have substantial control of such entity through the holding of one quarter or more of the votes of all shareholders of such entity or other reasons, (ii) the company itself in respect of the treasury stock, (iii) a shareholder who has less than one share unit, (iv) a class shareholder whose class shares do not carry voting rights and (v) a shareholder whose shares are to be repurchased pursuant to Paragraph 3 of Article 140, Paragraph 4 of Article 160 and Paragraph 2 of Article 175 of the Companies Act) have one vote per share or one vote per unit (for those who have adopted the unit share system). The method of voting is not restricted, and the chairperson of a shareholders' meeting generally may decide the voting method, which may include a vote by a show of hands or a standing or a poll, unless a resolution to adopt another voting method is made at the shareholders' meeting.

Under the Companies Act, shareholders of a Japanese company who are entitled to at least one vote at a general meeting have the right to speak at such general meeting. If any inquiries are made by the shareholders at a general meeting, the directors and/or statutory auditors must answer such inquiries except where: (i) such inquiries are not relevant to any agenda items for such general meeting; (ii) the common interests of the shareholders and/or personal interests of other shareholders may be jeopardized by the answering of such inquiries (e.g. where the inquiries are related to confidential information of the company or personal information of the other shareholders); (iii) any research or investigation is required to answer such inquiries (provided that the directors and/or statutory auditors may not decline answering such inquiries if such research or investigation can be conducted easily or the shareholders have given prior notice of such inquiries to the company which gives a reasonable period of time for the company to conduct such research or investigation); (iv) such inquiries are substantially the same inquiries as those which have already been made at such general meeting; or (v) the directors and/or statutory auditors have other valid reasons for not answering to such inquiries (e.g. such inquiries are likely made for the purpose of sabotaging such general meeting). HDR Holders holding 10,000 or more HDRs who wish to speak or demand a poll at Shareholders' meetings themselves will need to withdraw and convert at least 10,000 HDSs into Shares and become registered as Shareholders at the Shareholders' registry of the Company. Once the HDSs are converted into Shares, the Shares will automatically be listed on the TSE.

We have adopted the unit share system, under which each unit will represent 100 Shares. All unit holders holding a unit representing 100 Shares are entitled to one vote at a general meeting. Accordingly, 10,000 HDRs (i.e. equivalent to one unit of 100 Shares) will constitute one vote at a general meeting. All HDR Holders holding one HDR are entitled to one vote at the HDR level. HDR Holders may give voting instructions to the Depositary before a general meeting and the Depositary will vote for and on behalf of the HDR Holders (on a collective basis) at a general meeting in accordance with the terms of the Deposit Agreement. See "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 2. Summary of General Provisions with respect to corporate matters — (i) Voting rights, right to demand a poll and right to speak" and "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders" in this listing document. See the sections headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Delistings and Settlement — Terms of HDRs — Voting Rights" and "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders" in this listing document.

**(j) Requirements for AGMs**Under our Articles:

The AGM of our Company must be convened within three months after the day following the last day of each financial year by a resolution of the Board of Directors. A chairman of the Board of Directors (or a Director determined in advance by the Board of Directors) is required to convene the meeting and act as the chairperson at that meeting. Our Company may also, when convening a meeting, use the Internet to disclose information relating to matters to be provided or indicated as reference materials for the meeting.

Under the Companies Act:

A company is required to convene an annual shareholders' meeting within three months after the end of each financial year and must send a convocation of the AGM at least 14 days before the meeting.

**(k) Notices of Shareholders meetings and business to be conducted thereat**Under the Companies Act:

Notice of convocation of a shareholders' meeting setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances, together with business report and financial results must be mailed to each shareholder having voting rights at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. Further, certain items to be included in the business report and notes to financial results may be provided on the company's website, rather than mailed directly to individual shareholders pursuant to the provisions of its articles of incorporation.

**(l) Transfers of Shares**Under our Articles:

No specific provisions. Our Company's shares are freely transferable.

Under the Companies Act:

In principle, shares are freely transferable, but companies may place a restriction on the transfer of shares, for example, by making such transfer subject to the approval of the company. Transfer can be restricted to all the shares, or to a specific class of shares. Shares listed on a Japanese stock exchange are required to be freely transferable according to their relevant listing rules and our Company has not placed any transfer restriction on our Shares.

Transfer of shares in a Company Issuing Share Certificates shall not become effective unless the share certificates representing the shares are delivered; however, this does not apply to the transfer of shares arising out of the disposition of Treasury Stock (meaning shares in a company owned by that company itself). The subscriber for Treasury Stock in a Company Issuing Share Certificates becomes the shareholder of the shares on the day when the subscriber has paid contribution for the shares. The transfer of shares in a Company Issuing Share Certificates shall not be perfected against the company unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry.

Transfers of shares in a Company Not Issuing Share Certificates will become effective by the parties manifesting their intention to do so, and the transfer of shares will not be perfected against the company and other third parties unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry. Where Treasury Stock are disposed of, the subscriber for Treasury Stock in a Company Not Issuing Share Certificates will become the shareholder of the shares on the day when the subscriber has paid contribution for the shares.

If the Book-Entry Act applies to a company (for example, it applies to listed shares of companies listed on Japanese stock exchanges such as our Company), any transfer of shares becomes effective only through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account opened at an account managing institution, which may be a financial instrument trader (i.e. a securities firm), bank, trust company or other financial institution that meets the requirements prescribed by the Book-Entry Act.

#### **(m) Power for our Company to purchase its own Shares**

Under our Articles and the Companies Act:

Our Company may repurchase our Shares by a resolution of the general meeting of its Shareholders. In certain cases, our Company may also do so by way of a resolution of the Board of Directors.

Under the Companies Act:

Shares can be purchased from shareholders with their consent (i) from the market, (ii) via the tender offer procedure as provided by the FIEA, (iii) from all shareholders, or (iv) from a specific shareholder.

With respect to cases (i) and (ii) above, companies with a board of directors may, by the decision of the board of directors if the articles of incorporation allow, repurchase shares from the market or via the takeover bid procedure as provided by the FIEA. If the shares are repurchased from all shareholders (case (iii) above), an ordinary resolution of a shareholders' meeting is sufficient (listed companies however may not use this method of repurchase according to the FIEA and are required to conduct the takeover bid procedure). If the purchase is from a specific shareholder (case (iv) above), a special resolution of a shareholders' meeting is required. In case (iv) above, the name of this shareholder needs to be disclosed and approved at a general shareholders' meeting. Other shareholders are entitled to ask the company to include them as a seller, with certain exceptions. The source of funds for carrying out the share repurchase is restricted to the Distributable Amount (as defined in (o) below).

#### **(n) Power of any subsidiary to own securities in our Company**

Under the Companies Act:

Our subsidiaries may not acquire our Shares, subject to certain exceptions, such as their acquisition of them through Statutory Transactions governed by the Companies Act. Under the Companies Act, if any of our subsidiaries acquires our Shares through such a transaction, it would not be entitled to vote at any shareholders' meeting and is required to dispose of the acquired Shares at the earliest and most advantageous time.



**(o) Dividends and other methods of distribution**Under our Articles:

Our Company is entitled to pay out dividends from surplus by a resolution passed at a shareholders' meeting and, in certain cases, may also do so by a resolution of Board of Directors (provided the Accounting Auditors provides an audit certificate and there are no qualifications to the Accounting Auditors report). Our Company is released from any obligation to pay dividends which have not been claimed after the lapse of three full years from the day on which such payment was made available. Further, the record dates for the payment of annual dividends and interim dividends are the last day of August and February of each year respectively (although the Company is also entitled to pay dividends from surplus by setting a record date).

Under the Companies Act:

Under the Companies Act, the distribution of dividends takes the form of the distribution of surplus and the distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. In order to pay out dividends, an ordinary resolution of a shareholders' meeting is required. In companies that (i) have Accounting Auditors, (ii) where the term of directors terminates on or prior to the close of the general meeting of shareholders relating to the last fiscal year ending within one year from the election of the director, and (iii) which have a board of statutory auditors or three committees (being a remuneration committee, nomination committee and audit committee), matters regarding the payout of cash dividends can be delegated to the board of directors by the articles of incorporation.

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act (the "**Distributable Amount**"). Distributable Amount is the aggregate amount of other capital surplus and other retained earnings surplus at the end of the last fiscal year with a certain adjustment deducted by a certain amount such as the book value of the treasury stock. When paying dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of its share capital less the aggregate amount of capital reserve and profit reserve as at the date of such distribution needs to be set aside either as capital reserve or profit reserve until the aggregate amount of its capital reserve or profit reserve reaches one quarter of its share capital.

If the net assets of a company are less than ¥3 million, the company cannot pay dividends.

If the company paid dividends while the company did not have a Distributable Amount, directors and others responsible for the payment are under an obligation to pay back the company the amount paid out, unless that person proves that he was not negligent in carrying out his duties.

**(p) Proxies**Under our Articles:

A Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in our Company. In this case, the Shareholder or his or her proxy must submit a document proving such authority to the Company at each shareholders' meeting.

Under the Companies Act:

Exercise of voting rights by a proxy is permitted under the Companies Act.



**(q) Calls of shares and forfeiture of shares**Under the Companies Act:

Our Company cannot issue partly paid Shares, and therefore, our Company cannot make a call upon the Shareholders to pay any money unpaid on the Shares held by them. A special resolution of the shareholders' in general meeting is required if our Company wishes to merge or conduct other structural changes to our Company that may entail the forfeiture of any Shares in our Company. In order to protect minority shareholders, the Companies Act provides that in general, such shareholders who object to such a special resolution are entitled to receive the fair market value of such forfeited Shares from the relevant company.

**(r) Inspection of register of members**Under our Articles:

No specific provisions. However, pursuant to the Articles our Company, we have entrusted the administration of our shareholder register to our shareholders register administrator, Mitsubishi UFJ Trust and Banking Corporation.

Under the Companies Act:

A company must keep the shareholder registry at its head office (or, in cases where there is a shareholder registry administrator, at its business office). Shareholders and creditors may make a request to inspect or copy the shareholder registry at any time during the company's business hours by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder or creditor makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder or creditor makes this request to obstruct the company's execution of business and to harm the joint interests of shareholders, (iii) the shareholder or creditor is in a business substantially in competition with the company, or is involved in the business, (iv) the shareholder or creditor makes the request in order to report facts to third parties for profit, knowledge of which is acquired by inspecting or copying the shareholder registry, or (v) the shareholder or creditor is a person who has reported facts, knowledge of which was acquired by inspecting or copying the shareholder registry, to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the shareholder registry. In such cases, the reasons for the request must be disclosed.

**(s) Inspection of register of Directors**Under the Companies Act:

There is no concept of a "register of directors" under Japanese law. However, the name of each Director and the name and address of the Representative Director are registered in the commercial register in accordance with the Companies Act.

**(t) Inspection of other corporate records**

Under the Companies Act:

**Accounting documents:**

Shareholders who have 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) or more of the voting rights in the company, or of the issued shares are entitled to inspect and make a copy of the accounting documents by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder makes this request to obstruct the company's execution of business and to harm the joint interests of shareholders, (iii) the shareholder is in a business substantially in competition with the company, or is involved in the business, (iv) the shareholder makes the request in order to report facts which he/she learns by inspecting or copying the account books or materials relating thereto to third parties for profit, or (v) the shareholder is a person who has reported facts which he/she has come to learn by inspecting or copying the account books or materials relating thereto to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the account books or materials relating thereto. In those cases, the reasons for the request shall be disclosed.

**Commercial register:**

A stock company is required to register certain matters such as (i) the purpose of the company, (ii) its trade name, (iii) the location of the company, (iv) its share capital, (v) the total number of authorized shares, (vi) the details of shares, (vii) the number of share unit (if any), (viii) the total number of issued shares, (ix) the name, address and business office of the administrator of the shareholder registry (if any), (x) the matters regarding share acquisition rights, (xi) the names of directors, (xii) the names and addresses of representative directors, (xiii) if the company is a company with a board of directors, a company with Accounting Auditors, a company with statutory auditors, and/or a company with a board of statutory auditors, a statement to that effect, (xiv) if there are provisions in the articles of incorporation with regard to exemptions from liability of directors, accounting advisers, statutory auditors, executive officers or Accounting Auditors, such provisions of the articles of incorporation, (xv) there are provisions in the articles of incorporation with regard to the agreements for the limitation of liabilities assumed by outside directors, accounting advisers, outside statutory auditors or Accounting Auditors, such provisions of the articles of incorporation, (xvi) the URL for disclosure of certain information to be included in financial statements, and (xvii) the matters regarding public notice. In addition to the above, certain corporate actions such as acquisitions and disposals are also registered.

Anyone may inspect the commercial register at the legal affairs bureau having jurisdiction over the company.

**(u) Procedures on dissolution and liquidation**

Under the Companies Act:

**Dissolution:**

A company may dissolve itself by adopting a special resolution at a shareholders' meeting. Upon dissolution of the company, its director(s) will cease to serve in such directorial capacity and the former director(s) will become the liquidator(s) of the stock company by default, unless otherwise provided for in

its articles of incorporation or determined by a resolution at the shareholders' meeting. After the company is dissolved, it will continue to exist as a corporate entity. However, its sole purpose will be to liquidate itself. In other words, the dissolved company is not able to operate its business in the same manner as it did prior to the dissolution.

***Liquidation:***

Once the company is dissolved, it will then proceed to liquidate itself. Liquidation is a procedure for the company to wind-up its affairs and eventually cease to be a corporate entity. During this process, liquidators will act as representatives of the company, replacing such representatives who were the company's representative directors before the dissolution.

**(v) Amendments of Articles**

*Under the Companies Act:*

A company may amend its articles of incorporation by a special resolution of a shareholders' meeting, as a rule.

**(w) Untraceable members**

*Under the Companies Act:*

In cases where notices have not reached a shareholder for five consecutive years and the shareholder of such shares has not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to make a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least three months before such sale or auction.

**(x) Statutory Auditors**

*Under our Articles:*

Our Articles specifically provide that our Company will have Statutory Auditors, a Board of Statutory Auditors and an Accounting Auditor, and that our Company must have at least three Statutory Auditors but no more than five Statutory Auditors. The Statutory Auditors of our Company may be elected by the passing of a resolution by a majority of shareholders holding at least one-third of the voting rights of the Company. Their remuneration must also be similarly approved. Statutory Auditors are appointed for a four year term and at least one of them must be a full-time Statutory Auditor. Statutory Auditors have the same rights to receive indemnification as the Directors. Notice of the convocation of a meeting of the Board of Statutory Auditors shall be sent to each Statutory Auditor at least three days before the scheduled date of such meeting; provided, however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Statutory Auditors give their consent.

*Under the Companies Act:*

***General:***

Companies with a board of directors (except for companies with three committees) must have a statutory auditor. In addition, large companies must have a board of statutory auditors comprised of three or more statutory auditors.

**Statutory auditors:**

Statutory auditors are appointed and dismissed by the general shareholders' meeting. However, in order to dismiss a statutory auditor, a special resolution of the shareholders' meeting is required. The term of office of a statutory auditor terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within four years from the election of the statutory auditor. However, such term may not be shortened even by the articles of incorporation.

Statutory auditors are responsible for auditing the executive actions of the directors, including ensuring the continuance of a sound corporate governance system, and additionally they have broad authority to oversee the company's audit functions, including: independently reviewing corporate documentation and financial statements; sharing information with, coordinating with and interviewing the Accounting Auditors; and dealing with any issues arising from the company's audit. In order to fulfill such responsibilities, the statutory auditors are given various authorities, such as the right to request that directors report to them regarding the company's business, the right to investigate the company's business and assets, and the right to demand that directors cease certain acts which are outside the scope or the purpose of the company, in violation of laws and regulations, or the articles of incorporation, if such acts are likely to cause substantial detriment to the company.

The Companies Act provides exemptions from liability for statutory auditors similar to those available to directors.

The compensation and other benefits for statutory auditors are determined by a resolution of a shareholders' meeting.

**Board of statutory auditors:**

The board of statutory auditors functions to facilitate the conduct by the statutory auditors of their duties and enables them to share information, allocate responsibilities among themselves and to determine auditing policy and their methods of investigation. In addition the board of statutory auditors is given the authority to consent to the appointment of statutory auditors and Accounting Auditors, and is required to prepare audit reports which are subject to inspection by shareholders and creditors. More specifically, the board of statutory auditors receives explanations from the company's Accounting Auditors on the company's annual auditing plan and other matters based on the annual audit report, when financial statements for the second quarter and full fiscal year are prepared.

The board of statutory auditors elects full-time statutory auditors from among its members.

**3. SUMMARY OF DISCLOSURE REQUIREMENTS**Under our Articles:

Our Company is entitled to distribute our public notices electronically, though our Company must publish an announcement in the Nihon Keizai Shimbun newspaper in the event that such electronic distribution is impossible.

Under the TSE Listing Regulations:

To ensure the formation of fair market prices and to foster the sound development of a securities market, the TSE requires companies whose shares are listed on them to disclose in a timely manner all material information concerning corporate matters that may influence the investment decision making of investors under the TSE Listing Regulations.

The following is a summary of the matters that must be disclosed by a listed company under the TSE Listing Regulations. In each case they need to be disclosed immediately pursuant to the provisions of the enforcement rules of the TSE Listing Regulations (unless they are items that the TSE deem as matters whose effect on investors' investment decisions is of minor significance). The scope of the necessary disclosure obligations imposed by the TSE Listing Regulations are substantially the same.

***Decisions taken by a listed company (including where decisions are taken to not carry out the matters relating to the relevant decision):***

- (a) An offering of shares issued by a listed company or Treasury Stock to be disposed of by a listed company to persons who will subscribe for such shares, an offering of subscription warrants, or a secondary offering of shares or subscription warrants;
- (b) Shelf-registration (including its withdrawal) concerning to an offering or secondary offering prescribed in (a) above or commencement of a demand survey for such offering or secondary offering;
- (c) A decrease in amount of capital;
- (d) A decrease in amount of capital reserve or profit reserve;
- (e) Repurchase of Shares;
- (f) A gratis allotment of shares or a gratis allotment of subscription warrants, or shelf-registration concerning to a gratis allotment of subscription warrants (including its withdrawal) or commencement of surveys on demand or expected exercise of rights for such gratis allotment of subscription warrants;
- (g) Stock split or reverse stock split;
- (h) Dividend from surplus;
- (i) Share exchange;
- (j) Share transfer;
- (k) Merger;
- (l) Demerger;
- (m) Transfer or acquisition of all or part of the business;
- (n) Dissolution (excluding dissolution by means of a merger);
- (o) Commercialization of a new product or new technology;
- (p) Business alliance or dissolution of business alliance;
- (q) A transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (r) Transfer or acquisition of fixed assets;

- (s) Lease of fixed assets;
- (t) Suspension or abolition of all or part of the business;
- (u) Application for delisting or withdrawal of registration of Shares to a Japanese stock exchange or an overseas stock exchange;
- (v) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
- (w) Commencement of a new business (including commercialization of sales of new products or provision of new services);
- (x) A takeover bid;
- (y) Request for a bid or any other onerous acquisition to compete with a takeover bid or an announcement of an opinion or a representation to shareholders concerning a takeover bid;
- (z) Issue of subscription warrants to officers or employees of a listed company or its subsidiaries, or any other grant of anything deemed to be a Stock Option or an issue of shares;
- (aa) Change in representative directors or representative executive officers (including officers who should represent a cooperative structured financial institution);
- (ab) Rationalization such as a reduction in personnel;
- (ac) Change in a trade name or a corporate name;
- (ad) Change in the number of shares for a share unit of a stock or abolition or introduction of the provisions for the number of shares for a share unit;
- (ae) Change in the end date of the business year;
- (af) Petition pursuant to the provisions of the Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended);
- (ag) Petition for mediation in accordance with specified mediation procedures on the basis of the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. of Japan (Act No.158 of 1999);
- (ah) Early redemption of all or part of a listed bond, listed convertible bond or listed exchangeable corporate bond or convocation of a bondholders meeting and any other important matters relating to rights concerning a listed bond, listed convertible bond or a listed exchangeable corporate bond;
- (ai) Matters accompanied by an increase in the total number of units of ordinary equity contributions;
- (aj) Change in certified public accountants who prepare audit certification of financial statements, etc. or quarterly financial statements, etc. contained in a securities report or a quarterly report;

- (ak) Putting notes on matters relating to the going concern assumption in financial statements, etc. or quarterly financial statements, etc.;
- (al) Shareholder services will not be entrusted to a shareholder services agent approved by the TSE;
- (am) Submission of internal control reports containing content to the effect that there is a material deficiency in the internal control system or that the evaluation result of the internal control system cannot be stated;
- (an) Amendment to the articles of incorporation;
- (ao) Change in contents and other schemes of a listed stock without voting rights, a listed stock with voting rights (limited to such stock issued by a company which issues multiple classes of stocks with voting rights), or a listed preferred stock (excluding a stock whose dividends are linked to a subsidiary); or
- (ap) In addition to the matters referenced in (a) through to the preceding (ao), important matters related to operation, business or assets of such listed company or such listed stock, etc. which have a remarkable effect on investors' investment decisions.

***Facts arising relative to a listed company:***

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Change in major shareholders;
- (c) A fact which causes delisting of a specified security or options pertaining to a specified security;
- (d) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (e) Where a petition for a provisional disposition order seeking suspension of a business or any other disposition corresponding thereto is made, or there is a judicial decision on such petition, or all or part of the procedures for such petition are completed without a judicial decision;
- (f) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;
- (g) Change in controlling shareholders or other affiliated companies;
- (h) Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings, or execution of an enterprise mortgage by a creditor or any person other than such listed company ("**Bankruptcy**");
- (i) Dishonor of a bill or a cheque (limited to where the reason is a shortage of funds to be paid) or suspension of trading by a clearing house ("**Dishonor**");

- (j) Petition for commencement of bankruptcy proceedings, etc. pertaining to a parent company;
- (k) As a result of an occurrence of a Dishonor, Bankruptcy or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (l) Suspension of trade with a main business partner (meaning a business partner with more than 10% of the total sales or of the total purchase amount in the previous business year; the same shall apply hereinafter) or suspension of trade with two or more business partners for the same reason or in the same period;
- (m) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (n) Discovery of resources;
- (o) Claim for suspension of issue of a stock or a subscription warrant or disposition of treasury stock by shareholders;
- (p) Demand for convocation of a general shareholders' meeting by shareholders;
- (q) Market value of all or part of the securities held (limited to securities listed on a domestic stock exchange other than a share of a subsidiary of such listed company) falls below book values as of the end of a business year or a quarterly accounting period (an amount of value calculated on the basis of the closing prices of a stock exchange on such day (where no such closing prices are available, the closing prices of a stock exchange on a preceding day)) (limited to where such listed company adopts cost method as an evaluation method of securities);
- (r) Acceleration of obligations pertaining to a corporate bond;
- (s) Convocation of a meeting of bondholders for a listed bond, listed convertible bond or listed exchangeable corporate bond and other important facts pertaining to rights of a listed bond, listed convertible bond or listed exchangeable corporate bond;
- (t) Change in certified public accountants who prepare an audit certification, of financial statements, or quarterly financial statements, contained in a securities report or a quarterly report (excluding a case of disclosing the details pursuant to the provisions of the preceding item, where a body of a listed company which decides its business execution makes a decision on changing such certified public accountants, (including cases where the body makes a decision that it will not carry out matters pertaining to such decision));
- (u) A securities report or a quarterly review report to which audit reports or quarterly review reports prepared by two or more certified public accountants or audit firms (including audit reports or interim audit reports pertaining to certification corresponding to audit certification by certified public accountants or audit firms) are attached is not expected to be submitted within the period specified in the FIEA or has not been submitted within such period (except cases where the company has disclosed that such report is not expected to be submitted within such period), was submitted after such disclosure had been made, or has received approval related to extension of such period;



- (v) The fact that an audit report attached to financial statements, or a quarterly review report attached to quarterly financial statements has come to contain a “qualified opinion with exceptions” or “qualified conclusion with exceptions” of certified public accountants with making issues concerning a going concern assumption as exceptions, or an “adverse opinion”, “negative conclusion”, or a fact that “opinions are not expressed” or a fact “conclusions are not expressed” by a certified public accountant (in cases of a specified business company, these shall include a “qualified opinion with exceptions”, an “opinion that interim financial statements, etc. do not provide useful information”, and a fact that “opinions are not expressed” by a certified public accountant, etc. with making issues concerning a going concern assumption as exceptions);
- (w) An internal control audit report regarding an internal control report has come to contain an “adverse opinion” or a fact that “opinions are not expressed”;
- (x) Where a notice of cancelling a shareholder services agent agreement is received, there is a likelihood that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE, or it has decided not to entrust that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE; or
- (y) In addition to the facts referenced in (a) through to the preceding (w), matters relating to operation, business or assets of such listed company or important matters related to a listed stock, etc. which have a remarkable effect on investors’ investment decisions.

***Decisions taken by subsidiaries, etc. of a listed company (including where decisions are taken not carry out the matters relating to such decision):***

- (a) Share exchange;
- (b) Share transfer;
- (c) Merger;
- (d) Demerger;
- (e) Transfer or acquisition of all or part of the business (unless, immediately after the transfer or acquisition, (i) net assets will not change by 30%, (ii) revenue will not change by 10%, (iii) current profit will not change by 30% and (iv) net profit will not change by 30%);
- (f) Dissolution (excluding dissolution by means of a merger);
- (g) Commercialization of a new product or new technology;
- (h) Business alliance or dissolution of business alliance;
- (i) Transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (j) Transfer or acquisition of fixed assets;
- (k) Lease of fixed assets;

- (l) Suspension or abolition of all or part of the business;
- (m) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
- (n) Commencement of a new business;
- (o) A takeover bid;
- (p) Change in a trade name or a corporate name;
- (q) Petition pursuant to the provisions of the Deposit Insurance Act;
- (r) Petition of arbitration by specific mediation procedures on the basis of the law on specified mediation for promoting adjustment of specified obligations, etc.; or
- (s) In addition to the matters referenced in (a) through to the preceding (r), important matters related to operation, business or assets of a subsidiary of such listed company which have a remarkable effect on investors' investment decisions.

***Facts arising relative to subsidiaries, etc. of a listed company:***

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Where a lawsuit or a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (c) Where a petition for a provisional order seeking suspension of a business or any other disposition corresponding to this is made or there is a judicial decision on such petition or all or part of the proceedings for such petition are completed without a judicial decision;
- (d) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to them on the basis of laws and regulations made by an administrative agency or accusation of violation of laws and regulations made by an administrative agency;
- (e) Petition for the commencement of Bankruptcy proceedings, by a creditor or any other person other than such subsidiary;
- (f) Dishonor;
- (g) Petition for the commencement of Bankruptcy proceedings, pertaining to a sub-subsiidiary;
- (h) As a result of an occurrence of a Dishonor, Bankruptcy procedures, or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where these are accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (i) Suspension of trade with a main business partner or suspension of trade with two or more business partners for the same reason or in the same period;

- (j) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (k) Discovery of resources; or
- (l) In addition to the facts referenced in (a) through to the preceding (k), important matters relating to operation, business or assets of such subsidiary which have a remarkable effect on investors' investment decisions.

***Decisions taken by a linked subsidiary of a listed company / Facts arising relative to a linked subsidiary of a listed company:***

- (a) Where a body which decides the business execution of a linked subsidiary decides to carry out certain transactions with such linked subsidiary; or
- (b) On the occurrence of certain events to a linked subsidiary.

***Information concerning the settlement of accounts of a listed company:***

- (a) The details of the account settlement (annual and quarterly) using earnings reports (*kessan tanshin*) (Summary) or quarterly earnings reports (*kessan tanshin*) (Summary);
- (b) Difference in estimated values newly calculated by a listed company or certain subsidiary of it compared to the last estimated values calculated by the listed company or the subsidiary with respect to sales, operating profits, ordinary profits or net income; or
- (c) The details of an estimated value of dividend calculated by a listed company.

Although the TSE Listing Regulations provide an extensive list of disclosure requirements, the TSE Listing Regulations also require listed companies to disclose important matters related to the operations, business or assets of such a listed company or its listed stock which have a remarkable effect on investors' investment decisions. This broad disclosure requirement means that issuers listed on the TSE are required to announce any material events affecting them.

Corporate matters to be disclosed under the TSE Listing Regulations shall generally be carried out using Timely Disclosure Network ("TDnet"). TDnet is an electric disclosure system and information disclosed under the TSE Listing Regulations by a listed company must be made available for public inspection for five years from the date of disclosure through the TDnet database service, such inspection being subject to fees. If the TSE deems that a listed company has breached the provisions regarding timely disclosure, such company may be delisted.

#### **4. CRITERIA FOR DELISTING**

*Under the TSE Listing Regulations:*

A listed issuer on the TSE may be delisted based on its own application and also under certain conditions as set forth in the criteria for delisting stocks in the TSE Listing Regulations.

In particular, the TSE may delist a listed issuer if the listed issuer imposes restrictions on transfers of its shares or a security of the listed issuer ceases to be subject to the book-entry transfer operation of a designated book-entry transfer institution.

The TSE may also see fit to delist a listed issuer, among other things, in the event that:

- (a) the listed issuer commits a material breach of the TSE Listing Regulations;
- (b) the number, market capitalization or public float of shares falls below the prescribed level;
- (c) the issuer has liabilities in excess of assets as of the end of the business year and the liabilities in excess of assets are not cleared within a year;
- (d) the issuer suspends its business activities; or
- (e) the TSE deems that delisting of the securities is appropriate for the public interest or the protection of investors.

## 5. PROTECTION OF MINORITY SHAREHOLDERS

*Under the Companies Act:*

### ***Rights to demand that directors call a shareholders' meeting:***

Shareholders holding shares consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders may demand that the directors, by illustrating the matters which shall be the purpose of the shareholders' meeting (limited to matters on which the shareholders may exercise their votes) and providing the reason for the calling of the shareholders' meeting.

In cases where (i) the calling procedure is not effected without delay after the demand stated above or where (ii) a notice is not dispatched for the calling of the shareholders' meeting which designates, as the day of the shareholders' meeting, a day falling within the period of eight weeks (or, where any period less than that is provided for in the articles of incorporation, that period) from the day of the demand, the shareholders who made the demand may proceed to call the shareholders' meeting with the court's permission.

### ***Rights to demand that directors add certain new matters to the agenda of a shareholders' meeting or to include a proposal in connection with a matter in the agenda stated in a convocation notice:***

For a company with a board of directors such as our Company, shareholders may demand that the directors include certain new matters to the agenda of a shareholders' meeting and/or demand that the directors include a proposal in connection with a matter in the agenda stated in the convocation notice. However, only shareholders who have held for the last six consecutive months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than 1% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than 300 (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may make such demand. Further, such demand shall be submitted no later than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that period or more) prior to the day of the shareholders' meeting.

In the case where a demand is made less than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that period or more) prior to the day of the shareholders' meeting, such

demand is deemed to be a demand made in respect of the agenda or convocation notice of the next shareholders' meeting. Our Articles have not prescribed a different notice period from the standard eight weeks' notice requirement for the submission of a shareholder's demand.

In addition, a shareholder who has held not less than 3% of the voting rights in a company for the last six consecutive months may request the directors to convene a shareholders' meeting. If the directors do not send out a convocation notice for such shareholders' meeting to be held and such shareholders' meeting is not convened by the directors within eight weeks from the date of such request, such requesting shareholder may convene a shareholders' meeting with court permission.

***Rights to propose an amendment to matters included in an existing agenda of a shareholders' meeting:***

A shareholder is permitted to propose an amendment to matters included in an existing agenda of a shareholders' meeting without any prior notice. The matters included in the agenda may be amended at any time before the relevant shareholders' meeting or even at the meeting.

Any matter demanded by shareholders to be added to an agenda of a shareholders' meeting or any matter in an existing agenda as amended by shareholders which is not supported by at least one-tenth of the votes of shareholders cannot be re-submitted for discussion and determination at another shareholders' meeting in the following three years.

***Derivative action:***

In a derivative action, shareholders are allowed to pursue the liability of directors vis-à-vis the company on its behalf. In addition to the recovery of the loss to the company, this system also functions as a deterrent against neglect of duties and wrongdoing by directors and other officers of the company. Shareholders who have held a share for six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) before taking action are entitled to require the company, in writing, to initiate an action to pursue the liability of directors, accounting adviser, statutory auditors, senior executive officers, Accounting Auditors, incorporators, directors and statutory auditors in the establishment procedure, and liquidators. However, if the action is intended for the unjust benefit of the plaintiff shareholder, or a third party, or to cause damage to the company, this does not apply. If the company does not take any action within 60 days of the request, the shareholder who made the request is entitled to initiate an action in pursuit of liability of the directors, accounting adviser or statutory auditors. If, by waiting sixty days, there is a likelihood of irrecoverable loss caused to the company, the shareholder may initiate an action straight away. Liability of directors can be capped (i) by a resolution of the general shareholders' meeting after the incident, or (ii) by the articles of incorporation in advance. However, if shareholders holding not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders (excluding officers subject to the liability) state objections to such a cap during a specified period of time, the company is not permitted to give effect to the cap pursuant to the relevant provisions of the articles of incorporation.

*Under the TSE Listing Regulations:*

The TSE Listing Regulations require a listed company to establish a policy to protect minority shareholders ("**Policy for Protection of Minority Shareholders**") when the company has Controlling Shareholders (as defined below and such definition only applies to this section). The Policy for Protection of Minority Shareholders is required to include (i) a policy for establishment of a corporate structure; (ii) a decision making process; and (iii) a utilization of external independent bodies, for the purpose of

protection of minority shareholders, in accordance with the Guide on Preparation of Corporate Governance Reports.

A “Controlling Shareholder” under the TSE Listing Regulations means a parent company or a main shareholder (other than the parent company) who holds the majority of voting rights of a listed company after combining the voting rights held for its own account and the voting rights held by any of the entities specified in the following items:

- (a) a close relative of said main shareholder (meaning a relative within the second degree of kinship); and
- (b) a company (including a company, designated corporation, partnership, or other similar entities (including foreign entities that are equivalent to these entities)) whose majority voting rights are held by said main shareholder or a close relative specified in (a) above, and a subsidiary of said company.

Further, the TSE Listing Regulations require listed companies to disclose certain matters regarding Controlling Shareholders, including the company’s policy towards them and details of transactions with them, in the corporate governance report (“**Corporate Governance Report**”) and other disclosure documents. The TSE also requires a listed company to submit a report without delay any change has occurred in the information in a Corporate Governance Report. Furthermore, the TSE requires a listed company that has Controlling Shareholders to disclose matters including the following within three months from the last day of the fiscal year:

- (a) the trade name or corporate name of the parent company, the holding ratio of the parent company with respect to the voting rights of the listed company, and where applicable the trade name or corporate name of the stock exchange in Japan on which the stocks issued by the parent company or the foreign stock exchange on which the stocks issued by the parent company are listed or continuously traded;
- (b) in cases where the TSE approves exemption from disclosure of certain matters regarding Controlling Shareholders of the parent company, the reason for such approval;
- (c) the position of the parent company within the corporate group and relationship with the other parent companies;
- (d) matters related to transactions with the Controlling Shareholder (including its close relatives and its subsidiaries);
- (e) the implementation status of the Policy for Protection of Minority Shareholders; and
- (f) other information necessary for investors to understand the corporate information of the Controlling Shareholder appropriately.

It is conventional to disclose the following in respect of transactions with Controlling Shareholders: (i) name or trade name, (ii) location of head office, (iii) capital stock, (iv) description of business, (v) ratio of holding of voting rights, (vi) relationship with the reporting company, (vii) details of transaction, (viii) the amount of transaction, and (ix) other information such as trade balance at end of the financial year.

Furthermore, where a listed company has Controlling Shareholders and makes a decision to conduct certain material transactions between certain related persons including the Controlling

Shareholders, the TSE Listing Regulations require the listed company to obtain an opinion from a person who has no interest in such Controlling Shareholder that any decision on the matters will not be detrimental to the interests of minority shareholders of the listed company.

In addition, under the TSE Listing Regulations, if a third-party allotment that causes a dilution ratio of voting rights in excess of 300% is determined by the board of directors of a listed company, the company will be delisted, unless the TSE deems that the risk of such third-party allotment has little likelihood of harming the interests of investors. Under the TSE Listing Regulations, the dilution ratio is, as a general rule, calculated by the following formula:

$$\text{Dilution ratio} = \frac{\text{the number of votes concerning shares to be issued by the third party allotment in question (including the number of potential voting rights)}}{\text{the number of votes concerning issued and outstanding shares before the third party allotment}} \times 100.$$

In addition to the above, the TSE Listing Regulations require a listed company to (i) obtain an opinion from a person who is independent from the management of the company regarding the necessity and appropriateness of any third-party allotment, or (ii) confirm the intention of the shareholders by any means such as a shareholders' meeting in the case of a third-party allotment (1) that causes a dilution ratio of voting rights of 25% or more, or (2) when there is an expectation of a change of a Controlling Shareholder due to such allotment, unless the TSE deems that it is difficult for the listed company to conduct any of the procedures under (1) or (2) above due to reasons such as rapidly deteriorating financial situations.

## 6. TRANSACTIONS REQUIRING SHAREHOLDER APPROVAL

Under the Companies Act:

### **Requiring an ordinary resolution ("Shareholder Approval Transactions"):**

Certain corporate acts including:

- distribution of surplus (Article 454 of the Companies Act);
- repurchase of shares (Article 156(1) of the Companies Act);
- reduction of the amount of stated capital (Article 447(1) of the Companies Act);
- reduction of the amount of reserves (Article 448(1) of the Companies Act);
- increase of the amount of stated capital by way of reduction of the amount of surplus (Article 450 of the Companies Act);
- increase of the amount of reserves by way of reduction of the amount of surplus (Article 451); and
- appropriation of its surplus, including disposition of loss and funding of voluntary reserves (Article 356(1) of the Companies Act).

***Requiring a special resolution (“Special Shareholder Approval Transactions”):***

Transactions necessitating a special resolution are:

- any acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and continues to be used for its business (*jigo-setsuritu*) (Article 467(1)(v) of the Companies Act);
- merger (absorption by another company) (Article 783(1), 795(1), 804(1) of the Companies Act);
- corporate split (separation of an existing company into two constituent parts) (Article 783(1), 795(1), 804(1) of the Companies Act);
- share exchange and share transfer (acquisition of the entire issued share capital of a target company in exchange for shares in a target company) (Article 783(1), 795(1), 804(1) of the Companies Act);
- assignment of entire business or significant part of business (Article 467(1), (2) of the Companies Act);
- reverse stock split (Article 180(2) of the Companies Act); (ii) Issuance of new shares at unfair subscription price. (Article 199(2), (3) of the Companies Act);
- issuance of share acquisition rights at unfair subscription price or unfair conditions (Article 238(2), (3) of the Companies Act);
- distribution of dividend in kind without giving shareholders the rights to demand distribution in cash (Article 454(4) of the Companies Act); and
- dissolution of the company (Article 471(iii) of the Companies Act).

***Requiring a special resolution passed by no less than a two-thirds majority vote of shareholders entitled to exercise votes at a general meeting at which at least half or more of the shareholders entitled to exercise their votes are in attendance (“Special Particular Shareholder Approval Transactions”):***

Mergers or share transfers involving the restructuring of the shares of a company such that they contain transfer restrictions, and amendments to a company’s articles of incorporation to install preemption rights or other transfer restrictions constitute special shareholders’ approval transactions.

***Corporate acts requiring unanimous shareholder approval (“Unanimous Shareholder Approval Transactions”):***

- Amendments to the articles of incorporation reclassifying all of the shares of the Company into shares subject to a statutory call option of the company (similar to redeemable shares) (Article 110 of the Companies Act);
- amendments to the articles of incorporation restricting certain shareholders from being entitled to require the company to purchase their shares on a share repurchase (Article 164(2) of the Companies Act);



- conversion to unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 776(1) of the Companies Act); and
- merger or share transfers in which all or part of consideration to the shareholders of a company to be absorbed or wholly acquired is the equity of an unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 783(2) of the Companies Act); and
- incorporation type merger in which each of unlimited commercial partnership, limited commercial partnership company or limited liability partnership company will be established.

Furthermore, in a qualified special resolution (*tokushu ketsugi*), the resolution must be made by (i) a majority (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders, or (ii) half or more (where a higher proportion is provided for in the articles of incorporation, that proportion or more) of all shareholders, being a majority equating to three quarters (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of all shareholders. Resolutions which require a type (i) qualified special resolution include the resolution to introduce restraints on transfer of shares. A type (ii) qualified special resolution is for the resolution to introduce or change differential treatment of shareholders with respect to distribution of surplus or residual assets, or voting rights, of a company whose articles of incorporation provides a transfer restriction on all of its shares. There are also cases where all shareholders' consent is required, for example, where the liability of directors or statutory auditors vis-à-vis the company is discharged.

## 7. ACCOUNTING AND AUDITING REQUIREMENTS

Regulation of accounting in the Companies Act is intended to (i) set the limit for paying out surplus; and (ii) provide information on the financial state of the company to creditors and shareholders.

Companies must prepare accurate accounting documents in a timely manner and keep them for ten years. Accounting must comply with the practice of corporate accounting which is generally accepted as fair and appropriate.

Companies are mandated to prepare financial statements and other documents for each financial year. These are:

- a balance sheet;
- a profit and loss report;
- a report on the changes of the amount of share capital during the financial year; and
- a business report.

Financial statements are subject to the audit of statutory auditors and accounting auditors when it has accounting auditors, and approval of the board of directors. They are then submitted to the general shareholders' meeting for the approval of shareholders (in the case where the company has an accounting auditors and fulfills certain requirements, the financial statement is not required to be approved by a shareholders' meeting and is required to be reported only).

The Companies Act mandates large companies which are subject to the obligation to submit annual securities reports according to the FIEA to prepare consolidated financial statements.

## **8. M&A (MERGERS, CORPORATE SPLIT, SHARE EXCHANGE, SHARE TRANSFER, BUSINESS TRANSFERS AND BUSINESS ASSUMPTION)**

### **(1) Mergers (*gappei*)**

Absorption type mergers (*kyushu gappei*) and new incorporation type mergers (*shinsetsu gappei*) are the two types of mergers available under the Companies Act. An absorption type merger is a merger whereby an existing company absorbs one or more other existing companies, while a new incorporation-type merger is a merger whereby a new company is incorporated to absorb one or more existing companies.

The company must seek a special resolution (which will pass if (1) shareholders having 1/3 or more of outstanding shares of the Company vote at the shareholders meeting, and (2) 2/3 or more voting shareholders approve the transaction under the Companies Act and the Articles of the Company at the general shareholders meeting if it conducts a merger, unless:

- (i) the company is the surviving entity in relation to the merger and the consideration to be paid to the shareholders of the counterparty (absorbed entity) is 20% or less of the net asset of the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

Shareholders who are opposed to the planned merger are entitled to require the respective company to purchase their shares at a fair price. Shareholders who have voting rights and have informed the company of their objection before the general shareholders' meeting and have voted against the merger, or shareholders who do not have voting rights, may exercise these rights. The appraisal right must be exercised within twenty days before the date the merger takes effect and the day before this date.

Since creditors may be affected by the merger, there is a procedure for the protection of creditors. The merging companies are under an obligation to publicly announce the merger in the official gazette and also to invite known creditors to come forward, if they object to the merger. By the articles of incorporation, companies may decide not to notify known creditors individually, but instead make an announcement in the daily papers, or notify the creditors by electronic means, in addition to the announcement in the official gazette.

If a creditor objects to the merger, the company needs to either (i) repay the debt even if it is not due, (ii) instead, provide collateral, or (iii) deposit an appropriate amount with a trust company or banks involved in trust business. However, the novelty since the 1997 amendments is that if there is no likelihood of the merger harming the creditors, these measures are not required.

Under the Companies Act, it has become permissible to use the stock of the parent of the surviving company as consideration in an acquisition or disposal, thereby enabling triangular mergers.

In mergers by setting up a new company, the merger takes effect by registration. In mergers by absorption, the rights and obligations of the extinguishing company are transferred to the surviving company in a comprehensive manner on the agreed date on which the merger takes effect.

Japanese law requires that certain general information is included in a convocation notice for an extraordinary shareholders' meeting ("**EGM**"), as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for merger contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed merger; (ii) the terms and conditions of the merger contract, (iii) the appropriateness of the consideration to be paid or received; (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

## **(2) Corporate split (*kaisha bunkatsu*)**

A corporate split is a process whereby a stock company or a limited liability company (*godo kaisha*) transfers all or part of the rights and obligations pertaining to a certain division of the company to another existing company or a newly established company. The separation of rights and obligations pertaining to a division of such a company to an existing company is called *kyushu bunkatsu* (absorption type corporate split), while the separation of rights and obligations pertaining to a division of such a company to a newly established company is called *shinsetsu bunkatsu* (new incorporation type corporate split). In each type of corporate split, as consideration for the separation of rights and obligations, the separating company will issue or pay shares, bonds, share acquisition rights, cash or other assets to the other company.

In a new incorporation type corporate split or an absorption type corporate split, the procedure is (i) the preparation of a plan for the split, or a contract of split; (ii) the making available of relevant documents for inspection; (iii) the approval by a general shareholders' meeting, (iv) the procedure for the protection of creditors; and (v) registration.

The plan or the contract of a split must be made available for inspection by shareholders and creditors in the same manner as mergers. The plan or the contract is subject to approval at the general shareholders' meeting of the splitting company and, in cases of spin-off to another existing company, also by shareholders of that company by a special resolution of a shareholders' meeting. Shareholders who are opposed to the split are granted an appraisal right as with a merger. The procedure for the protection of creditors of those companies is also available.

The company must seek a special resolution at the general shareholders' meeting if it conducts a corporate split unless:

- (i) the "corporate split" results in an establishment of a new company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred are 20% or less of the total assets of the company,
- (ii) the "corporate split" results in a consolidation with an existing company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred is 20% or less of the total asset of the company,
- (iii) the "corporate split" results in a consolidation with an existing company ("**Merging Entity**"), and the company is the Merging Entity, and the consideration to be paid to the counterparty (splitting entity) in relation to the corporate split is 20 or less of the net asset of the company,

- (iv) the “corporate split” results in a consolidation with an existing company, and the company has 90% or more of the outstanding shares of the counterparty, or
- (v) the “corporate split” results in a consolidation with an existing company, and the counterparty has 90% or more of the outstanding shares of the company.

As a rule, rights and obligations of the splitting company are transferred either to the newly established company or to the absorbing company. This also applies to employment contracts.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for corporate splits, the convocation notice must include the following key content requirements: (i) the reason for the proposed corporate split; (ii) the terms and conditions of the corporate split contract or plan; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty’s financial documents (balance sheet / profit and loss statement / business report / auditor’s report) of the latest financial year; (v) the counterparty’s material subsequent events after the end of the latest financial year and (vi) the articles of incorporation, directors, statutory auditors and accounting auditors of the newly-established corporation.

### **(3) Share exchange (*kabushiki kokan*) and share transfer (*kabushiki iten*)**

A share transfer (*kabushiki iten*) is a transaction whereby one or more companies create a new company and transfer all of their outstanding shares to that new company (i.e., creation of a newly incorporated company as their 100% parent) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the new company.

A share exchange (*kabushiki kokan*) is a transaction whereby a stock company transfers all of its outstanding shares to an existing stock company or a limited liability company (*godo kaisha*) (i.e., conversion of an existing stock company to a wholly-owned subsidiary of another existing stock company or limited liability company (*godo kaisha*)) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the company that will become a new parent of such stock company.

The company must seek a special resolution at the general shareholders’ meeting if it conducts a share exchange unless:

- (i) the company is the squeezing entity in relation to the share exchange and the consideration to be paid to the shareholder of the counterparty (target entity) is 20% or less of the net assets of the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

The company must seek a special resolution at the general shareholders’ meeting if it conducts a share transfer.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share exchange contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed share exchange; (ii) the terms and conditions of the share exchange contract; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

Further, in addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share transfer plans, the convocation notice must also include the following key content requirements: (i) the reason for the proposed share transfer plan; (ii) the terms and conditions of the share transfer; (iii) the company's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (iv) the company's material subsequent events after the end of the latest financial year and (v) the articles of incorporation, directors, statutory auditors and accounting auditors of the newly-established corporation.

#### **(4) Business transfer (*jigyo joto*)**

A business transfer (*jigyo joto*) is a transaction whereby a stock company transfers all or a portion of its "business" (*jigyo*) to another entity. According to the judicial precedents, the term "business" (*jigyo*) is regarded to mean "a combination of assets and liabilities organized for a certain commercial purpose including a contractual relationship with its customers." Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as "business" (*jigyo*).

The contract by a stock company to transfer all of or a significant portion of its "business" (*jigyo*) to another entity is subject to the special resolution of a shareholders' meeting unless;

- (i) the consideration to be paid by the transferee to the stock company is 20 % or less of the total assets of the stock company, or
- (ii) the transferee has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business transfer (*jigyo joto*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business transfers, the convocation notice must include the following key content requirements: (i) the reason for the proposed business transfer; (ii) the terms and conditions of the business transfer contract and (iii) the appropriateness of the consideration to be received.

**(5) Business assumption (*jigyo yuzuriuke*)**

A business assumption (*jigyo yuzuriuke*) is a transaction whereby a stock company assumes all or a portion of its “business” (*jigyo*) from another entity. According to the judicial precedents, the term “business” (*jigyo*) is regarded to mean “a combination of assets and liabilities organized for a certain commercial purpose including a contractual relationship with its customers.” Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as “business” (*jigyo*).

The contract by a stock company to assume all of the “business” (*jigyo*) from another entity is subject to the special resolution of a shareholders’ meeting unless;

- (i) the consideration to be paid by the stock company to the transferor is 20 % or less of the net assets of the stock company, or
- (ii) the transferor has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business assumption (*jigyo yuzuriuke*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business assumptions, the convocation notice must include the following key content requirements: (i) the reason for the proposed business assumption; (ii) the terms and conditions of the business assumption contract and (iii) the appropriateness of the consideration to be paid.

**9. FINANCING OF COMPANIES**

Other than borrowing, companies may take measures to finance themselves as follows.

**(1) Issuance of new shares**

The issuance of shares and the disposal of Treasury Stock are covered in the same section of the Companies Act as the offering of shares. When offering newly-issued shares or Treasury Stock that are being disposed of, either to the public or a third party, a company is required to determine, among other things, the following:

- the number of offered shares;
- the price to be paid or the method of calculating it;
- if there is an in-kind contribution, the content of the contribution and its value;
- the date or period of payment; and
- matters related to the increase of the capital and capital reserve when issuing shares.

These matters need to be decided at the general shareholders' meeting, but this can be delegated to the board of directors by a special resolution of a shareholders' meeting. In such cases, the maximum number of shares to be issued or disposed and the minimum amount of payment need to be determined. In public companies such as our Company, the above matters can be determined by the board of directors. However, this does not apply when the shares are issued or disposed of at an especially favorable price to the subscribers (whether or not a price is "especially favorable to the subscribers" is determined based on a reasonable balance between the interests of the company's existing shareholders and its own interest in achieving effective capital financing, considering various factors including: the company's share price prior to the date when the issue price is set; volatility of that share price; past trading volumes in the company's shares; the company's financial condition, profitability and level of dividends; the number of the company's issued shares and the number of new shares to be issued; trends in stock market conditions; and the estimated potential of the market to absorb these new shares, according to a precedent court case (Supreme Court of Japan, April 8, 1975)). In such case, a special resolution of the shareholders' meeting is required.

If the issuance of shares or the disposal of Treasury Stock is against the law or the articles of incorporation or was substantially unfair, shareholders are entitled to seek an injunction. Shareholders are also entitled to contest the validity of the issuance. In order to ensure the above rights of shareholders, where a public company offers shares to the public or a third party, the offer has to be publicized, or notified to shareholders at least two weeks prior to the date of paying in.

There are three types of issuances of new shares, depending on the allocation of newly-issued shares: (i) an allotment to shareholders, (ii) an allotment to a specified third party, and (iii) a public offer. The board of directors is entitled to decide to adopt either of the three methods above at its discretion.

In the case of an allotment to shareholders, upon resolution of the board of directors to give, at its discretion, existing shareholders the right to subscribe newly-issued shares in proportion to shareholding ratio. In the case of an allotment to a specified third party, shares may be offered to a specific third party. The party to whom the shares are to be allocated can be determined by the board of directors. In a public offer, newly-issued shares are offered to many unspecified people. The shares are underwritten by securities firms.

## **(2) Issuance of bonds**

The Companies Act defines a bond as any monetary claim owed by a company by allotment under the provisions of the Companies Act and which will be redeemed in accordance with the provisions on the matters listed in the items of the Companies Act.

There are straight bonds and bonds with share acquisition rights. The latter are bonds with share acquisition rights which are inseparable from the bond itself.

In cases where a company will issue bonds, the company must specify a bond manager and entrust the receipt of payments, the preservation of rights of a claim on behalf of the bondholders, and other administration of the bonds to that manager, unless the value of each bond is ¥100 million or more, or the total amount of the bonds divided by the minimum price of the bond is less than 50.

## **10. EXCHANGE CONTROL**

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) and the cabinet orders and ministerial ordinances thereunder (collectively, the "**Foreign Exchange Act**"), govern



certain matters relating to the issuance of equity-related securities by us and the acquisition and holding of shares of common stock by “exchange non-residents” and by “foreign investors” as hereinafter defined.

“Exchange non-residents” are defined under the Foreign Exchange Act as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. “Foreign investors” are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the shares are held by (i) and/or (ii) above, (b) a majority of officers consists of non-resident individuals or (c) a majority of the officers having the power of representation consists of non-resident individuals. Under the Foreign Exchange Act, dividends paid on, and the proceeds of sales in Japan of, shares of common stock held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad.

Under the Foreign Exchange Act, an acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market (“**OTC**”) in Japan, or the listed shares, by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In the case of a foreign investor acquiring listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor (including shares held by persons who agree to act in concert with such foreign investor in connection with the exercise of shareholders’ rights) would become 10% or more of our total issued shares, such acquisition constitutes a direct inward investment and the foreign investor is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If a foreign investor (possibly including HDR Holders) fails to make a subsequent report or makes a false subsequent report, the foreign investor may be punished by imprisonment with work for not more than six months or a fine of not more than ¥500,000. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company fails to make a subsequent report or makes a false subsequent report with regard to the business or property of the company, the offender may be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, and the company may be liable to be punished by a fine of not more than ¥500,000. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor (possibly including HDR Holders) acquires shares without a prior filing or makes prior filing containing a misstatement, the foreign investor may be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company acquires shares without a prior filing or makes prior filing containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both, and the company is liable to be punished by a fine of not more than ¥1 million.



## 11. TAXATION

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences for HDR Holders (evidencing HDSs representing shares of our common stock) who are non-resident individuals or non-Japanese corporations not having a permanent establishment in Japan (collectively referred to as “non-resident HDR Holders” in this section). As tax laws are frequently revised, the tax treatments described in this summary are subject to any future changes in applicable Japanese laws and/or double taxation conventions. This summary is not an exhaustive treatment of all possible tax considerations which may apply to specific investors under particular circumstances.

A non-resident HDR Holder is generally subject to a Japanese withholding tax on cash dividends. Split-up of shares and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterized merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident HDR Holders (other than those who hold 3% or more of our Shares) is generally 15.315% on or before December 31, 2037 and 15% on or after January 1, 2038. Non-resident HDR holders who hold 3% or more of our Shares are generally subject to a withholding tax in Japan of 20.42% on or before December 31, 2037 and 20% on or after January 1, 2038.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under domestic tax law. If the tax rate under domestic tax law is lower than the treaty rate, the domestic tax rate applies.

Under the Hong Kong-Japan Tax Treaty, the Japanese withholding tax rate that applies to dividends payable to a beneficial owner of shares who is a Hong Kong resident will be reduced to 10%, provided that if the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. As a general rule, a beneficial owner who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance may be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty from the relevant Japanese tax authority at its discretion by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Hong Kong-Japan Tax Treaty would apply to a non-resident HDR Holder who is a resident of Hong Kong. The application form and information on the procedures to claim a refund of withholding taxes are available in Japanese and English on the website of Japan's National Tax Agency at <http://www.nta.go.jp/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/250.pdf>.

Gains derived from the sale outside Japan of HDSs of the Company by a non-resident HDR Holder are in general not subject to Japanese income or corporation taxes, except for any HDR Holder who substantially holds (i) 25% or more of the shares issued by the relevant Japanese corporation at any time during the taxable year of the sale or during two preceding years and (ii) transfers of 5% or more of the

outstanding Shares within one taxable year. In addition, the Hong Kong-Japan Tax Treaty also provides that capital gain tax delivered from transfer of shares can be imposed in the jurisdiction where the transferor of such shares is resident except for certain circumstances. As such, HDR Holders who are resident in Hong Kong are generally not subject to Japanese capital gain taxes.

Japanese inheritance taxes at progressive rates may be payable by an individual who has acquired HDSs as a legatee, heir or donee even though neither the individual nor the deceased nor the donor is a resident of Japan because any inheritance of HDRs underlying shares issued by a Japanese company may be regarded as those of shares of such Japanese company that are subject to Japanese inheritance taxes for the purpose of Japanese tax law.

## 12. TAKEOVER REGULATION IN JAPAN

### Compulsory Takeover Bid

A takeover bid (*koukai kaitsuke*) is regulated by the FIEA. If a party intends to purchase shares of companies that are required to submit annual security reports (including listed companies and OTC companies) or that issue specified listed securities, this must be done by tender offer (as described below) in the following cases (with several exceptions):

- (i) If the purchase is made outside the stock exchange market (including the OTC security market) and, after the purchase, the aggregate voting rights held by a purchaser making a takeover bid (the “**takeover bidder**”) and the certain related persons of the takeover bidder divided by the total voting rights of the target company (“**Total Voting Ratio**”) exceeds 5%. An exception applies if the aggregate number of sellers in the contemplated share purchase and the sellers of shares to the takeover bidder outside the stock exchange market (“**Total Sellers**”) equals ten or less in the 60 days before the day the purchase is made.
- (ii) If the purchase is made outside the stock exchange market (including the OTC security market), the number of Total Sellers is ten or less and the Total Voting Ratio exceeds one-third after the purchase.
- (iii) If the Total Voting Ratio exceeds one-third after the purchase, and the purchase is made by the methods of purchase prescribed by the Prime Minister (including purchasing through Tokyo Stock Exchange Trading Network System (ToSTNeT) of the TSE and certain off-floor trading methods).
- (iv) If, within three months:
  - over 5% of the voting shares are purchased outside the stock exchange market (including the OTC security market) or by the methods of purchase prescribed by the Prime Minister mentioned above;
  - a total of over 10% of the voting shares are obtained through the purchase (including purchases described in the preceding bullet point) or the issuance of new shares; and
  - the Total Voting Ratio exceeds one-third after the purchase or the issuance.

- (v) If, during the period in which another party's public offering is made, a party, whose Total Voting Ratio before the purchase exceeds one-third, purchases over 5% of the voting shares.
- (vi) In other specified cases set out in the relevant cabinet order.

### Procedures for Takeover Bid – Tender Offer

The takeover bidder commences the takeover bid procedures by first providing public notice of the commencement of the takeover bid (*koukai kaitsuke kaishi koukoku*) and then filing the takeover bid registration statement (*koukai kaitsuke todokedesho*). The takeover bid registration statement sets forth, among other things, the following: (i) the purpose of the acquisition, (ii) a description of negotiations related to the takeover bid, (iii) the floor offer price, (iv) an agreement with the target company and its directors, (v) information about the takeover bidder and the target company and (vi) any other information which would have a material effect on a shareholder's decision.

The takeover bidder solicits tenders from shareholders by delivering the takeover bid explanation statement (*koukai kaitsuke setsumeisho*) to them. On the other hand, the target company publicly announces its position for the takeover bid by filing the position statement report (*iken hyoumei houkokusho*) within ten (10) business days from the public notice for commencement of the takeover bid. When the target company puts questions to the takeover bidder in such position statement, the takeover bidder must file the report for responding to the questions (*tai shitsumon kaitou houkokusho*). The takeover bidder makes a public announcement of the results of the takeover bid on the day following the end of the offering period, files the takeover bid report (*koukai kaitsuke houkokusho*) and notifies the shareholders who tendered their shares for the takeover bid of such results. Finally the takeover bid is completed by exchanging the shares and the consideration on the settlement date.

### Regulations of Terms of Takeover Bid

#### (i) Offer Price

As a general rule, the terms and conditions of a takeover bid (including the offer price) must be uniform for all shareholders of the target company. Other than this general rule, no price restrictions are imposed under the FIEA. In particular, there is no requirement to offer a premium over the market price (a discounted takeover bid is also possible).

#### (ii) Offer Period

An offer period must not be less than 20 business days or more than 60 business days. Within this range, the takeover bidder may extend the initial offering period. The target company may request to extend the offering period if the initial period is less than 30 business days, and if it does so, the offering period will automatically become 30 business days.

#### (iii) Cap and Floor on the Number of Shares

The takeover bidder may put a cap and/or a floor on the number of shares to be purchased in a takeover bid. If the number of shares tendered exceeds the cap, a pro-rata purchase from the tendered shareholders is required. However, if the Total Voting Ratio is two-thirds or more, the takeover bidder may not set a cap and must purchase all the shares tendered.

(iv) Withdrawal of Takeover Bid

The takeover bidder is generally prohibited from withdrawing a takeover bid. However, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may withdraw the takeover bid if any important changes occur to the business or property of the target company or its subsidiary, or any other circumstances occur that would significantly impede the achievement of the purpose of the takeover bid, it may withdraw the takeover bid when such matters actually occur.

(v) Change in Terms of a Takeover Bid

Generally, the takeover bidder may only change the terms and conditions of a takeover bid when such changes are not unfavorable to shareholders of the target company. Decreasing an offer price, increasing a floor on the number of shares, decreasing a cap on the number of shares and shortening an offer period are all deemed to be changes that are unfavorable to shareholders and are therefore generally prohibited. However, for example, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may reduce the offer price when the target company conducts a share split or issues shares or stock acquisition rights to the existing shareholders for no value, it may reduce the offer price when such matters actually occur. The offering period should have at least 10 business days remaining after any change to the terms and conditions of a takeover bid, otherwise the offering period must be extended.

(vi) Prohibition of Purchase Outside a Takeover Bid

Generally, certain parties, including the takeover bidder, certain related persons of the takeover bidder and the securities company handling procedural matters for the takeover bid may not purchase shares of the target company outside the takeover bid during the offering period. However, for example, they may purchase the shares if the agreement for such purchase has already been disclosed in the public notice for commencement of the takeover bid and the takeover bid registration statement or if such purchase is made by the exercise of stock acquisition rights.

If a person (might include HDR Holders) has failed to submit a takeover bid registration statement, the person shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a takeover bid registration statement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million. In addition, the Japanese regulator may impose an administrative penalty up to 25% of the aggregate amount of shares purchased by such offender (or 1.5 times of such amount if such offender has failed to comply with this regulations in the past five years).

Also, if a person (might include HDR Holders) submits a takeover bid registration statement containing a misstatement, the person shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company submits a takeover bid registration statement containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and the company is liable to be punished by a fine of not more than ¥700 million. In addition, the Japanese regulator may impose an administrative penalty on such offender.

The amount of such administrative penalty is up to 25% of the aggregate amount calculated based on a closing price immediately prior to the date of the commencement of the takeover bid multiplied by the number of shares purchased by such offender (or 1.5 times of such amount if such offender has failed to comply with this regulations in the past five years).

### HDR Holders

In the event that a takeover bid is made to the Shares, each of the Shareholders (as defined in the Companies Act and the Book Entry Act) of the Company will be entitled to exercise their rights as Shareholders in respect of the takeover bid under the FIEA. Upon receiving notice of the takeover bid, HDR Holders will be entitled to exercise rights in respect of the takeover bid by instructing the Depository as to whether to take up the offer or not. Accordingly, the Depository would instruct the Custodian, as the holder of the shares underlying the HDRs, to act in accordance with the instructions of such HDR Holder(s). The Custodian will be a normal Shareholder of the Company holding the underlying shares in JASDEC and will be entitled to the same protections offered under Japanese law as any other Shareholder of the Company.

## 13. LARGE SHAREHOLDING REPORT

### Disclosure Obligations

Persons who acquire title, or a call option, to equity securities including shares, SARs, bonds with SARs and similar securities issued or to be issued by a listed company (“**equity securities**”) representing more than 5% of the outstanding voting rights (“**Large Volume Holder**”), are required to submit a large shareholding report (“**Large Shareholding Report**”) in the form provided by the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates (Ordinance of the Ministry of Finance No. 36 of 1990, as amended), to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and stock exchanges on which such shares are listed, within five (5) business days from the date on which such person has come to be a Large Volume Holder, pursuant to Article 27-23 of the FIEA. The Large Shareholding Report submitted by such Large Volume Holder must include, among other things, (a) the identity of the Large Volume Holder and its joint holders (together, “**Disclosing Parties**”); (b) the purpose for acquiring such equity securities; (c) the number and ratio of equity securities held by the Disclosing Parties; (d) details of the transaction regarding equity securities within a 60 day period; (e) material contracts regarding equity securities; and (f) details of the funds used by the Disclosing Parties to acquire such equity securities.

If a material change in any of the matters disclosed in a Large Shareholding Report occurs or holdings of equity securities increase or decrease by 1% or more, the Large Volume Holder must submit an amendment to the Large Shareholding Report within five business days of such change.

If a person has failed to submit a Large Shareholding Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, that person is liable to be punished by imprisonment for not more than five years or issued a fine of not more than ¥5 million Yen, or both, and they will be liable to pay to the national treasury a surcharge equivalent to 1/100,000 of the total market value of the shares.

### Timing and Method of Disclosure

As mentioned above, Large Shareholding Reports and amendments thereto must be submitted within five business days of the relevant person or entity becoming a Large Volume Holder, or on the

occurrence of a material change or a change in their holding ratio of 1% or more, respectively. All Large Shareholding Reports and amendments thereto are required to be submitted through the EDINET (it is deemed by operation of law that a copy thereof is submitted to the stock exchange when such report is submitted through EDINET) and must be made available for public inspection for five years by the stock exchanges upon which the company's securities are listed and by the FSA.

Further, with respect to institutional investors such as banks, trust companies and insurance companies, there are exceptional reporting rules under the FIEA. Institutional investors may elect to submit a Large Shareholding Report and amendment thereto in the simplified special form within five business days after the record date (either the 2nd and 4th Monday (and 5th Monday, if any) of each month or the 15th day and the last day of each month) elected by such institutional investors. Such institutional investors must satisfy certain requirements such that the purpose of the institutional investors in obtaining the shareholding must not be to control the business of the company, the aggregate shareholding of the institutional investors and its joint holder must not exceed 10% and other certain requirements under the FIEA and its ordinances, to use this exceptional reporting rule.

#### **14. SALE-PURCHASE REPORT AND SHORT-SWING REGULATION**

Under the FIEA each shareholder of a company having 10 % or more of outstanding voting rights ("**Major Shareholders**") and its directors, statutory auditors and executive officers ("**Officers**") are subject to the following requirements and obligations:

##### **(a) Sale-purchase Report (Article 163)**

If a Major Shareholder or Officer sells or purchases (including derivative transactions with physical settlement or cash settlement) shares of a company, he/she is required to file a Sale-purchase Report setting forth details of such sale or purchase with the FSA by the 15th day of the month immediately following such sale or purchase. If a Major Shareholder (might include HDR Holders) or Officer fails to submit a report or submits a report containing a misstatement, such person shall be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both. Also, in the case of such offender is a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a report or submits a report containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both, and the company is liable to be punished by a fine of not more than ¥500,000.

##### **(b) Short-swing Regulation (Article 164)**

If a Major Shareholder or Officer earns profits from either (i) purchase of the shares and sale of the shares conducted within a six-month period, or (ii) sale of the shares and purchase of the shares conducted within a six-month period, the company is entitled to make a claim for the profits from such purchase and sale or sale and purchase, as the case may be, ("**Profits**") against the Major Shareholder or Officer. The "purchase" and "sale" include derivative transactions with physical settlements or cash settlements.

Moreover, if the company does not make a claim for the Profits within 60 days after receipt of demand by a shareholder of the company, the shareholder may make a claim for the Profits against the Major Shareholder or Officer, as the case may be, on behalf of the company.

If the FSA considers that a Major Shareholder or Officer earned the Profits based on the Sale-purchase Report, the FSA will deliver the portion of the Sale-purchase Report, relevant to the Profits (“**Profit-related Document**”), to such Major Shareholder or Officer, and if he/she does not raise any objections on the basis of lack of sale or purchase as described in the Profit-related Document within 20 days, it will deliver the Profit-related Document to the company. The FSA will publicize the Profit-related Document 20 days after the delivery to the company.

**(c) Short-selling Regulation (Article 165)**

Major Shareholders and Officers are prohibited from short-selling of the shares beyond the amount of the shares owned by such Major Shareholder.

**15. NOTIFICATION REQUIREMENT UNDER THE ANTI-MONOPOLY ACT**

When a corporate investor (might include HDR Holders) that fulfils certain criteria, such as domestic turnover prescribed by the Anti-Monopoly Act, acquires shares (might include HDRs) exceeding 20% or 50% of voting rights, the corporate investor is required to file a report to Japan Fair Trade Commission prior to such acquisition.

**16. DISCLOSURE OF MATERIAL TRANSACTIONS WITH RELATED PARTIES IN THE FINANCIAL STATEMENTS**

Under the FIEA and the Consolidated Financial Statements Rule, the notes to financial statements which are disclosed pursuant to the FIEA, must include the details of “material” transactions with related parties (“**Related Party Transactions**”), including any controlling shareholders.

The Related Parties of a Japanese company include:

- (a) the parent companies of the company;
- (b) the unconsolidated subsidiaries of the company;
- (c) corporations, etc. that have the same parent company as the company;
- (d) other related companies (meaning a corporation, etc. which, or the subsidiaries of which, are able to effect material influence on the company’s financial and operating or business decision, through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (e) affiliated companies of the company (meaning a corporation, etc. whose financial and operating or business decisions could be materially influenced by the company or a subsidiary of the company through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (f) major shareholders of the company (meaning a shareholder who holds voting rights exceeding 10% of the voting rights held by all the shareholders in the name of him/herself or another person) and their close relatives (meaning relatives within the second degree of kinship);
- (g) officers of the company and their close relatives;
- (h) officers of the parent companies of the company and their close relatives;



- (i) officers of the material subsidiaries of the company and their close relatives;
- (j) a corporation in which the majority of voting rights are held by any one of the persons prescribed in (f) through (i) for his/her own account, and the subsidiaries of such corporation; and
- (k) the corporate pension provider for the employees of the company.

The items to be disclosed include:

- (a) in cases where the related parties are corporations, etc., the name, address, amount of capital stocks or contributions, content of business and the holding ratio of the voting rights that the company holds in the corporation, etc., or the holding ratio of the voting rights that the corporation, etc. holds in the company;
- (b) in cases where the related parties are individuals, the name, the occupation and the holding ratio of the voting rights that the related party holds in the company;
- (c) the relationship between the company and the related party;
- (d) the details of the transactions;
- (e) transaction amounts for each category of the transactions;
- (f) conditions of the transactions or policy of the determination thereof;
- (g) the balance, as of the end of a fiscal year, of the debts and credits generated by the relevant transactions for each account classification;
- (h) in cases where there has been an amendment to the conditions of the transactions, a note to that effect, details of the amendment and details of the influences on the consolidated financial statements caused by the amendment;
- (i) in cases where receivables owed by the related parties are classified as (i) receivables owed by a company that is not yet failed but has a substantial problem with payment or has high possibility thereof (*kashidaore kenen saiken*) or (ii) receivables that are a claim in bankruptcy or receivables owed by a company under rehabilitation, etc. (*kousei saiken tou*), the balance of the provision for possible loan loss as of the end of the relevant fiscal year, provision for doubtful accounts, etc. realized during the relevant fiscal year and bad-debt loss, etc. realized during the relevant fiscal year; and
- (j) in case where certain reserves are set relating the transaction between the company and the related party, and it is considered appropriate to be included in the notes to financial statements, items equivalent to the items prescribed in (i) above.

## 17. INSIDER TRADING REGULATIONS

Under the FIEA, any person (i) who is a company-related person, etc. of a company listed on the Japanese stock exchange, etc., ("**Listed Company, etc.**"), (ii) who has become aware of any material facts concerning business operations, etc., in connection with such Listed Company, etc. and (iii) who, prior to the time when the material facts concerning business operations, etc. have been publicly



disclosed, trades, etc. in the specified securities, etc. of such Listed Company, etc. is subject to criminal penalty for insider trading.

The terms “company-related person”, “material facts concerning business operations, etc.”, “publicly disclosure”, “trades, etc.” and “specified securities, etc.” above are defined under the FIEA, and the brief summary of them is as follows:

**(a) Company-related Person, etc. (Persons Subject to the Insider Trading Regulations)**

The term “company-related person” includes, among other things, (i) the officer, agent, employee, part-time worker, temporary worker, etc. of the of the Listed Company, etc. (including its parent company or subsidiary; hereinafter the same in this paragraph (a)), (ii) any shareholder of the Listed Company, etc. who has the right to request inspection of account books or a member of the Listed Company, etc.’s parent company who has the right, by obtaining permission from the court, to request inspection of account books under the Companies Act, (iii) any person having authority pursuant to any applicable law or regulation (such as public officers, etc., having authority pursuant to any applicable law or regulation, the right of permission, approval, etc. and the right of entry and inspection); (iv) any person who has concluded a contract or is involved in contractual negotiations with the Listed Companies, etc. and (v) officer, etc., of a corporation who has the right to request inspection of account books (as mentioned in item (ii) above), or a corporation of who has concluded a contract or is involved in contractual negotiations (as mentioned in item (iv) above).

In addition to the “company-related person”, any person for whom one year has not lapsed since the day on which he/she ceased to be a “company-related person” (“**former company-related person**”) is subject to the insider trading regulations. Moreover, (i) any person who has been informed of any material facts concerning business operations, etc. by the “company-related person” or “former company-related person” (“**recipient**”) and (ii) an officer, etc. of a juridical person to which a recipient of information in the course of business belongs, who obtained knowledge of material facts concerning business operations, etc. during the performance of duties regarding such recipient are also subject to the insider trading regulations.

**(b) Material Facts concerning Business Operations, etc.**

“Material facts concerning business operations, etc.” can be classified as follows:

**(i) A fact that has been determined by a company (“fact decided”)**

A “fact decided” includes the decision regarding an issuance of shares, subscription warrants, stock split, dividend from surplus, etc. and all of “facts decided” are similar to and, as a general rule, covered by the matters to be disclosed as “Decisions taken by a listed company (including where decisions is taken for not carrying out the matters relating to such decision)” and “Decisions taken by subsidiaries, etc. of a listed company (including where decisions is taken for not carrying out the matters relating to such decision)” under the TSE Listing Regulations.

**(ii) A fact that has occurred, irrespective of the intention of the company (“fact occurrence”)**

A “fact occurrence” includes a change in major shareholders, dishonor of a bill or a check or suspension of trade with a main business partner, etc., and all “facts occurrences” are similar to and, as a general rule, covered by the matters to be disclosed as “Facts arising

relative to a listed company” and “Facts arising relative to subsidiaries, etc. of a listed company” under the TSE Listing Regulations.

**(iii) A fact in connection with information regarding account settlement of a company (“Information regarding account settlement”)**

“Information regarding account settlement” is regarding sales, ordinary income, net income or dividend, etc., and , as a general rule, all of “Information regarding account settlement” is covered by the matters to be disclosed as “Information concerning the settlement of accounts of a listed company” under the TSE Listing Regulations.

**(iv) Other material fact (“sweep-up provision”)**

Other material fact is a sweep-up provision that includes any material fact pertaining to the operations, business or assets of the company, which would have a significant effect on the investment decisions of investors.

Please see the section headed “Part A. Summary of Japanese Legal and Regulatory Matters — 3. Summary of Disclosure Requirements” in this Appendix for a summary of matters to be disclosed by a listed company under the TSE Listing Regulations.

**(c) Public Disclosure**

If a director who represents a Listed Company, etc. or a person who is authorized by that director publicly discloses a material fact concerning business operations, etc. to two or more news media, and if 12 hours have elapsed since such public disclosure, this conduct is considered “public disclosure.”

In addition, (i) if a securities report, etc. containing a statement regarding a material fact concerning business operations, etc. is made available for public inspection, or (ii) if a Listed Company, etc. reports a material fact concerning business operations, etc. in accordance with the regulations of the relevant stock exchange and such material fact is made available for public inspection on the homepage operated by such exchange, this conduct is also considered “public disclosure.”

**(d) Trades, etc.**

“Trades, etc.” include (i) the purchase, sale or other transfer or acquisition for value and (ii) securities index futures, security option trading, securities futures on a foreign financial instruments market or over-the-counter securities derivatives transactions.

**(e) Specified Securities, etc.**

Specified securities, etc. consist of “specified securities” and “related securities.” “Specified securities” include, among other things, (i) shares, corporate bonds, preferred securities, share warrants and share subscription rights, etc., and (ii) certificates, instruments or depositary receipts issued by a foreign juridical person, which have the nature of the above category (i), and which are listed on a Japanese stock exchange, etc. “Related securities” include certificates or instruments representing an option with respect to specified securities and the following securities: (i) investment trust beneficiary securities or investment securities, of which the trust assets are limited to specified

securities of the relevant Listed Company, etc.; and (ii) other bonds redeemable with another company's shares (including those issued by a foreign juridical person), etc.

In addition to the above, any person who is a person related to takeover bidders, etc. of the Listed Company, etc., prior to the disclosure concerning the performance of a takeover bids, etc., purchases (or, in the situation where a publicly disclosed takeover bid is to be discontinued and the discontinuation is yet to be publicly disclosed, sells) the shares, etc. of such Listed Company shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both. Also, if a representative person of a company such as a director, or an agent, employee, or other worker of a company violated the insider trading regulations with regard to the business or property of the company, the company is liable to be punished by a fine of not more than ¥500 million. In addition, any profits which are derived from insider trading are forfeited.

## 18. OBLIGATIONS OF HDR HOLDERS UNDER JAPANESE LAWS AND REGULATIONS

HDR Holders will be subject to the following obligations under Japanese laws and regulations:

- Filing of large shareholding report under the FIEA (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 13. Large Shareholding Report” in this listing document).
- Filing of sale-purchase report and short-swing regulation for major shareholders under the FIEA (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 14. Sale-Purchase Report and Short-Swing Regulation” in this listing document).
- Certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 10. Exchange Control” in this listing document).
- Notification requirement prior to the acquisition of shares under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended) (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 15. Notification Requirement under the Anti-Monopoly Act” in this listing document).
- Takeover regulations (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 12. Takeover Regulation in Japan” in this listing document).
- Certain trading regulations, including insider trading regulations (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 17. Insider Trading Regulations” in this listing document) under the FIEA.
- Taxation (see “Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 11. Taxation” in this listing document).

We are of the view that it would be reasonable to consider that the relevant obligations of HDR Holders under Japanese law are addressed in the above description. However, the legal and regulatory implications depend on various factors in each case, and hence it is recommended that investors seek independent advice on possible obligations under Japanese law and regulations.

## 19. SHARE ACQUISITION RIGHTS

### (a) Legal framework for issuance of Share Acquisition Rights in Japan

Unlike in other jurisdictions, Japanese companies conventionally do not have underlying share option plans established for the purposes of setting out the basic terms of share options (such as the maximum number of the SARs that the directors or the administrators of the scheme are authorized to issue and the scope of the persons to whom the SARs may be issued) that will apply to all issues made under that plan. Instead, a company that issues SARs resolves the exact terms of the SARs by a resolution of the board of directors or a shareholders' meeting each time it intends to issue SARs in accordance with the Companies Act.

The terms of SARs to be determined by a shareholder resolution or a board resolution (the "Terms of SARs") include the matters such as: (i) the number of the SARs to be issued and the contents of the SARs (e.g., the number of shares to be granted upon the exercise of the SARs or the method for calculating such number, the exercise price of the SARs or the method for calculating such price, the exercise period and any restriction on the transfer of the SARs); (ii) the amount to be paid for subscribing for the SARs or the method for calculating such amount; (iii) the date on which the SARs are to be allotted; and (iv) the date of payment for the subscription (if any). Depending on the situation of the issuance of SARs, the Companies Act determines whether such resolution is to be made at a board meeting or at a shareholders' meeting. For example, in a company that does not place a restriction on transfer of all classes of its shares (such as the Company), in principle the resolution of the Terms of SARs is made by the board.

However, under the Companies Act, the remuneration of directors and statutory auditors must be resolved at a shareholders' meeting unless otherwise provided for in the articles of incorporation. Therefore, if SARs are being issued to the Directors or Statutory Auditors of the Company as part of their remuneration, a Shareholders' resolution is required in addition to the Board or Shareholders' resolution that determines the Terms of SARs, unless the Articles of Incorporation provide otherwise.

The concept of SARs, which entitle the holders to acquire shares in a company by exercising such rights against the company, was introduced to the Companies Act (at that time, named the Commercial Code) in 2001. Prior to the introduction of share acquisition rights, a company granted Warrants, which entitle the holders to require the company to issue new shares to them, to directors and/or employees of the company as a form of remuneration. The concept of Warrants was abolished in 2006 and therefore, a company is no longer able to issue Warrants under Japanese law. Our Company has no outstanding Warrants.

### (b) Disclosure of issuance of Share Acquisition Rights by the Company to its directors and employees as remuneration (stock option)

When a company listed on the TSE determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to make an announcement which includes, among others, the following items in accordance with the TSE Listing Regulations: (i) the reason for issuance of SARs; (ii) category of grantees (e.g. employees); (iii) the number of grantees and SARs to be allotted; (iv) the class of shares to be issued upon exercise of the SARs; (v) the number of shares to be issued upon exercise of the SARs; (vi) total number of SARs; (vii) exercise price or the method used to calculate it; (viii) exercise period; (ix) conditions of exercise; (x) the amount of increase of stated capital and reserves upon the exercise of the SARs; (xi) treatment of SARs in connection with reorganization such as merger; (xii) the date of allotment of SARs; and (xiii) treatment of SARs in the case of issuance of certificates.

In addition, when a listed company determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to file an extraordinary report with DGLFB without delay which includes, among others, the following items in accordance with the FIEA: (i) name of SARs; (ii) the number of SARs; (iii) issue price; (iv) total issue price; (v) the class and the number of shares to be issued upon exercise of the SARs; (vi) exercise price; (vii) exercise period; (viii) conditions of exercise; (ix) the amount of increase of stated capital and reserves upon the exercise of the SARs; (x) matters regarding transfer restriction; (xi) the number of grantees and breakdown; (xii) the relationship between the company and its wholly-owned company when the SARs are granted to officers or employees of such a wholly-owned company; and (xiii) any arrangement between the company and the grantees.

Under the Companies Act, companies are required to prepare and disclose a business report annually. The following matters with respect to SARs which are issued to its directors and employees as remuneration (stock option) are required to be disclosed in the business report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees (such as directors, outside directors, statutory auditors and employees) and the number of grantees in each category; (iii) issue price; (iv) exercise price; (v) exercise period; (vi) conditions of exercise; (vii) the number of outstanding SARs; and (viii) the class and the number of shares subject to the outstanding SARs.

Further, a listed company is required to prepare and disclose an SRS annually and a quarterly report in accordance with the FIEA. The following matters with respect to SARs which are issued to its director and employees as remuneration (stock option) are required to be disclosed in such report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees and the number of the grantees in each category; (iii) the class of shares to be issued upon exercise of the SARs; (iv) the number of shares to be issued upon exercise of the SARs; (v) exercise price; (vi) exercise period; (vii) conditions of exercise; (viii) matters regarding transfer of the SARs; matters regarding payment in kind of exercise price; and (ix) matters regarding delivery of SARs in connection with reorganization such as a merger.

### **(c) Issuance of the SARs by the Company and its subsidiaries**

Set out below is a summary of the terms of the SARs which have been issued pursuant to resolutions of the board of directors or a shareholders' meeting of the Company or its consolidated subsidiaries pursuant to the Companies Act.

#### **(i) Purpose**

Under the Companies Act, there is no requirement for a company to resolve the purpose for issuing SARs. The TSE require, however, a listed company to publish the purpose of issuing SARs (including issuance of SARs as stock options to its or its subsidiaries' officers and/or employees) immediately after a resolution for the issuance of SARs to its or its subsidiaries' officers and/or employees has been passed. As the Company is listed at the TSE, the Company has published the purpose for issuing SARs each time it has issued SARs.

The SARs have mainly been issued for the purpose of providing an incentive to our Group's officers, such as directors, employees and other related persons, by permitting them to participate in the equity ownership of our Group through the issuance of the SARs.

**(ii) Eligibility**

Under the Companies Act, there are no restrictions on the eligibility of grantees of SARs. The eligibility of the grantees of the SARs has been determined each time the Company or the consolidated subsidiaries has issued SARs. The SARs have been generally issued to officers and employees of the Company, subsidiaries and affiliated companies.

**(iii) Number of shares authorized to be issued upon exercise of the SARs**

Under the Companies Act, the number of shares issued upon exercise of the SARs is to be determined by a resolution of the board of directors or a shareholders' meeting each time when a company issues SARs. However, the number of shares that the holders of SARs acquire upon the exercise of their SARs (except for those with respect to which the exercise period has not yet begun) may not exceed the total number of authorized shares subtracted by the total number of shares outstanding (excluding Treasury Stock).

The aggregate number of the Shares to be granted upon the exercise of the SARs of the Company is 231,700 Shares (based on filings made on or before the Latest Practicable Date).

**(iv) Maximum entitlement of each participant**

Under the Companies Act, a company decides, by a resolution of the board of directors or shareholders' meeting, how many and to whom it issues SARs each time it issues them. In principle, possible grantees do not have any entitlement to subscribe for them.

The numbers of the SARs were determined by way of a resolution at a board meeting or a shareholders' meeting each time the Company or its consolidated subsidiaries issued the SARs (the "**SAR Resolution**"), and all of the SARs have already been granted pursuant to the SAR Resolutions.

**(v) Exercise period**

Under the Companies Act, there are no restrictions on the exercise period of SARs. The exercise period is to be determined by a SAR Resolution. The exercise periods of the SARs are generally within ten years after the date of the resolution for the grant of the SARs.

**(vi) Minimum period prior to vesting of the SARs**

Under the Companies Act, the date for vesting SARs is to be determined by a SAR Resolution. The SARs were all vested on the respective vesting dates.

**(vii) Performance targets for exercise of the SARs**

Under the Companies Act, there are no restrictions relating to performance targets for the exercise of SARs. Under the SAR Resolutions, there is generally no performance target for exercise of the options.

**(viii) Amount payable on subscription for the SARs**

Under the Companies Act, the amount payable on subscription for SARs is to be determined by a SAR Resolution. However, a resolution by a two-thirds majority of a



shareholders' meeting is required if: (i) SARs are to be issued without monetary consideration and such issuance is "especially favorable" to the grantees of the SARs; or (ii) the amount payable for the SARs is "especially favorable" to the grantees (either (i) or (ii) being a Favorable Issuance). The directors of the issuing company must explain the reasons for the Favorable Issuance at the shareholders meeting.

Under the SAR Resolutions there is no requirement for a subscriber to pay consideration for subscription.

**(ix) Basis of determination of exercise price**

Under the Companies Act, there are no restrictions on the exercise price. The exercise prices of the SARs or the methods for calculating such prices were determined by a SAR Resolution.

**(x) Votes, dividends, transfer and other rights attaching to the underlying shares**

Under the Companies Act, there are no restrictions on the rights attaching to the underlying shares. The shares to be granted to the holders of the SARs upon exercise are ordinary shares of the issuing company and, therefore, the rights granted to the ordinary shares, such as voting rights, are attached to such shares.

**(xi) Circumstances under which the SARs will automatically lapse**

Under the Companies Act, SARs will automatically lapse if: (i) the grantees have not paid the amount owed for the subscription by the due date; (ii) the grantee becomes unable to exercise their SARs; (iii) a company that issued SARs ceases to exist due to a merger; (iv) a company that issued SARs is absorbed into another company due to a corporate split and such absorbing company grants SARs to the grantee in exchange for the SARs of the company that issued the SARs prior to the corporate split; or (v) a company that issued SARs becomes a wholly-owned subsidiary of another company due to share exchange or share transfer and such other company grants SARs to the grantee in exchange for the SARs of the company.

Under the SAR Resolutions, the conditions under which the grantees become unable to exercise the SARs (and therefore the SARs automatically lapse), if any, have been determined by a board resolution or a shareholders' resolution, or by an individual agreement between each grantee and the issuing company when the SARs were issued. Such conditions may include where: (a) the grantee is sentenced to imprisonment; (b) the grantee waives the SARs in writing; (c) the SARs were granted to officers or employees of the Company or its subsidiaries and the grantee loses his/her title as an officer or employee without justifiable reason such as expiry of the term or mandatory retirement; (d) the grantee carries out fraudulent acts or breaches vocational obligations; and (e) the grantee files for bankruptcy, civil rehabilitation, special conciliation procedures or such procedures are filed against the grantee, or seizure, provisional seizure, provisional disposition or coercive collection is ordered against the grantee.

**(xii) Adjustment of exercise price or number of shares subject to the SARs**

Under the Companies Act, there are no restrictions on how to adjust the exercise price or number of shares subject to SARs. Under the SARs, the adjustment of the exercise price and

the number of shares subject to SARs have been determined by a SAR Resolution and they are generally to be conducted using certain formulae.

**(xiii) Cancellation of unexercised SARs**

Under the Companies Act, if a company that has issued SARs intends to cancel SARs, such company has to acquire the SARs from the holders of SARs before canceling the SARs. In such case, the issuing company may not issue new SARs to the holders of SARs to be cancelled unless a new board resolution or shareholders' resolution for issuance of new SARs is made.

**(xiv) Transferability of the SARs**

Under the Companies Act, there are no restrictions on the transferability of SARs. The transferability of SARs is to be decided by a SAR Resolution. Under the SARs, transfer is prohibited or requires a board resolution.

## 20. THIRD PARTY ALLOTMENT

**(a) No equivalent concept of pre-emptive rights under Japanese law**

There is no concept of pre-emptive rights (as defined in the Listing Rules) under Japanese law. A Japanese company may issue Shares or SARs or dispose its Treasury Stock by public offering without approval of its shareholders. In addition, Articles 199 and 201(1) of the Companies Act allow a Japanese company to make a Third Party Allotment, subject to applicable pre-filing and disclosure obligations of any Third Party Allotment and the terms of the allotment being not especially favorable to the proposed allottees.

It is uncommon for a Japanese company to give shareholders rights to subscribe Shares or SARs. As such, shareholders' interests of a Japanese company are not protected in the same way under Japanese law as under Rule 13.36 of the Listing Rules. See "Appendix V — Waivers — B. Additional Waivers Obtained — Pre-emptive Rights (Including General Mandate Requirements)" in this listing document for details. However, the Companies Act, the FIEA and the TSE Listing Regulations together provide significant protection to shareholders of companies listed on the TSE with regard to a Third Party Allotment.

**(b) Shareholders' protection under the TSE Listing Regulations**

The TSE Listing Regulations impose certain requirements on Third Party Allotments. For example, Article 432 of the TSE Listing Regulations provides that if the shares being allotted represent more than 25% of the total issued shares prior to such allotment, or where there is a possibility that the controlling shareholder may change as a result of such allotment, the issuer must (and unless the issuer's financial situation is rapidly deteriorating and the relevant stock exchange deems it too difficult for the issuer to comply) either: (i) obtain the opinion of a person independent from the management regarding the necessity and suitability of such allotment; or (ii) seek the shareholders' approval in advance of the proposed allotment.

Further, according to Article 601(1)(xvii) of the TSE Listing Regulations and Article 601(13)(vi) of the Enforcement Rules of the TSE Listing Regulations, if our allotted Shares represent more than 300% of our total issued share capital prior to the Third Party Allotment, we will be delisted unless the TSE deems that the risk of the Third Party Allotment harming the interests of our Shareholders and the investors is low.



Where a listed company's controlling shareholder (as defined in the TSE Listing Regulations) wishes to participate in a Third Party Allotment, Article 441-2 of the TSE Listing Regulations requires the listed corporation to obtain an opinion from a third party independent from the controlling shareholder confirming that any decision by the listed corporation on the allotment will not be detrimental to the interests of minority shareholders of the corporation.

**(c) Shareholders' protection under the Companies Act**

Article 201(3) to (5) of the Companies Act requires the issuer to either notify the shareholders individually or make a public notification of the terms of the proposed Third Party Allotment at least two weeks before the intended allotment day, unless such terms have already been previously disclosed in accordance with the FIEA.

Under the Companies Act, a public company generally may issue any number of new shares to any parties within the number of the authorized shares as specified in the company's articles of incorporation or any number of new SARs subject to the restrictions mentioned below by a resolution of its board of directors. However, the Companies Act imposes certain restrictions on the issuance of shares by a public company to protect the existing shareholders from unfair dilution of their shareholdings. For example, under Articles 199(2) and 201(1), and 238(2) and 240(1) of the Companies Act, if a company issues: (i) the new shares at an especially favorable subscription price; or (ii) SARs at an "especially favorable" subscription price or with "especially favorable" conditions, the company would need to obtain the approval of its shareholders by way of a special resolution (Article 309(2)(v) and (vi) of the Companies Act). In the event that the company fails to obtain such shareholders' approval by way of a special resolution, shareholders of such company may petition a Japanese court for an injunction against the issuance of shares or SARs, subject to certain other requirements stipulated under the Companies Act.

**(d) Shareholders' protection under the FIEA**

We must file a SRS (which includes several matters regarding the Third Party Allotment described below and is disclosed to the public) in accordance with Articles 4(1) and 5(1) of the FIEA and must prepare a prospectus which includes certain information included in the SRS according to Article 13 of the FIEA in connection with Third Party Allotments. This SRS must be delivered to the investors (with certain exceptions such as qualified institutional investors) by the time the investors obtain the allotted shares.

The SRS is made publicly available through EDINET. The SRS must include the following information: (i) information on each allottee (e.g. name, address, stated capital, major equity holders and its holding ratio, the relationship between the issuer and the allottee, the reasons for the selection of the allottee, the number of shares to be allotted, policy for holding the shares, and details of the allottee to show whether the allottee has enough assets to acquire the allotted shares); (ii) share transfer restrictions attached to the allotted shares (if any); (iii) conditions of allotment of shares (e.g. details of the basis upon which the price of the shares to be allotted was calculated, whether the allotment was at a "favorable price" and the basis for our decision in such determination, and details of an opinion given by a statutory auditor or an independent third party); (iv) details of substantial shareholders after such Third Party Allotment; (v) details of any "large volume third party allotment" (i.e., whether or not the issuance of shares is a large volume third party allotment and why we are conducting this large volume third party allotment); (vi) the necessity of such large volume third party allotment (if applicable); and (vii) whether or not we have a plan for reverse stock split and its details (if applicable).

**21. GENERAL**

Skadden Arps Law Office, the Company's legal counsel on Japanese law, has sent to the Company a letter of advice summarizing certain aspects of the Companies Act. This letter is available for inspection as referred to in "Appendix VIII — Documents available for inspection" in this listing document. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction which such person believes may be applicable to such person is recommended to seek independent legal advice.

**PART B. MATERIAL DIFFERENCES BETWEEN THE HONG KONG AND JAPANESE REGIMES IN RESPECT OF SHAREHOLDER PROTECTION MATTERS****SHAREHOLDER PROTECTIONS IN JAPAN**

There are a number of protections available to our Shareholders, the key protections of which are outlined below.

**Supervision and Regulation in Japan**

As a listed company in Japan, we have adopted a stringent internal control system pursuant to the requirements of J-SOX, a legal framework for internal control provided in the FIEA for listed companies in Japan. J-SOX specifies additional requirements for financial reporting for listed companies in Japan. It also requires us to disclose management's report on internal control over financial reporting in its annual securities report. The independent auditors of the Company, audit and issue independent auditor's report on management's report, including any material weaknesses identified through the evaluation process by the independent auditors. Our Directors, Statutory Auditors and external auditors may be subject to criminal charges on non-compliance with J-SOX and may be held liable to compensate Shareholders for damages caused by false statements.

**Company's Corporate Governance and Shareholder Protection Policies**

We have established our corporate governance structure in accordance with the requirements of Japanese law. We have a total of six Directors, of whom three are independent non-executive Directors. We have also established a Board of Statutory Auditors, which has functions and responsibilities equivalent to those of the audit committee under the Listing Rules. In addition to their audit function, the Statutory Auditors, all of whom are independent from our Company, have a wide range of supervisory role to ensure that the Directors comply with applicable laws and make prudent business decisions. They are entitled to conduct investigations into our business and demand the cessation of certain actions by Directors that are outside the scope of their powers, or in violation of the law. Our Statutory Auditors also have the responsibility for overseeing the risk management, internal control and compliance committees of our Company. Thus, they provide a useful check and balance to the powers of the Directors and provide certain protections to our Shareholders. See the section headed "Directors and Senior Management" in this listing document.

**TSE Listing Regulations and the FIEA**

We are subject to the TSE disclosure requirements, which are very similar in substance to the requirements under the Listing Rules. We are required to report financial results quarterly and annually, disclose price-sensitive information on a timely basis within the next business hour of the occurrence of the relevant event or, where the event occurs outside business hours, on the first business hour of the next business day, and disclose detailed extraordinary reports in respect of material transactions, such as

Statutory Transactions, and acquisitions or disposals valued at greater than certain applicable thresholds. The TSE Listing Regulations provide a detailed and exhaustive list of announceable events, which include those that are price-sensitive as well as a “sweep-up” provision that requires the disclosure of material events affecting our Company, which is similar in principle to the general duty of disclosure contained in the Listing Rules.

### **Protections under the Companies Act and the FIEA**

Japanese law provides certain additional rights to shareholders. Under the Companies Act, there are a number of retrospective actions that a Japanese company’s shareholders are entitled to bring against the company in the event that their rights have been marginalized or an abuse has been committed against the company. When a grossly improper resolution is made, including where such resolution is made as a result of a person having a special interest in the subject matter of the resolution, that resolution may be revoked by a court of justice of Japan within three months from the date of the relevant resolution by the petition of any shareholder in accordance with the Companies Act. Further, in the event that a Director or a Statutory Auditor breaches any of their duties to our Company, he/she would face civil liability for any penalties imposed on, or loss or damages incurred by, our Company as a result of such breach. In accordance with the Companies Act, Directors and Statutory Auditors are required to perform their duties in a loyal manner in compliance with all applicable laws and regulations, our Articles, and all resolutions of Shareholders’ meetings. Shareholders may bring derivative action against our Directors and Statutory Auditors for any breach of such duties. Further, Directors are re-elected on an annual basis by our Shareholders. As such, Shareholders have opportunities to challenge the tenure of any Director who has been acting in a way that is detrimental to the minority Shareholders/our Shareholders, which is an incentive to the Directors to act fairly and responsibly towards the minority Shareholders/our Shareholders.

### **SHAREHOLDER PROTECTIONS UNDER THE JOINT POLICY STATEMENT**

#### **Amendment to constitutional documents**

Pursuant to Hong Kong law, any change to the constitutional documents of a company requires the approval of shareholders with a three-quarter majority vote in a general meeting. Under Japanese law, in order to amend the articles of incorporation, the resolution of the shareholders’ meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders’ protection under Japanese law is similar to or comparable with that under Hong Kong law.

#### **Variation of rights**

Pursuant to Hong Kong law, rights attached to any class of shares of a company may only be varied with the approval of shareholders with a three-quarter majority vote in a general meeting. Under Japanese law, in order to vary the rights attached to any class of shares, the resolution of the general shareholders’ meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. Moreover, if a proposed amendment would be detrimental to shareholders of such class of shares, the resolution of the class shareholders’ meeting must be approved by at least two-thirds of the voting rights of the class shareholders present at a meeting where the class shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders’ protection under Japanese law is not materially different to that under Hong Kong law.

**Liability to the company**

Pursuant to Hong Kong law, notwithstanding anything in the memorandum or articles of a company, any alteration in the constitutional document to increase an existing shareholder's liability to the company is not binding unless agreed by the shareholder in writing, either before or after the alteration is made. Under Japanese law, existing shareholders are not subject to any liability to the Company except to the extent of the amount payable in respect of the shares such existing shareholders subscribed or purchased when they acquired such shares. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

**Winding up**

Pursuant to Hong Kong law, the voluntary winding up of a company must be approved by shareholders with a three-quarter majority vote in a general shareholders' meeting. Under Japanese law, in order to voluntarily wind up a company, the resolution of the shareholders' meeting must be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

**Auditors**

Pursuant to Hong Kong law, the appointment, removal and remuneration of auditors must be approved by shareholders with a majority vote in a general shareholders' meeting. Under Japanese law, in order to appoint and approve the remuneration of the statutory auditors of a company, the resolution of the shareholders' meeting must be approved by a majority vote. Under Japanese law, the removal of the statutory auditors of a company requires a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Register of members**

Pursuant to Hong Kong law, a company must ensure that its branch register of members in Hong Kong is open to inspection by shareholders. Japanese law provides that a company must prepare and maintain a shareholders' register at its head office (or at the office of the administrator of the shareholders' register if the company has such an administrator) and make the shareholders' register available for reasonable inspection or copying during normal business hours. However, under Japan's Personal Information Protection Law, Japanese companies may not disclose the shareholders register to a non-shareholder of the relevant company. In the case of our Company, the Depositary will maintain in Hong Kong, and make available for inspection, a register of HDR Holders.

**Compulsory Acquisition**

Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buy out their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Japanese law provides that upon an offeror acquiring two-thirds of the voting rights of a company's shares, the offeror may compulsorily acquire the shares held by the remaining shareholders.

While there is no restriction in relation to the compulsory acquisition price, if the compulsory acquisition price is too low, the shareholders may, within three months from the day of the passing of the resolution of the shareholders' meetings regarding the compulsory acquisition, claim revocation of the resolution as a grossly improper resolution under the Companies Act. The FIEA also requires the offeror to make an offer to purchase all classes of shares with voting rights of the offeree company if such offeror owns, together with its related persons, two-thirds or more of the voting rights in the offeree company after the successful takeover. Where a shareholder has objected and voted against a compulsory acquisition resolution at a shareholders' meeting, or a shareholder does not have a voting right at the shareholders' meeting, such shareholder may request the company to repurchase his shares at a fair price under the Companies Act, and if the company and shareholder are not able to reach an agreement on the fair price within 30 days from the effective date of such compulsory acquisition resolution, such shareholder may petition a Japanese court to determine the fair price within 30 days from the expiry date of the 30-day discussion with the company.

Accordingly, the standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

### **Meetings**

Pursuant to Hong Kong law, a company is required to hold a general meeting each year as its annual general meeting. Not more than 15 months shall elapse between the date of one annual general meeting of a company and the next. Japanese law provides that a Japanese company must hold an annual general meeting within three months from the end of its financial year. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

### **Right to convene meetings**

Pursuant to Hong Kong law, shareholders holding not less than 5% of the paid-up capital of a company may require the company to convene an extraordinary general meeting and may request the company to circulate a resolution proposed by the requisitionists to members entitled to receive notice of that meeting. Japanese law provides that only shareholders that have held for the last six consecutive months not less than 3% of the votes in a company may request for a shareholders' meeting and if a shareholders' meeting is not held within eight weeks from the date such request was made, such shareholder may petition the court for a shareholders' meeting. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

### **Notice of meetings**

Pursuant to Hong Kong law, a company must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of shareholders by three-quarter majority vote will be proposed shall be convened on at least 21 days' written notice, and that any other general meeting shall be convened on at least 14 days' written notice. Japanese law provides that companies must dispatch notice of a shareholders' meetings at least two weeks prior to the day of such meeting. The same notice period applies for special and ordinary resolutions. A shareholder is permitted to propose an amendment to any agenda item scheduled to be discussed and determined at a shareholders' meeting up to and including at the meeting itself, which can include the nomination of a director. This restricts the ability of shareholders to consider how they intend to vote without reasonable advance notice, however this remains a theoretical rather than an actual risk, owing to the scarcity of instances in which it has occurred.

## Voting

Pursuant to Hong Kong law, an overseas company must adopt general provisions as to meetings and voting on terms that are comparable to those required of a Hong Kong incorporated public company. Japanese companies have similar procedures for the distributions of notices and voting. Notice of shareholders' meetings will be published on our website as well as the website of the Hong Kong Stock Exchange. To address the differences between the requirements under the Companies Act and the Listing Rules, we will adopt the following voluntary abstention process with regard to voting at Shareholders' meetings:

- any transaction agreement that is subject to Shareholders' approval under the provisions of the Listing Rules and in which a Shareholder has a material interest will contain a condition precedent that we have to obtain a confirmation from our compliance advisor or another independent financial or legal advisor (the "**Expert**") that the resolution would have been successfully passed if the votes cast had excluded the abstaining Shareholders' votes;
- we will convene a Shareholder's meeting to seek Shareholder's approval pursuant to the condition precedent in such transaction agreement;
- we will appoint the Expert to review the vote counted by the share registrar and confirm that the resolution would have been successfully passed if the votes cast had excluded the abstaining Shareholders' votes under Rule 2.15 of the Listing Rules; and
- we will implement such transaction only if the condition precedent is satisfied (i.e. the Expert has provided the relevant confirmation).

We are of the view that the above voluntary measures should be permissible under the applicable Japanese laws and regulations that are currently in force as of the date of this listing document on the basis that (i) while there are no definitive provisions in the Companies Act, it is generally accepted that reasonable closing conditions, such as approval by regulatory authorities, may be included in a contract for a transaction that requires shareholder approval under the Companies Act; (ii) obtaining the Expert's confirmation pursuant to the voluntary abstention process would likely be regarded as a reasonable closing condition because the Company, as a listed company on the Hong Kong Stock Exchange, is required to comply with Rule 2.15 of the Listing Rules; and (iii) the closing condition would be disclosed to all Shareholders prior to the relevant Shareholders' meeting, and therefore, the Shareholders who vote on the transaction should be aware of, and vote on the basis of, the transaction as a package including that conditions.

## Proxies

Pursuant to Hong Kong law, proxies or corporate representatives may be appointed to attend general meetings and such proxies or corporate representatives should enjoy statutory rights, including the right to speak at such meetings. In addition, Hong Kong companies must insert a prominent statement of each shareholder's right to appoint proxies in the notice of general meeting. The Companies Act allows shareholders to appoint multiple proxies or corporate representatives subject to the company's articles of incorporation. It is common for Japanese companies to restrict the identity of proxies for orderly conduct of their shareholders' meetings. Our Articles provide that a Shareholder can only appoint another Shareholder to act as proxy, whereas Hong Kong law has no such restriction. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.



**Voting by poll**

Pursuant to Hong Kong law, shareholders must be able to demand a poll. Japanese law provides that a single shareholder may demand a vote on a proposal so long as it relates to a matter listed on the agenda for the shareholders' meeting. Furthermore, under the Companies Act, any shareholder may propose a specific method for voting at shareholders' meetings. We are required to use voting cards (the number of Shares held by the Shareholder is indicated on the voting card) which have the same effect of a vote by way of a poll. If a Shareholder is permitted to split his vote under Article 313 of the Companies Act, the relevant Shareholder is required to notify us that he will diversely exercise his or her votes and provide reasons for doing so no later than three days prior to the day of the shareholders meeting. There are no statutory forms of such notice under the Companies Act. In such cases, the relevant Shareholder will specify the number of votes "for" or the number of votes "against" the proposal in a separate sheet. These votes indicated on separate sheets and the votes by voting cards will be aggregated, which have the same effect of a vote by way of a poll.

Japanese companies with not less than 1,000 shareholders and Japanese listed companies (including our Company) have to adopt voting cards (which operate in a similar way to a ballot paper) as a voting method under the Companies Act (and the FIEA), and generally, we use such voting cards as the voting method for our Shareholders' meetings. Therefore, in practice, the voting method at our Shareholders' meetings is conducted by way of a poll in any case. In the event that the results of the relevant resolutions are known in advance of the meeting on the basis of the voting cards, there will either be a token count or a declaration of the results at the general meeting, in which case the meeting will have in effect been held by way of a poll. If the result of a resolution is undecided by the commencement of the general meeting, the chairperson will conduct a show of hands or poll by voting cards, but these votes will be aggregated with the voting cards and counted individually, thus the decision will, in effect, be taken by way of a poll. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Appointment of directors**

Pursuant to Hong Kong law, the appointment of each director is required to be voted on individually. An unanimous approval of the shareholders is required to pass a resolution permitting appointment of two or more directors by a single resolution. Japanese law does not require the appointment of each director to be voted on individually except if the voting is conducted in writing (including by way of voting card). The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law as this is purely an administrative matter.

**Declaration of interest**

Pursuant to Hong Kong law, a director is required to declare any material interest in any contract with a company at the earliest meeting of the board of directors of the company. A company is also required to include in any notice of its intention to move a resolution at a general meeting or class meeting particulars of the relevant interests of directors in the matter dealt with by the resolution. Under the Companies Act, a director must report all the material facts, including his/her interest, with respect to such transaction at the meeting of the board of directors to approve the relevant transaction prior to voting on it. Any such director with an interest in the transaction is not entitled to be counted in the quorum for voting on the transaction. Directors are not required to declare any material interest in any transaction with the company as soon as practicable after he/she is aware of such interest, but as the interest must be declared prior to approval of the transaction and the relevant director is not entitled to have his or her vote counted towards a quorum, this is not materially detrimental to shareholders. The

standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Loans to directors**

Pursuant to Hong Kong law, a company may only make loans to a director in certain limited circumstances. The Companies Act does not contain specific provisions on loans to, or credit transactions with, directors, but such transactions will be governed by Article 356 and Article 365 of the Companies Act which restrict transactions that result in a conflict of interest. Although companies are not prohibited from entering into transactions with their directors, such transactions must be approved by a vote of the board of directors which excludes the interested director from voting and being counted for the quorum. The relevant director must also report all material facts relating to such transaction at the meeting of the board of directors and after such transaction takes place without delay. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Payments to directors**

Pursuant to Hong Kong law, any payment to a director or past director of a company as compensation for loss of office or retirement from office is required to be approved by shareholders with a majority vote at a general meeting. Japanese law provides that any remuneration, compensation or other payment made to directors, statutory auditors, past directors or past statutory auditors of a company must be approved by shareholders of the company or be provided for in its articles of incorporation. Further, the aggregate amount of such payment to be made to directors as a whole must be approved at a shareholders' meeting and disclosed in the convocation notice for such meeting. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Alteration of share capital**

Pursuant to Hong Kong law, any alteration of share capital in the company must be approved by shareholders with a majority vote in a general meeting. Japanese law provides that an increase in the number of authorized shares to be issued can only be made by an alteration of a company's articles of incorporation, which requires the resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Reduction of share capital**

Pursuant to Hong Kong law, any reduction of share capital in a company must be subject to confirmation by the court or supported by a solvency statement given by all directors of the company and be approved by shareholders with a three-quarter majority vote in a general meeting. Japanese law permits a company to reduce its share capital without a court confirmation and instead by way of a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

**Redemption of shares**

Pursuant to Hong Kong law, a company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares. Japanese law does not have a concept of redeemable shares, but any shares to be purchased by a company must be acquired from distributable profits. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.



**Distribution of assets**

Pursuant to Hong Kong law, a company may only distribute its assets to its shareholders out of realized profits and, if out of assets, the remaining net assets must not be less than the share capital plus undistributable reserves. Japanese law similarly provides that distributions may only be made out of distributable amounts. A company's distributable profits are the aggregate amount of capital surplus and retained earnings surplus at the end of the last fiscal year subject to certain adjustments. Our Articles permit forfeiture of dividends that remain unpaid within three years upon which payment was available, although Appendix 3 of the Listing Rules provides that this period should be six years. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

**Financial Assistance**

Pursuant to Hong Kong law, a company is prohibited from giving financial assistance for the acquisition of its shares or shares in its holding company in certain circumstances. Although there are no specific provisions in the Companies Act that are intended to prevent financial assistance, giving direct or indirect financial assistance for the acquisition of its shares or shares in its holding company that results in a reduction of the net assets of a company would amount to a violation of fiduciary duty of directors and other officers, unless there is a reasonable ground for doing so. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

**The International Organization of Securities Commission**

The Financial Services Agency, which is the statutory securities regulator of Japan, is a member of the International Organization of Securities Commission and a signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

**SHAREHOLDER PROTECTIONS IN HONG KONG**

Certain shareholder protections provided under the Listing Rules and the SFO, and the measures taken by us to address the differences, where applicable, between the relevant laws and regulations of Hong Kong and Japan are outlined below.

**Disclosure of information**

Rules 13.11 to 13.23 of the Listing Rules require disclosure of information in relation to specific matters relevant to a company's business, including advances to an entity, financial assistance and guarantees to affiliated companies, the pledging of shares by the Controlling Shareholder, loan agreements with covenants relating to specific performance of the Controlling Shareholder, and breach of loan agreements by a company. Under the FIEA and the TSE Listing Regulations, we are subject to an exhaustive list of events that would trigger an announcement, submission or equivalent public disclosure obligation on us and a "sweep-up" provision which is provided in Article 402(ap) of the TSE Listing Regulations and the cabinet office ordinance promulgated under the FIEA which requires an announcement of any material event affecting us to be made on a timely basis within one business hour of the business day of its occurrence. Certain of those matters, such as financial assistance, do not affect a Japanese company and we will continue to follow the disclosure of information rules provided by the FIEA and the TSE Listing Regulations, and to adopt the general duty of disclosure in Rule 13.09(1) of the Listing Rules. We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with Rules 13.11 to 13.23 of the Listing Rules. See "Appendix V — Waivers — A. Automatic Waivers" in this listing document.

We currently issue our corporate communications by making an announcement on the TSE website and/or by publishing a notice on our website. We will issue all future corporate communications required under the Listing Rules (including convocation notices for Shareholders' meetings) on our own website in Japanese, English and Chinese and on the Hong Kong Stock Exchange's website in both English and Chinese. In accordance with Rule 13.10B of the Listing Rules, we may make overseas regulatory announcements in English or Chinese or both. Such overseas regulatory announcements include announcements made by us on the TSE's website, but do not include any filings made by us or our Directors under the FIEA (certain filings required to be filed under the FIEA must be submitted through EDINET) unless they are otherwise also required to be disclosed under the TSE Listing Regulations. Information submitted through EDINET is available for public inspection. Accordingly, HDR Holders, Shareholders and the public should refer to the Company's website, the TSE website and EDINET for announcements and filings of the Company.

While most corporate transactions, such as merger, corporate demerger, share exchange and business transfer, are required to be disclosed under the FIEA and the TSE Listing Regulations and therefore will be disclosed by way of overseas regulatory announcements on the Hong Kong Stock Exchange's website, EDINET also includes certain filings which would not typically be treated as material information required to be disclosed under the Listing Rules in Hong Kong, for example, confirmations by us in relation to the appropriateness of the statements contained in the securities reports uploaded on EDINET and powers of attorney given by foreign shareholders to Japanese law firms to submit large shareholding reports on EDINET.

### **Notifiable transactions**

Chapter 14 of the Listing Rules contains provisions dealing with notifiable transactions. In particular, where a listed company enters into a "notifiable transaction", then depending on the size of the transaction, it will have to: (i) notify the Hong Kong Stock Exchange; (ii) make an announcement of the transaction; and/or (iii) obtain prior shareholders' approval of the transaction. The Companies Act provides that certain transactions involving statutory acquisition procedures, such as mergers, share exchanges, business assignments and corporate splits require prior shareholders' approval of the transaction as well as announcements and additional public disclosure pursuant to the TSE Listing Regulations and the FIEA. Other than these Statutory Transactions, no other acquisitions or disposals require Japanese companies to seek shareholder approval, although they may be announceable under the TSE Listing Regulations in the event that a company is listed on these stock exchanges. Thus, the standard of shareholders' protection under Japanese law and regulations is not directly comparable with Hong Kong law.

We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with the rules contained in Chapter 14 of the Listing Rules.

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions.

### **Connected transactions**

Chapter 14A of the Listing Rules contains provisions dealing with connected transactions. In particular, where a listed company enters into a "connected transaction", then depending on the size of the transaction, it will have to: (i) make an announcement of the transaction; (ii) report on the transaction in its next annual report; and/or (iii) obtain prior approval of the transaction of the shareholders independent of the transaction. We will continue to comply with the continuing obligations applicable to Related Party Transactions pursuant to the FIEA, the Consolidated Financial Statements Rule and the Companies Act, which restrict directors from voting on any board resolution approving the entry into a Related Party

Transaction that the relevant director has a material interest in. Thus, the standard of shareholder protection under Japanese law and regulations is not directly comparable with Hong Kong law.

We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with the rules contained in Chapter 14A of the Listing Rules.

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions.

### **Disclosure of interests**

Part XV of the SFO provides that: (i) the directors and the chief executive of a listed company must disclose their interests and short positions in the shares, underlying shares and debentures of the listed company and its associated corporations within a specified time period after the interests arise or change; and (ii) shareholders interested in 5% or more of any class of shares in a listed company (other than directors and chief executives of the listed company) must disclose their interests and short positions in the shares and underlying shares of the listed company within a specified time period after the interests arise or change. The FIEA provides that persons who acquire title to, or a call option for, equity securities (or who are authorized to exercise (or instruct the exercise of) the voting rights and other rights attached to, or who are authorized to invest in, equity securities) including shares, share acquisition rights, bonds with share acquisition rights and similar securities that are issued or to be issued by the company that represent more than 5% of the outstanding voting rights of the company are required to publicly disclose the relevant dealing and such interests. Further, such persons who submitted the large shareholding report are required to publicly disclose any further acquisition or any disposal of an interest by 1% or more in any equity securities. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law in respect of substantial shareholders, however the requirements relating to disclosures of interested directors of Japanese companies are not directly comparable with Hong Kong law. Directors or statutory auditors of Japanese companies, who deal in any shares of the company, are obliged to file a "Sale-Purchase Report" with the FSA by the 15th day of the month immediately following such dealing pursuant to the FIEA, as well as to disclose their holdings in the listed company's securities in their annual and, on some occasions, quarterly reports.

We have applied for, and the SFC has granted:

- (a) us and our Shareholders, a partial exemption from strict compliance with Part XV of the SFO other than Divisions 5, 11 and 12 of Part XV of the SFO in respect of disclosure of Shareholders' interests; and
- (b) any of our directors or chief executive, a partial exemption from strict compliance with the requirement to give notification of their interests within three business days after the day on which the relevant event occurs under section 348(1) of the SFO by extending the time of notification to within five business days after the day on which the relevant event occurs or comes to the director's or chief executive's knowledge under sections 341 and 347 of the SFO.

The partial exemption is granted on the conditions that:

- (a) we must disclose in the listing documents in respect of the HDRs the grant of this partial exemption, setting out the relevant details including the listing rules requirements, scope of the exemption and the conditions imposed;

- (b) we must file with the Hong Kong Stock Exchange any disclosure of interests (except for directors and chief executives) made in Japan as soon as practicable on the basis that the Hong Kong Stock Exchange will publish these disclosures in the same way as those it receives from other listed corporations pursuant to Part XV of the SFO;
- (c) we must report to the SFC within 10 business days after the end of each calendar month the percentage of that month's average daily worldwide share turnover that took place on the Hong Kong Stock Exchange. The first report should cover the period from the Listing Date to the end of the month of listing and this obligation to report shall continue until such time as the SFC advises otherwise in writing and in any case for no less than 12 months following the listing; and
- (d) we must advise the SFC as soon as practicable if there is any material change in any of the information which we have given to the SFC, including any significant or material change to the disclosure requirements in Japan and any exemption or waiver from the disclosure requirements in Japan so that the SFC may decide whether this partial exemption remains valid.

See also "Appendix V – Waivers – B. Additional Waivers Obtained – Disclosure of Interests Information" in this listing document.

*As we are applying for a secondary listing of our HDRs on the Hong Kong Stock Exchange and meet the criteria set out in paragraph 88 of the Joint Policy Statement, we have been granted automatic waivers from certain Listing Rules pursuant to the Joint Policy Statement. A summary of these waivers is set out in Section A below. In addition, we have also applied for, and been granted by the Hong Kong Stock Exchange and/or the SFC, the additional waivers and exemptions set out in Section B below. These waivers and exemptions have been granted to us, in part, on the basis of the protections available to our Shareholders under applicable Japanese laws and regulations. Where relevant, we also set out below a summary of the provisions of laws and regulations applicable to us in Japan that are different to those required by Hong Kong law regarding: (i) the rights of holders of our securities and how they can exercise their rights, (ii) directors' powers and investor protection, and (iii) the circumstances under which our minority shareholders may be bought out or may be required to be bought out after a successful takeover or share repurchase. Further information in relation to the provisions of laws and regulations applicable to us is set out in Appendix IV in this listing document.*

*We have applied for, and have been granted, the waivers (other than the automatic waivers and the common waivers under the Joint Policy Statement) on the basis of circumstances which are specific to us. We will notify the Hong Kong Stock Exchange as soon as practicable in the event of any changes in Japanese laws and regulations which form the basis of the waivers (other than the automatic waivers and common waivers under the Joint Policy Statement) being applied for.*

## A. AUTOMATIC WAIVERS

Relevant Rule waived	Subject matter
Rule 3.17	Compliance with the provisions regarding dealings in securities by directors in the Model Code in Appendix 10 to the Listing Rules
Rules 3.21 to 3.23	Requirement to establish an audit committee (subject to conditions set out in the section headed "Directors and Senior Management – Board of Statutory Auditors" in this listing document)
Rules 3.25 to 3.27	Requirement to establish a remuneration committee
Rules 3.28, 3.29 and 8.17	Requirements with respect to having a Hong Kong qualified company secretary
Rules 4.06 and 4.07	Contents of accountants' reports for notifiable transaction circulars
Chapter 7	Requirements relating to methods of listing (limited to issues outside the Hong Kong Stock Exchange's markets)
Rule 8.09(4)	Market capitalization requirements of options, warrants and other similar rights (limited to issues outside the Hong Kong Stock Exchange's markets)
Rule 8.18	Requirements for issues of options, warrants and other similar rights (limited to issues outside the Hong Kong Stock Exchange's markets)

Relevant Rule waived	Subject matter
Rules 10.05, 10.06(2)(a) to (c), 10.06(2)(e), 10.06(4), 10.06(5), 10.07, 10.08 and 13.31(1)	Certain dealing restrictions and publication requirements relating to share repurchases and disposals and issues of securities (waivers from all such rules except Rules 10.07 and 10.08 are limited to an issuer that has confirmed with the SFC that it should not be considered a Hong Kong public company for the purpose of compliance with the Takeovers Code — see “Appendix V — Waivers — B. Additional Waivers Obtained — Ruling that We Are Not a Public Company in Hong Kong under the Takeovers Code” for details)
Rules 13.11 to 13.23	Certain specific public disclosure requirements (waiver from Rule 13.23(2) relating to compliance with Takeovers Code is limited to an issuer that has confirmed with the SFC that it should not be considered a Hong Kong public company for the purpose of compliance with the Takeovers Code — see “Appendix V — Waivers — B. Additional Waivers Obtained — Ruling that We Are Not a Public Company in Hong Kong under the Takeovers Code” for details)
Rule 13.25A	Next day disclosure requirements for changes in share capital
Rule 13.27	Disclosure requirements relating to convertible equity securities (limited to issues outside the Hong Kong Stock Exchange’s markets)
Rules 13.28 to 13.29	Disclosures relating to issues under a general mandate
Rules 13.37 to Rule 13.38	Certain matters relating to the publication of notices of AGMs and the appointment of proxies
Rules 13.39(1) to (7) and 13.40 to 13.42	Shareholder meeting requirements (waivers from Rule 13.39(6) and (7) relating to independent board committee and independent financial adviser appointment are limited to cases other than where a spin-off proposal requires approval by shareholders of the parent — see also Rules 13.80 to 13.87, Practice Note 15 and Appendices 21 and 22)
Rules 13.44 to 13.45	Board meeting requirements
Rules 13.47, 13.48(2) and 13.49	Publication requirements for an issuer’s annual and interim reports and accounts

Relevant Rule waived	Subject matter
Rules 13.51(1), 13.51(2), 13.51B and 13.51C	Notification requirements relating to changes to articles of association, directors and various other changes (waiver from Rule 13.51(2) relating to notification of changes of directors is subject to the limitation that each new director or member of its governing body must sign and lodge with the Hong Kong Stock Exchange, as soon as practicable, a declaration and undertaking in Form B of Appendix 5 to the Listing Rules)
Rules 13.52(1)(b) to (d), 13.52(1)(e)(i), (ii) and (iv) and 13.52(2)	Pre-vetting of circulars and announcements (waiver from Rule 13.52(1)(e)(iv) relating to pre-vetting of circulars and announcements for various transactions requiring shareholders' approval is limited to issues outside the Hong Kong Stock Exchange's markets)
Rule 13.67	Requirement to adopt rules governing dealings by directors no less exacting than those in the Model Code for directors' dealings
Rule 13.68	Shareholders' approval of directors' service contracts
Rule 13.74	Disclosure of directors' details in a notice or circular
Rules 13.80 to 13.87	Independent financial adviser requirements (limited to cases other than where a spin-off proposal requires approval by shareholders of the parent – see also Rules 13.39(6) and (7), Practice Note 5 and Appendices 21 and 22)
Rule 13.88	Appointment and removal of auditors
Rules 13.89 and 13.91	Compliance with the Corporate Governance Code in Appendix 14 and Environmental, Social and Governance Reporting Guide in Appendix 27
Chapter 14	Notifiable transactions
Chapter 14A	Connected Transactions
Chapter 15	Certain matters relating to options, warrants and similar rights (limited to issues outside the Hong Kong Stock Exchange's markets)

Relevant Rule waived	Subject matter
Chapter 16	Certain matters relating to convertible equity securities (limited to issues outside the Hong Kong Stock Exchange's markets)
Chapter 17	Certain matters relating to share option schemes
Practice Note 4	Issues of new warrants to existing warrant holders (limited to issues outside the Hong Kong Stock Exchange's markets)
Practice Note 15 (excluding paragraph 3(c))	Rules relating to spin-off listings (limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the parent is not required)
Paragraphs 1(1), 1(2), 1(3), 2(1), 3(1), 3(2), 4(1), 4(2), 4(4), 4(5), 5, 6(1), 6(2), 7(1), 8, 9, 10(1), 10(2), 11(1), 11(2) and 13(1) of Appendix 3	Requirements relating to constitutional documents
Appendix 10	Mode Code for Securities Transactions by Directors of Listed Issuers
Appendix 14	Corporate Governance Code and Corporate Governance Report
Appendix 15	Bank Reporting
Appendix 16	Certain disclosure requirements for financial statements to be included in certain reports, documents and circulars of an issuer
Appendix 21	Independent Financial Adviser's independence declaration (except in cases where a spin-off proposal requires approval by shareholders of the parent — see also Practice Note 15)
Appendix 22	Independent Financial Adviser's undertaking (except in cases where a spin-off proposal requires approval by shareholders of the parent — see also Practice Note 15)
Appendix 27	Environmental, Social and Governance Reporting Guide



**B. ADDITIONAL WAIVERS OBTAINED**

<b>Relevant Rule waived</b>	<b>Subject matter</b>	<b>Page No.</b>
Rule 2.07A	Corporate communications	V-6
Rules 3.10(2) and 3.11	Appointment of independent non-executive directors	V-6
Rules 4.01(1), paragraph 37 of Appendix 1E and paragraph 27(1) of Appendix 1F	Basis of preparation of accountants' report	V-8
Rule 9.09	Dealing in securities by connected persons during a listing application process	V-10
Rule 11.18	Requirements with respect to profit forecasts	V-11
Rule 13.25B	Monthly return	V-11
Rule 13.36	Pre-emptive rights (including general mandate requirements)	V-12
Rule 13.46(2)(a)	Distribution of annual report and accounts	V-12
Rule 13.70	Announcement of nomination of directors	V-14
Rule 13.73	Notification to shareholders of certain events	V-15
Rule 19B.21	Cancellation of HDRs upon repurchase	V-15
Paragraph 26 of Appendix 1E and paragraph 20 of Appendix 1F	Disclosure requirements in respect of changes to share capital	V-17
Paragraph 27 of Appendix 1E	Disclosure requirements in respect of share options	V-17
Paragraph 33(4) of Appendix 1E	Disclosure requirements in respect of pension schemes	V-18
Paragraphs 2(2), 4(3), 7(2), 12, 13(2) and 14 of Appendix 3	Requirements relating to constitutional documents	V-19
Practice Note 5, paragraph 45(2) of Appendix 1E and paragraph 34(2) of Appendix 1F	Disclosure of interests information	V-21
<b>Hong Kong Stock Exchange's Guidance Letters</b>		
Revised Guidance Letters GL37-12 and GL38-12	Disclosure requirements in respect of indebtedness and liquidity	V-22
<b>Takeovers Code</b>		
Section 4.1 of the Takeovers Code	Provides the definition of a "public company in Hong Kong", to which the Takeovers Code applies	V-23
<b>Securities and Future Ordinance</b>		
Part XV of the Securities and Futures Ordinance	Disclosure of interests	V-23

## CORPORATE COMMUNICATIONS

### Electronic Means

Rule 2.07A of the Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and in each case, certain conditions are satisfied.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 2.07A of the Listing Rules on the following bases:

- the current legal and regulatory requirements we are subject to in Japan allow us to use electronic means for the issue of all Japanese corporate communications, with certain limited exceptions. Accordingly, we do not currently produce or send out any corporate communications to our Shareholders (with the exception of convocation notices of Shareholders' meetings) in printed form. Instead, we issue all corporate communications by making an announcement on the TSE and/or publishing a notice on our website;
- it would be impracticable for us to seek approval from each of our Shareholders to enable us to issue electronic communications given our diverse shareholder base and the number of countries in which our Shareholders reside; and
- we intend to publish TSE announcements as announcements on the Hong Kong Stock Exchange's website.

The waiver from strict compliance with the requirements under Rule 2.07A of the Listing Rules has been granted to us on the following conditions:

- we will issue all future corporate communications (including convocation notices for Shareholders' meetings) on our website in Japanese, English and Chinese and on the Hong Kong Stock Exchange's website in both English and Chinese;
- we will provide printed copies of our convocation notices to our Shareholders (in Japanese) and HDR Holders (in English and Chinese);
- we will publish a notice on the front page of our English and Chinese web pages whenever new corporate communications are issued; and
- we will provide HDR Holders after the Secondary Listing with an option to request that we send electronic copies of corporate communications (including convocation notices) in English and Chinese to the e-mail address provided by the HDR Holder as soon as practicable after the corporate communications have been published.

## BOARD COMPOSITION

Rule 3.10(2) of the Listing Rules requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

Rule 3.11 of the Listing Rules provides, among other things, that an issuer shall immediately inform the Hong Kong Stock Exchange and publish an announcement if at any time it has failed to meet the requirement set out in Rule 3.10(2) of the Listing Rules regarding qualification of the independent non-executive directors, and that an issuer must appoint an independent non-executive director to meet the requirement set out in Rule 3.10(2) of the Listing Rules within three months after failing to meet the requirement.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.10(2) and 3.11 (in respect of our compliance with Rule 3.10(2)) of the Listing Rules such that:

- we will not need to appoint an independent non-executive director having appropriate professional qualifications or accounting or related financial management expertise; and
- we will not need to inform the Hong Kong Stock Exchange and publish an announcement if we fail to meet the requirement under Rule 3.10(2) of the Listing Rules, or appoint an independent non-executive director to meet the requirement set out in Rule 3.10(2) of the Listing Rules within three months after failing to meet such requirement,

as long as we have appointed a Statutory Auditor who has appropriate professional qualifications or accounting or related financial management expertise.

The waivers from strict compliance with the requirements under Rules 3.10(2) and 3.11 (in respect of our compliance with Rule 3.10(2)) of the Listing Rules have been granted to us on the following bases:

- the independence requirements with respect to, and the role played by, our Company's Board of Statutory Auditors are broadly commensurate with those under the Listing Rules;
- it would be inefficient and unduly burdensome for us to have to select a new independent non-executive Director and convene a Shareholders' meeting to appoint such Director within three months as required under the Listing Rules;
- the Companies Act requires disclosures to be made in the convocation notices to Shareholders of certain objective criteria and specified matters relevant to the appointment of directors and statutory auditors, so that the appointment is considered and made, on merit, against these objective criteria and relevant factors. These include, among other things, any material interests that the proposed Directors or Statutory Auditors have in us;
- we believe that the various requirements that we are subject to in Japan offer a level of protection to Shareholders that is at least commensurate with that offered by the Listing Rules and that the Shareholders are adequately protected through the Statutory Auditors system. See the section headed "Directors and Senior Management — Board of Statutory Auditors" in this listing document.

The waiver from strict compliance with the requirements under Rule 3.10(2) of the Listing Rules has been granted to us on the following conditions:

- we undertake to have at least one Statutory Auditor having the relevant professional qualification or accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules in addition to the requisite number of independent non-executive directors under the Listing Rules; and

- the independent non-executive directors would take into account the views of the Statutory Auditors in making any decisions in relation to the Company's affairs.

The waiver from strict compliance with the requirements under Rule 3.11 (in respect of our compliance with Rule 3.10(2)) of the Listing Rules has been granted to us on the following conditions that in the event we fail to meet the condition imposed for the waiver from Rule 3.10(2) of the Listing Rules (i.e., the undertaking to have at least one Statutory Auditor having the relevant professional qualification or accounting or related financial management expertise):

- we will immediately inform the Hong Kong Stock Exchange and make an announcement on the Hong Kong Stock Exchange's website; and
- we will appoint a Statutory Auditor or an independent non-executive director having the relevant professional qualification or accounting or related financial management expertise required under Rule 3.10(2) within three months from the date of non-compliance.

### **BASIS OF PREPARATION OF ACCOUNTANTS' REPORT**

Rule 4.01(1), Paragraph 37 of Appendix 1E and Paragraph 27(1) of Appendix 1F of the Listing Rules require an accountants' report in a listing document, in a case of listing of depositary receipts to be prepared in accordance with the requirements of Chapter 4 of the Listing Rules. In addition, Rule 19.39 provides that the accountants' reports in respect of an overseas issuer whose primary listing is on another stock exchange are required to conform with accounting standards acceptable to the Hong Kong Stock Exchange, which will normally be: (a) HKFRS; (b) IFRS; or (c) US GAAP. Rule 19.39 further provides that where the Hong Kong Stock Exchange allows reports to be drawn up otherwise than in conformity with such accounting standards, the Hong Kong Stock Exchange may, having regard to the exchange on which the overseas issuer has its primary listing, require the report to contain a statement of the financial effect of the material differences (if any) from HKFRS, IFRS or US GAAP.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.01(1), Paragraph 37 of Appendix 1E and Paragraph 27(1) of Appendix 1F of the Listing Rules on the bases described below.

We currently publish our financial statements in accordance with JGAAP and will continue to do so prior to our adoption of IFRS as our reporting standard. Accordingly, pursuant to Rule 19.39 of the Listing Rules we have included in this listing document an accountants' report, which is prepared from our audited consolidated financial statements as of and for each of the three financial years ended August 31, 2011, 2012 and 2013 prepared in accordance with JGAAP (the "**Underlying Financial Statements**"). The Underlying Financial Statements were audited by the Reporting Accountants in accordance with auditing standards generally accepted in Japan.

For the purpose of the Accountants' Report, the Reporting Accountants have carried out procedures on the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

In addition, Sections A.1 and A.2 of the Financial Information set out in the Accountants' Report have been prepared from the Underlying Financial Statements with no adjustments made thereon.

Under applicable JGAAP requirements, certain information that is required to be included in an accountants' report under Chapter 4 of the Listing Rules is not required to be disclosed, or to be disclosed to the extent or in the manner required under the Listing Rules.

Such information includes:

- (i) ageing analysis of accounts receivable;
- (ii) ageing analysis of accounts payable; and
- (iii) segment information.

The corresponding requirements in Appendix 16 of the Listing Rules, namely paragraphs 4(2)(b)(ii), 4(2)(c)(ii) and 4(3) of Appendix 16 of the Listing Rules respectively, are no longer applicable as a result of an automatic waiver from the entire Appendix 16 under the Joint Policy Statement.

Given the large volume of transactions and the different geographical locations involved, it would require a significant amount of additional time and effort and would be cost inefficient, onerous and unduly burdensome for us to prepare such disclosures, which are otherwise not required under the JGAAP requirements.

On the basis that the requirement to provide the corresponding information required under Appendix 16 of the Listing Rules is automatically waived under the Joint Policy Statement, the inefficiencies and the additional burden involved in preparing for the additional disclosures, and given that we are already required to publish its financial statements (including annual reports, interim reports, preliminary announcements of annual and interim results, circulars, summary financial and summary interim reports) in accordance with JGAAP prior to our adoption of IFRS as our reporting standard, we have applied for a waiver from these additional disclosure requirements.

Other than the fact that the Accountants' Report has been prepared in accordance with JGAAP and accordingly does not disclose, or does not disclose to the extent or in the manner required under the Listing Rules: (i) ageing analysis of accounts receivable, (ii) ageing analysis of accounts payable and (iii) segment information adopting HKFRS or IFRS or China Accounting Standards for Business Enterprises, the Accountants' Report is in compliance with Chapter 4 of the Listing Rules.

In light of the above, we have included in the Accountants' Report in this listing document a summary of material differences between JGAAP and IFRS applicable to the Group, together with a statement of quantified financial effects of all material differences between JGAAP and IFRS, for the Track Record Period as set out in "Appendix I – C. Summary of Material Differences between International Financial Reporting Standards ("**IFRS**") and Generally Accepted Accounting Principles in Japan ("**JGAAP**")" in this listing document. After the Secondary Listing, we will publish unaudited quarterly financial reports prepared under JGAAP with a summary of the material differences between JGAAP and IFRS, together with a statement of quantified financial effects of all material differences between JGAAP and IFRS. We will prepare our accountants' report in the same manner as that included in this listing document, including a statement showing the financial effect of any material differences between JGAAP and IFRS, in any subsequent listing documents that we may issue after the date of this listing document and prior to our adoption of IFRS.

In accordance with the Joint Policy Statement, we will revert to IFRS if we are no longer listed on the TSE.

**DEALING IN SECURITIES BY CONNECTED PERSONS DURING A LISTING APPLICATION PROCESS**

Under Rule 9.09 of the Listing Rules, from four clear Business Days before the expected date on which the Listing Committee hearing is held to consider a company's listing application until listing is granted, there must be no dealing in the securities for which listing is sought by any of the Company's connected persons.

Under the Joint Policy Statement, this common waiver is subject to the following conditions:

- (a) the connected person(s):
  - (i) have no influence over the IPO process;
  - (ii) are not in possession of non-public inside information; and
  - (iii) can conduct dealings in the issuer's securities on markets outside the Hong Kong Stock Exchange that cannot be controlled by the issuer (e.g. a public investor who may become a substantial shareholder before the issuer lists on the Exchange or connected persons at the subsidiary level);
- (b) the issuer promptly releases any inside information to the public in its overseas jurisdiction(s) in accordance with the relevant laws and regulations; and
- (c) the issuer notifies the Hong Kong Stock Exchange of breaches of the dealing restriction by any of its connected persons during the restricted period.

On the grounds and subject to the conditions set out below, we have applied for, and the Hong Kong Stock Exchange has granted us, such common waiver in respect of any dealing by any Shareholder (other than the existing Directors and their associates):

- (a) the connected persons of the Company (other than the existing Directors and their associates) have no influence over the Listing process. As at the Latest Practicable Date, so far as we are aware, Mr. Tadashi Yanai, who is also a Director, was the only substantial Shareholder within the meaning of the Listing Rules;
- (b) we have not and will not disclose any price-sensitive information to any potential or actual substantial Shareholders (other than those who are privy to such information by virtue of being a Director or directly involved in the relevant subject matter, such as Mr. Tadashi Yanai who is a Director, as noted in the preceding paragraph (a) above);
- (c) given that the Shares are publicly traded on the TSE, we are not in a position to control dealings in the Shares by any other person (whether or not an existing Shareholder) or their associates who may, as a result of such dealing, become a substantial Shareholder within the meaning of the Listing Rules;
- (d) we agree that we will promptly release any inside information to the public in Japan in accordance with the relevant laws and regulations;
- (e) we agree that we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our connected persons during the restricted period when we become aware of the same;

- (f) prior to the Listing Date, our Directors and their associates have not dealt in the Shares from four clear business days before the date of the Listing Committee hearing on the Company's listing application and will not deal in the Shares until listing is granted; and
- (g) after the Listing Date, in the event that an application is made by us for listing of any of our securities on the Hong Kong Stock Exchange, our Directors and their associates will not deal in the Shares from the time of submission of the formal application for listing until listing is granted.

## REQUIREMENTS WITH RESPECT TO PROFIT FORECASTS

Pursuant to Rule 11.18 of the Listing Rules, a profit forecast appearing in a listing document (other than one supporting a capitalization issue) should normally cover a period which is coterminous with the issuer's financial year-end. If, exceptionally the profit forecast period ends at a half year-end the Stock Exchange will require an undertaking from the issuer that the interim report for that half year will be audited. Profit forecast periods not ending on the financial year end or half year-end will not be permitted.

As noted in the section headed "Disclosure of Financial Guidance" in this listing document, the Financial Guidance provided in "Appendix III — Financial Guidance" in this listing document was not prepared specifically for the purposes of the Secondary Listing and was prepared in accordance with the TSE best practice guidelines, market practice of Japanese-listed companies and our past practice. There is no requirement for quarterly or interim financial statements in Japan to be audited. However, our Reporting Accountants will review the Company's interim financial statements for the period ending February 28, 2014 in accordance with the International Standard on Review Engagements 2410. As a listed company in Japan, the Company has adopted stringent internal control systems pursuant to the requirements of J-SOX.

In light of the above, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from Rule 11.18 of the Listing Rules.

## MONTHLY RETURN

Rule 13.25B of the Listing Rules requires a listed issuer to, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit through HKEx-EPN, or such other means as the Hong Kong Stock Exchange may from time to time prescribe, for publication on the Hong Kong Stock Exchange's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Hong Kong Stock Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return).

Under the Joint Policy Statement, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

- (i) it has received a relevant partial exemption from Part XV of the SFO; or
- (ii) it publishes a "next day disclosure" in strict compliance with Rule 13.25A of the Listing Rules, regardless of the waiver of general effect from this Rule for secondary listed issuers; or
- (iii) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Listing Rules and any differences are not material to shareholder protection.



We have applied for, and the SFC has granted us, a relevant partial exemption from Part XV of the SFO. On this basis, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from Rule 13.25B of the Listing Rules.

### **PRE-EMPTIVE RIGHTS (INCLUDING GENERAL MANDATE REQUIREMENTS)**

Rule 13.36 of the Listing Rules provides that the directors of an issuer must obtain the consent of the issuer's shareholders in a general meeting prior to allotting, issuing or granting any shares (or any securities convertible into shares or any options, warrants or similar rights to subscribe for any shares or such convertible securities). However, no such consent is required if the allotment, issuance or grant is made (i) pursuant to a share offering made to existing shareholders on a pro rata pre-emptive basis or (ii) pursuant to a general mandate granted by shareholders limited to an aggregate number of securities not exceeding 20% of the existing issued share capital of the issuer (plus, if applicable and separately approved by shareholders, the number of securities repurchased by the issuer since the granting of the mandate up to a maximum of 10% of the existing share capital of the issuer).

Under the Joint Policy Statement, a common waiver from the requirements under Rule 13.36 of the Listing Rules is subject to the condition that all offers of securities the issuer makes to its shareholders must be on a fair and equal basis and must not exclude Hong Kong shareholders.

There is no concept of pre-emptive rights (as defined in the Listing Rules) under Japanese law. A Japanese company may issue Shares or SARs or dispose its Treasury Stock by public offering without approval of its shareholders. In addition, Articles 199 and 201(1) of the Companies Act allow the board of directors of an issuer of a Japanese company to issue and allot its Shares or SARs to specific persons (whether or not they are shareholders) ("**Third Party Allotment**"), subject to applicable pre-filing and disclosure obligations of any Third Party Allotment and the terms of the allotment being not especially favorable to the proposed allottees. See "Appendix IV — Part A. Summary of Japanese Legal and Regulatory Matters — 20. Third Party Allotment" for details.

On the basis that the Companies Act, the FIEA and the TSE Listing Regulations together provide significant protection to shareholders of companies listed on the TSE with regard to a Third Party Allotment (including, but not limited to, the requirement for an independent opinion on the necessity and suitability of a Third Party Allotment or Shareholders' approval prior to a Third Party Allotment and relevant disclosure requirements with respect to a Third Party Allotment), we have applied for, and the Hong Kong Stock Exchange has granted us, a common waiver from strict compliance with Rule 13.36 of the Listing Rules on the condition that all offers of securities that we extend to all of our Shareholders must be on a fair and equal basis and must not exclude the Shareholders in Hong Kong and the HDR Holders.

### **DISTRIBUTION OF ANNUAL REPORT AND ACCOUNTS**

Rule 13.46(2)(a) of the Listing Rules provides that an overseas issuer shall send to every member of the issuer and every other holder of its listed securities a copy of either its annual report including its annual accounts or its summary financial report, not less than 21 days before the date of the issuer's annual general meeting and in any event not more than four months after the end of the financial year to which they relate.

In Japan, a company established under the Companies Act is required to prepare financial documents in accordance with the Companies Act accounting rules and a company listed in Japan is also required to prepare financial information in accordance with the FIEA for potential investors. Before the AGM, we are required by the Companies Act to prepare our audited annual financial report and send it together with a business report to our Shareholders as part of the convocation notice for the AGM. Similar



to the practice in Hong Kong, such audited annual financial report has to be approved by the Board of Directors and will be sent to shareholders in the convocation notice. In addition, as a company listed on the TSE, we are required to prepare financial information in accordance with the FIEA for disclosure to potential investors in our annual securities reports and quarterly securities reports which are filed with the Local Finance Bureau and made public on the EDINET system. Further, such financial information required by the FIEA are publicized through disclosure requirements under the TSE Listing Regulations such as the preliminary announcement.

We must convene our AGM within three months after the day following the last day of each financial year. Given the short period of time between our financial year end and our AGM, we, in conformity with Japanese practice, issue a convocation notice to our Shareholders around early or mid-November which includes the audited financial report and the business report referred to above.

In light of the above disclosure arrangement, we are of the view that Japanese Shareholders, and the HDR Holders following the Secondary Listing, will not be unduly prejudiced owing to the extensive financial information provided by us in compliance with Japanese law. In addition to the audited financial report provided in the convocation notice published at least 14 days before the AGM, and the annual securities report which is published within three months of the financial year end, we also publish our results on a quarterly basis, which is more frequently than most Hong Kong listed companies.

As stated above, Japanese companies are required to hold their AGM within three months of their financial year end. As such, if we are required to comply Rule 13.46(2)(a) of the Listing Rules, we would have one month less than Hong Kong incorporated companies to produce our annual report, or two months and seven days opposed to three months and seven days when the 21 day notice period is applied. Meanwhile, we are required to prepare and issue, no later than 14 days before the AGM, a convocation notice (which includes a business report and the audited financial report prepared under JGAAP and Japanese law if issued to Shareholders or a reference to a URL link where these documents may be electronically accessed if issued to HDR Holders). Further, we are also required to prepare our annual securities report within three months after the end of a financial year. Although we would be comfortable to comply with either the Japanese or the Hong Kong rules, it would be onerous, burdensome and practically difficult for us to comply the requirements in both markets at the same time as the two systems are designed for different reporting timeframes. Further, the limited additional benefit for the investors to receive reports prepared under both requirements would not justify the incremental costs incurred for such compliance.

The fundamental objective and principle of Rule 13.46(2)(a) of the Listing Rules is to ensure that shareholders and investors of a listed company are informed on a timely basis the annual financial and business operation results before the AGM. As required by the Companies Act and other relevant Japanese laws, the convocation notice of our Company would provide a business report and an audited financial report.

The business report would include overview of our key business status, such as, the progress and results of the business, capital expenditures and fund-raising, trends in assets and profit/loss in the most recent three fiscal years, corporate reorganizations, status of major subsidiaries, shares outstanding and major shareholders, share subscription rights, operation systems, and a status update of other important aspects of the business.

The audited financial report in the convocation notice includes material annual financial information such as the auditors' report and opinion, the consolidated statement of income, consolidated balance sheet, consolidated statement of changes in net assets, and notes to the consolidated financial

statements, and the same for the statements of our Company and of the Group on a consolidated basis, respectively.

We also noted the differences in specific disclosure requirements between the audited financial report in the convocation notice and the summary financial report required by Rule 13.46(2)(a). Although there are certain differences, both reports include sufficient information for investors to assess the material aspects of the financial results of the Group such as the auditor's opinion, consolidated income statement and balance sheet, consolidated statements of assets, notes to the statements, etc. We are of the view that despite the differences, both reports would be sufficient to provide shareholders with all material information about the annual financial performance of the Group before the AGM.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from Rule 13.46(2)(a) of the Listing Rules such that the business report and the audited financial report prepared under JGAAP and Japanese law which is largely similar to our summary financial report that is required under Rule 13.46(2)(a) of the Listing Rules may be sent to the Shareholders and the HDR Holders through the Depositary not less than 14 days before the date of the AGM.

### **ANNOUNCEMENT OF NOMINATION OF DIRECTORS**

Rule 13.70 of the Listing Rules requires that an issuer publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting. The Note to Rule 13.70 of the Listing Rules further provides that the issuer must assess whether or not it is necessary to adjourn the meeting of the election to give shareholders at least 10 business days to consider the relevant information disclosed in the announcement or supplementary circular.

Under Article 304 of the Companies Act, a shareholder is permitted to propose an amendment to the matters included in an existing agenda of a shareholders' meeting without any prior notice if such an agenda is scheduled to be discussed and determined at such a shareholders' meeting. The matters included in the agenda may be amended and shareholders may propose a person for election as a director at any time before the relevant shareholders' meeting or even at the meeting, if the original agenda proposed the appointment of a new director, or directors, to the board of directors of the company. It is therefore not practicable for us to comply with Rule 13.70 of the Listing Rules to publish an announcement or issue a supplementary circular upon receipt of a notice from any of the Shareholders to propose a person for election as a Director, or to adjourn the shareholders' meeting to give our Shareholders at least 10 business days to consider the relevant information. On such basis, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.70 of the Listing Rules on the conditions that:

- we will make an announcement to inform our Shareholders of the amended agenda on our website (in English and Japanese), as long as it is made before the date of the relevant general meeting; and
- we will publish the above announcement on the Hong Kong Stock Exchange's website in English and Chinese.

**NOTIFICATION TO SHAREHOLDERS OF CERTAIN EVENTS**

Rule 13.73 of the Listing Rules requires that in addition to any direction of the court, an issuer shall ensure that notice of every meeting of its shareholders or its creditors concerning the issuer (e.g. for winding up petitions, schemes of arrangement or capital reduction) is published in accordance with Rule 2.07C. The issuer shall dispatch a circular to its shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular. The issuer shall also provide its shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued by way of supplementary circular or announcement not less than 10 business days before the date of the relevant general meeting to consider the subject matter.

Under the Joint Policy Statement, this common waiver is subject to the condition that we are subject to overseas laws or regulations that have a similar effect (i.e., that notices are provided to Hong Kong shareholders) and any differences are not material to shareholder protection.

The TSE Listing Regulations and the FIEA require a listed company to make public disclosure of any material decisions that it makes with regard to its corporate actions (including winding up, execution of a merger agreement and capital reduction). In addition, if such transactions require a shareholder resolution at a shareholders' meeting, a listed company is required to dispatch a convocation notice to its shareholders at least two weeks prior to the date of such shareholders meeting. There will be no circumstances under which a Shareholders' meeting will be held without prior convocation notice being given to the Shareholders or the HDR Holders through the Depositary. Details of such transactions are required to be included in the relevant public disclosures made by the listed company and the convocation notice given by the listed company. In so far as it relates to creditors, the Companies Act requires certain procedures to be followed to ensure that the interests of creditors of a listed company are protected in certain events such as capital reduction or corporate reorganization by a listed company. A listed company is required to issue a notice to each creditor and/or issue a public notice at least one month prior to the effective date of any such events so that the creditors are made aware of such events. If any of the creditors objects to any such events, they may request the listed company to pay its receivables or provide a sufficient collateral, except for the situation where such events do not affect the company's ability to pay the relevant receivables. The requirements under the TSE Listing Regulations and the FIEA are broadly comparable to the requirements under Rule 13.73 of the Listing Rules and any differences are not material to shareholder protection. It would be unduly burdensome or inefficient for us to be subject to similar sets of requirements for notification to shareholders and creditors in such circumstances.

We have applied for, and the Hong Kong Stock Exchange has granted us, a common waiver from compliance with Rule 13.73 of the Listing Rules.

**CANCELLATION OF HDRS UPON REPURCHASE**

Rule 19B.21 of the Listing Rules provides that if depositary receipts are purchased by the listed issuer, it shall surrender the purchased depositary receipts to the depositary. The depositary shall then cancel the surrendered depositary receipts and shall arrange for the shares represented by the surrendered depositary receipts to be transferred to the issuer and such shares shall be cancelled by the issuer.

Under the Book-Entry Act, Japanese listed companies are unable to issue physical share certificates in relation to listed shares. Japan operates a fully scripless clearing and settlement regime for transfers in

securities and all shares in the Company are presently held in uncertificated form. Further, the conditions and process for the cancellation or destruction of any HDRs that are purchased by us should also reflect the statutory position in Japan.

We have the ability to hold any Treasury Stock that it repurchases in treasury pursuant to Article 155 of the Companies Act and may dispose of such Treasury Stock, subject to the same rules that apply to an issuance of new Shares by it and in accordance with Article 199 of the Companies Act. Certain restrictions are in place in relation to the manner in which we may acquire Treasury Stock, and the rights of the Treasury Stock with respect to other Shares of the Company in issue. Under paragraph 1(ii) and (iii) of Article 461 of the Companies Act, the total value of Treasury Stock acquired by a company at any one time may not exceed the distributable amount of profits that such company has as at the date of such acquisition, although the Companies Act does not place a limit on the aggregate number of Treasury Stock being held by a Japanese company. Treasury Stock do not grant us the right to (i) vote at Shareholders' meetings; (ii) receive any dividend distributed; or (iii) any entitlement to any distribution rights that may be attributable to other Shareholders.

As at August 31, 2013, we held 4,177,164 Shares as Treasury Stock. We may dispose of Treasury Stock to any person, subject to a resolution of the Board of Directors, at such times and on such terms as the Board of Directors may determine, so long as the price of the re-issued Shares is not "especially favorable" to subscribers of the Shares. If the price of the re-issued Shares is "especially favorable", a special resolution of the general meeting of Shareholders is required. Under the TSE Listing Regulations, Treasury Stock held by Japanese listed companies are not delisted on their acquisition, but remain as listed securities of the relevant company. Thus, if we were to decide to offer any Treasury Stock, it would not be necessary to apply to the TSE for the re-listing of such Treasury Stock. However, when we offer our Treasury Stock for sale, we are required to comply with the same rules that apply to the issuance of new Shares, which requires, amongst other matters, a Board resolution approving the terms of such sale and publication of notice at least 14 days prior to the closing date of such sale.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 19B.21 of the Listing Rules to the extent that (i) the depositary shall not be required to arrange for any physical transfer of Shares to the Company for cancellation; and (ii) we shall have the ability to hold any Shares that it repurchases as Treasury Stock. As part of this waiver application, we have agreed with the Hong Kong Stock Exchange a list of modifications to a number of provisions under the Listing Rules which are necessary to enable us to hold our current and future Treasury Stock. For the full list of those modifications, see Appendix VI of this listing document.

The waiver has been granted to us on the following conditions:

- we will comply with the Companies Act in relation to the Treasury Stock and inform the Hong Kong Stock Exchange as soon as practicable in the event of any failure to comply with any waivers granted;
- we will inform the Hong Kong Stock Exchange as soon as practicable of any substantial change being made to the Treasury Stock regime in Japan;
- we will confirm our compliance with the conditions of this waiver in our subsequent annual reports and any convocation notice for Shareholders' meetings seeking Shareholders' approval of any share repurchase;

- we will comply with the relevant provisions in the event of any change in the regulatory regime and the Listing Rules regarding Treasury Stock in Hong Kong (subject to any waiver which may be sought by the Company); and
- we will provide an annual submission to the Hong Kong Stock Exchange regarding any further consequential modifications to the Listing Rules as a result of any changes in the Listing Rules or other applicable laws and regulations, and will have them agreed with the Hong Kong Stock Exchange in advance.

#### **DISCLOSURE REQUIREMENTS IN RESPECT OF CHANGES TO SHARE CAPITAL**

Paragraph 26 of Appendix 1E and paragraph 20 of Appendix 1F of the Listing Rules require a prospective issuer to include particulars of any alterations in the capital of any member of the group within the two years immediately preceding the issue date of a listing document.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from compliance with paragraph 26 of Appendix 1E and paragraph 20 of Appendix 1F of the Listing Rules on the following bases:

- as we have approximately 100 subsidiaries in 21 different jurisdictions it is unduly burdensome for us to procure this information, which would not be material or meaningful to investors. By way of illustration, for the financial year ended August 31, 2013, the unaudited aggregate revenue of the principal operating subsidiaries in respect of which the relevant information is disclosed represents approximately 90% of the Group's total revenue. Accordingly, the remaining subsidiaries in the Group are insignificant to the overall results of the Group; and
- we have included particulars of changes in the share capital of the Company and the principal operating subsidiaries (which sales on an individual basis exceeds 5% of the Group's total sales and in aggregate contribute at least 70% of the Group's revenue for the last financial year), rather than all members of the Group, which can be found in "Appendix VII – Statutory and General Information – 4. Changes in Share Capital of our Major Subsidiaries" of this listing document. The principal operating subsidiaries in respect of which the particulars of changes in the share capital have been provided are those subsidiaries which, in the opinion of the Directors, principally affect the results, assets or liabilities of the Group and are consolidated by the Group in the preparation of the Group's financial statements in accordance with JGAAP. Such principal operating subsidiaries include all of our subsidiaries whose sales on an individual basis exceed 5% of the Group's total sales for the financial year ended August 31, 2013 and other operating subsidiaries which, in the opinion of our Directors, also principally affect the results, assets or liabilities of the Group. For future listing documents issued by us, we will similarly include the particulars of changes in our share capital and the share capital of our subsidiaries whose sales on an individual basis exceed 5% of the Group's total sales for the last financial year and of such other operating subsidiaries which, in the opinion of our Directors, also principally affect the results, assets or liabilities of the Group and that such principal operating subsidiaries would in aggregate contribute at least 70% of the total revenue of the Group for the last financial year.

#### **DISCLOSURE REQUIREMENTS IN RESPECT OF SHARE OPTIONS**

Under paragraph 27 of Appendix 1E of the Listing Rules, this listing document is required to include details of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

Full compliance with the relevant requirements would be unduly burdensome and that the waiver and the exemption will not prejudice the interests of the investing public as (i) only one grantee of the Stock Options is a Statutory Auditor and eight grantees of the Stock Options are our senior management members, and the remaining 943 of 952 grantees of the Stock Options are neither our or our subsidiaries, directors, Statutory Auditors, nor members of senior management (as at December 31, 2013); (ii) the grants of such Stock Options are highly sensitive and confidential among the grantees as they were granted on the basis of performance and contribution of each grantee; (iii) the Personal Information Protection Act prohibits us from disclosing personal data of such grantees without their prior consent; (iv) as our proposed listing amounts to “unpublished material information that would have a substantial effect on investment decisions” under Japanese insider trading regulations, if we seek the consent of each grantee (including, for example, the Directors of our subsidiaries) we would widen the circle of insiders who are aware of the proposed listing by disclosing such material information to these grantees, which would cause a significant risk of insider dealing in our Shares; (v) given the large number of grantees, obtaining the consent from each one of them would be extremely difficult, and even if consent was obtained from each one of them, disclosure of details of all the Stock Options would likely amount to an estimated 160 pages long, making the listing document unnecessarily lengthy and reader-unfriendly; and (vi) the grant and exercise in full of the Stock Options will not cause any material adverse change in our financial information.

The summary information relating to the Stock Options granted under the applicable resolutions in “Appendix VII – Statutory and General Information – E. Other Information – (i) Share Acquisition Rights” in this listing document should provide potential investors with sufficient information for them to assess these Stock Options in their respective investment decision-making process.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the disclosure requirements under paragraph 27 of Appendix 1E of the Listing Rules on the following conditions:

- we will disclose in this listing document, for each of the SAR grantees who are our Directors, members of the senior management or Statutory Auditors, on an individual basis, all the particulars required by paragraph 27 of Appendix 1E of the Listing Rules;
- we will also disclose in this listing document, for the remaining grantees, on an aggregate basis, the aggregate number of Shares to be subscribed for, the exercise period of each option, the consideration paid for the options and the exercise price of the options;
- we will disclose in this listing document the aggregate number of Shares to be subscribed for under the SARs scheme, the percentage of our issued share capital represented by them, and the dilution effect and impact on earnings per share upon full exercise of the SARs; and
- we will make available for public inspection a full list of all our Directors, members of senior management and Statutory Auditors who have been issued the SARs with all the particulars required under paragraph 27 of Appendix 1E of the Listing Rules.

See “Appendix VII – Statutory and General Information – E. Other Information – (i) Share Acquisition Rights” in this listing document for the above information.

#### **DISCLOSURE REQUIREMENTS IN RESPECT OF PENSION SCHEMES**

Paragraph 33(4) of Appendix 1E to the Listing Rules requires the disclosure of certain information in respect of pension schemes in the listing document.



We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from compliance with Paragraph 33(4) of Appendix 1E to the Listing Rules on the following bases:

- neither JGAAP nor the TSE Listing Regulations require disclosure of information relating to defined benefit plans;
- only a limited number of companies within our Group had defined benefits plans as at August 31, 2013, and our aggregate obligations under those plans was immaterial to our financial condition; and
- a similar disclosure requirement on defined benefits plans with respect to results announcements and annual and interim reports under paragraph 26(5) of Appendix 16 to the Listing Rules is automatically waived under the JPS.

### **REQUIREMENTS RELATING TO CONSTITUTIONAL DOCUMENTS**

Appendix 3 to the Listing Rules provides that the articles of association or equivalent document of an issuer must conform with the provisions set out in that appendix and, where necessary, a certified copy of a resolution of the board of directors or other governing body undertaking to comply with the appropriate provisions must be lodged with the Hong Kong Stock Exchange.

We set out below the comparable shareholders protection offered under the Japanese regime in respect of each of the relevant requirements under Appendix 3 and any differences between the Japanese law requirements and the requirements under the Listing Rules.

#### **As regards definitive certificates**

Paragraph 2(2) of Appendix 3 requires that where the power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. Our Articles contain no equivalent provision. Although we, as with all listed companies in Japan, use the JASDEC electronic settlement system for share transfers, we may issue certificates representing SARs unless they are subject to the book-entry system operated by JASDEC. Any holders of SARs who have lost certificates may not request the reissuance of their certificates until they have obtained a decision for invalidation by a court of justice in Japan as provided under Article 148(1) of the Non-Contentious Cases Procedures Act of Japan (Act No. 14 of 1898, as amended) (*hishoujiken tetsuzuki hou*), in accordance with Article 291 of the Companies Act. In view of the above, it would be onerous and unnecessary for us to amend our Articles to specifically comply with paragraph 2(2) of Appendix 3 as Shareholders are already adequately protected by the existence of Japan's scripless regime, as referred to above. Further, in respect of the HDRs, the Deposit Agreement provides the conditions and process for issuing new HDRs in the event that a HDR is lost, destroyed, stolen or mutilated in accordance with Rule 19B.16(o) of the Listing Rules. For details of this procedure, see the section headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Dealings and Settlement — Terms of HDRs — Lost, Destroyed, Stolen or Mutilated HDR Certificates" in this listing document.

#### **As regards Directors**

Paragraph 4(3) of Appendix 3 requires that where not otherwise provided by law, the issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office. Although the Articles contain no equivalent provisions, paragraph 1 of Article 339 of the Companies Act provides Shareholders' meetings of our Company with similar power

though this power shall be exercised by us in general meeting by special resolution (i.e. two-thirds or more of Shareholders must vote in favor of the resolution). We will notify the Hong Kong Stock Exchange in the event that the requirement under paragraph 4(3) of the Listing Rules is no longer provided by law.

### **As regards Notices**

Paragraph 7(2) of Appendix 3 to the Listing Rules requires that an overseas issuer whose primary listing is or is to be on the Hong Kong Stock Exchange must give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Hong Kong Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with Paragraph 7(2) of Appendix 3 to the Listing Rules where it would be unreasonable to do so. Although the Articles do not contain such a requirement, the Companies Act requires the Directors to dispatch a notice to the Shareholders no later than two weeks prior to the Shareholders' meeting. We will dispatch such notice to our Shareholders and the Depositary will dispatch such notice to the HDR Holders on the same day. See the section headed "Risk Factors — Risks relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders will be reliant on the performance of several service providers. Any breach of those service providers of their contractual obligations could have adverse consequences for an investment in the HDRs" in this listing document.

### **As regards Disclosure of Interests**

Paragraph 12 of Appendix 3 to the Listing Rules requires that no powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company. The Articles do not contain any such restriction on the powers of the Company, but do not afford it the power to do so either. In practice there are no relevant provisions of the Articles or the Companies Act that would entitle the Company to take such steps.

### **As regards Untraceable Members**

Paragraph 13(2) of Appendix 3 to the Listing Rules requires that where power is exercised to sell the shares of a member who is untraceable it will not be exercised unless (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and (b) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention. There is no equivalent restriction in the Articles. Article 197 of the Companies Act provides that in cases where notices have not reached a shareholder for five consecutive years and the shareholders of such shares have not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to issue a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least three months before such sale or auction pursuant to Article 198 of the Companies Act. We confirm that in the event we exercise this right, public notice will be given to the Shareholders and the HDR Holders in Japan and Hong Kong and a demand will be made by us to the relevant Shareholder and by the Depositary to the relevant HDR Holder.

### **As regards Voting**

Paragraph 14 of Appendix 3 to the Listing Rules requires that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of



such requirement or restriction shall not be counted. To address the differences between the requirements under the Companies Act and the Listing Rules, we will adopt certain voluntary abstention process to approve any transaction agreement that is subject to Shareholders' approval under the provisions of the Listing Rules and in which a Shareholder has a material interest. See "Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters — Shareholder Protections under the Joint Policy Statement — Voting" in this listing document.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from compliance with paragraphs 2(2), 4(3), 7(2), 12, 13(2) and 14 of Appendix 3 to the Listing Rules on the basis that the protections available to holders of our Shares and HDRs are comparable to those available under the Listing Rules on the conditions that:

- we and the Sole Sponsor confirm that they are of the view that:
  - (i) the substantive differences between the Articles and paragraphs 2(2), 4(3), 7(2), 12, 13(2) and 14 (given the voluntary measures put in place by us) of Appendix 3 of the Listing Rules are not material;
  - (ii) the level of shareholder protection under the Articles, the Companies Act and the TSE Listing Regulations, and all other applicable Japanese legislation, regulation, regulatory guidance and practices taken as a whole is largely commensurate to the shareholder protection provided under paragraphs 2(2), 4(3), 7(2), 12, 13(2) and 14 (given the voluntary measures put in place by us) of Appendix 3 of the Listing Rules, and any residual differences between the Articles and Appendix 3 of the Listing Rules are prominently disclosed in this listing document; and
- we undertake to dispatch a notice to our HDR Holders and non-registered HDR Holders via the Depository that is consistent with the arrangement for our existing Shareholders (i.e. no later than two weeks prior to the Shareholders' meeting).

## DISCLOSURE OF INTERESTS INFORMATION

Practice Note 5, paragraph 45(2) of Appendix 1E and paragraph 34(2) of Appendix 1F to the Listing Rules require the disclosure of interests information in respect of shareholders' and directors' interests to be included in this listing document.

Under the Joint Policy Statement, a common waiver from this requirement is subject to the conditions that the issuer must:

- (i) have received a relevant partial exemption from Part XV of the SFO;
- (ii) undertake to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions made to the overseas stock exchange by the directors, executive officers or substantial shareholders under relevant laws;
- (iii) disclose in present and future listing documents:
  - (a) in the same manner as required under the SFO, any such interests that were notified and published by the overseas exchange under the relevant law; and
  - (b) the relationship between its directors, officers, members of committees and their relationship to any controlling shareholder.

We have applied for, and the SFC has granted us and our Shareholders, a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) in respect of disclosure of Shareholders' interests. Japanese laws and regulations require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the Substantial Shareholder's interests can be found in the section headed "Substantial Shareholder" of this listing document. We undertake to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the FSA and notified to us under the FIEA (except for the Directors and the chief executive who are subject to the requirements of Part XV of the SFO and subject to the exemption of the timing requirements). For the avoidance of doubt, such undertaking relates to all large shareholder's declarations of shareholding and securities transactions filed with the FSA and notified to us under the FIEA, including regular Large Shareholder Reports made by large shareholders and simplified Large Shareholder Reports made by institutional large shareholders. The FSA and the Securities and Exchange Surveillance Commission (SESC) in Japan are responsible for monitoring and enforcing the disclosure of interest requirements in Japan that we are subject to and accordingly the filings are made with the FSA and not the TSE. We further undertake to disclose in present and future listing documents in the same manner as required under the SFO, any shareholding interests as disclosed under the Japanese laws and regulations (except for the Directors and the chief executive who are subject to the requirements of Part XV of the SFO and subject to the exemption of the timing requirements) and the relationship between our Directors, officers, members of committees and their relationship to any controlling shareholder. For the avoidance of doubt, we have disclosed the information required under paragraphs 41(4) and 45(1) of Appendix 1E and will disclose the information required under paragraphs 30 and 34(1) of Appendix 1F of the Listing Rules in respect of our Directors' and chief executive's interests. Relevant disclosure can be found in the section headed "Appendix VII — Statutory and General Information — D. Information about Directors — (iii) Disclosure of interests" of this listing document.

On the basis above, we have applied for, and the Hong Kong Stock Exchange has granted us, a common waiver from Practice Note 5, paragraph 45(2) of Appendix 1E and paragraph 34(2) of Appendix 1F to the Listing Rules.

See "Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters — Shareholder Protections in Hong Kong — Disclosure of Interests" and "Appendix V — Waivers — B. Additional Waivers Obtained — Disclosure of Interests" in this listing document.

## **THE HONG KONG STOCK EXCHANGE'S GUIDANCE LETTERS**

Paragraph 32 of Appendix 1E and Paragraph 24 of Appendix 1F to the Listing Rules require the disclosure of certain information with respect to the indebtedness and liquidity of the Group in the listing document. In this regard, although it is not a formal requirement under the Listing Rules, in accordance with the Hong Kong Stock Exchange's revised Guidance Letters GL37-12 and GL38-12 (effective as of October 1, 2013), the Hong Kong Stock Exchange normally expects that the latest date for indebtedness and liquidity disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of the listing document and (b) the final date of the listing document.

We have carried out our annual audit and disclosed information relating to our indebtedness and liquidity in our annual report as at August 31, 2013. Given the proximity of the publication of our annual report to our filing date of the application proof of the listing document, it would be unduly burdensome

and inefficient for us to obtain written confirmation from creditors to update the indebtedness statement and to arrange for similar liquidity disclosures in the application proof of the listing document.

Similar considerations apply to the preparation of this listing document. As this listing document is published in February 2014, we are required to make the relevant indebtedness and liquidity disclosures no earlier than December 31, 2013. Given that we have included a report of our interim financial information for the period ending November 30, 2013 (i.e., our first quarter financial information), which has been reviewed in accordance with International Statement on Review Engagements 2410, it would be unduly burdensome for us to re-arrange information for similar liquidity disclosure on a consolidated basis shortly after the end of the first quarter of our financial year.

Strict compliance with the liquidity disclosure requirements would constitute additional one-off disclosure by us of our liquidity position on a date that would fall within the second quarter of our financial year (i.e., a date that would fall between November 30, 2013 and February 28, 2014), which would otherwise not be required to be disclosed to Japanese investors under the TSE Listing Regulations because we are required to issue a report at the end and not in the middle of each quarter of our financial year. Such one-off disclosure is likely to confuse our existing investors and deviates from our customary practice and that of other TSE-listed companies.

In any event, if there are any material changes to such disclosures, we would be required to make an announcement pursuant to the TSE Listing Regulations and disclose relevant material facts in this listing document pursuant to the Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to the guidance of the Hong Kong Stock Exchange would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from compliance with the timing requirements for indebtedness and liquidity disclosure in the listing document under the Hong Kong Stock Exchange's revised Guidance Letters GL37-12 and GL38-12 on condition that the reported date of indebtedness and liquidity information in this listing document must not exceed the Hong Kong Stock Exchange's requirement under the Guidance Letters by two calendar weeks (i.e. the time gap between the reported date of our indebtedness and liquidity information and the date of the listing document would be no more than two calendar months and two calendar weeks). See the section headed "Financial Information — Liquidity and Capital Resources" in this listing document.

#### **RULING THAT WE ARE NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Takeovers Code applies to takeovers, mergers and share repurchases affecting public companies in Hong Kong and companies with a primary listing in Hong Kong.

We have applied for, and the SFC has granted, a ruling that we are not a "public company in Hong Kong" for the purposes of Section 4.1. Therefore, the Takeovers Code does not apply to us. This ruling may be reconsidered by the SFC in the event of a material change in information provided or representations made to the SFC.

We are subject to the provisions of the FIEA regarding takeovers. See "Appendix IV — Summary of Legal and Regulatory Matters" in this listing document.

Further, we are subject to the provisions of the Companies Act, the FIEA and the TSE Listing Regulations regarding share repurchases. See “Appendix VII — Statutory and General Information — A. Further Information About our Company and its Subsidiaries — (v) Repurchase of our Shares” in this listing document.

**DISCLOSURE OF INTERESTS**

We have applied for, and the SFC has granted:

- (a) us and our Shareholders, a partial exemption from strict compliance with Part XV of the SFO other than Divisions 5, 11 and 12 of Part XV of the SFO in respect of disclosure of Shareholders’ interests; and
- (b) any of our directors or chief executive, a partial exemption from strict compliance with the requirement to give notification of their interests within three business days after the day on which the relevant event occurs under section 348(1) of the SFO by extending the time of notification to within five business days after the day on which the relevant event occurs or comes to the director’s or chief executive’s knowledge under sections 341 and 347 of the SFO.

The partial exemption is subject to conditions. See “Appendix IV — Summary of Legal and Regulatory Matters — Part B. Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters — Shareholder Protections in Hong Kong — Disclosure of Interests” in this listing document.

As mentioned in “Appendix V — Waivers — Cancellation of HDRs upon Repurchase” in this listing document, our Company and the Hong Kong Stock Exchange have agreed to a list of modifications to a number of the Listing Rules necessary to enable our Company to hold our current and future Treasury Stock. The amendments and insertions which have been made to the Listing Rules are set out below (in bold and underlined or denoted with strikethroughs). The full text of the Listing Rules can be located on the Hong Kong Stock Exchange’s website on <http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/listrules.htm>.

## 1. CHAPTER 1

- 1.1 The definition of “market capitalization” (i) Rule 1.01 of the Listing Rules is amended to read: “the market value of the entire size of an issuer, which shall include all classes of securities of the issuer (**other than treasury shares**), irrespective of whether any such class(es) of securities are unlisted, or listed on other regulated market(s)”.
- 1.2 The definition of “treasury shares” (i) Rule 1.01 of the Listing Rules is added to read as such: “shares of an issuer which the issuer has repurchased and holds in treasury as authorized by Article 155 of the Companies Act and the constitutional documents of the issuer”.

## 2. CHAPTER 2

Rule 2.03(4) of the Listing Rules is amended to read: “all holders of listed securities are treated fairly and equally (**disregarding for these purposes the issuer in its capacity as the holder of any treasury shares**);”

## 3. CHAPTER 3

Rule 3.13(1) of the Listing Rules is amended to read: “holds more than 1% of the total issued share capital of the listed issuer (**other than treasury shares**);”

## 4. CHAPTER 3A

Rule 3A.23(2) of the Listing Rules is amended to read: “where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, **disposals of treasury shares out of treasury** and share repurchases;”

## 5. CHAPTER 4

### 5.1 Rule 4.04

Rule 4.04(8) of the Listing Rules is amended to read: “the earnings per share (**which, for the avoidance of doubt, will not take account of treasury shares**) and the basis of computation in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2) except that the accountants’ report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants’ report or if combined results are presented in accordance with rule 4.09 or if the accountants’ report relates to an issue of debt securities;”

### 5.2 Rule 4.29(8)

Rule 4.29(8) of the Listing Rules is amended to read: “Where pro forma earnings per share information is given for a transaction which includes the issue of securities **or the disposal of**

**treasury shares out of treasury for cash**, the calculation is to be based on the weighted average number of shares outstanding during the period (**other than treasury shares**), adjusted as if that issue had taken place at the beginning of the period.”

## 6. CHAPTER 8

When appropriate (i.e. when the public float requirements under Rule 8.08 becomes applicable to us in the event that our HDRs become primarily listed in Hong Kong instead of secondarily listed in Hong Kong as in the present case), Rule 8.08(1)(b) of the Listing Rules will be amended by the insertion of note (4) as follows: **“For the purposes of rule 8.08, treasury shares are not taken into consideration when calculating the number of shares of a class of shares in the hands of the public.”**

## 7. CHAPTER 10

Rule 10.01 of the Listing Rules is amended to read: “Normally no more than ten per cent. of **the aggregate of** any securities being marketed for which listing is sought **and/or any treasury shares being disposed of (but not any treasury shares being disposed of or transferred out of treasury for the purposes of an employees’ share scheme)** may be offered to employees or past employees of the issuer or its subsidiaries or associated companies and their respective dependants or any trust, provident fund or pension scheme for the benefit of such persons on a preferential basis (including selection under a placing in accordance with the placing guidelines set out in Appendix 6).”

## 8. CHAPTER 19B

Rule 19B.06 of the Listing Rules is amended to read: “Depositary receipts may be issued in respect of newly issued shares, **treasury shares disposed of** and/or in respect of shares placed with a depositary by existing shareholders provided that the issuer applies to be the issuer of such depositary receipts and assumes the obligations and duties imposed on an issuer by the Exchange Listing Rules. An application for the listing of depositary receipts will not be allowed if the shares which the depositary receipts would represent are already listed on the Exchange and vice versa.”

## 9. APPENDIX 5

The Company will amend the relevant forms contained in Appendix 5 to the Listing Rules to the extent necessary (if at all) as and when it is required to submit such forms pursuant to the Exchange’s Listing Rules.

### 9.1 Form E

When appropriate (i.e. when the public float requirements under Rule 8.08 becomes applicable to us in the event that our HDRs become primarily listed in Hong Kong instead of secondarily listed in Hong Kong as in the present case), the Company will amend paragraph (3) of the sponsor’s declaration as follows: “25% of the total issued share capital of the Issuer (**excluding treasury shares**) [have been placed/will be held] in the hands of the public in accordance with rule 8.08...”.

### 9.2 Form F

Paragraph 3 of Form F is amended to read “that...HDRs of...(Number & Class)...HK\$...Debenture/Loan Stock...Debenture/Notes/Bonds **(of which...HDSs of**

¥...were Treasury Stock which were disposed out of treasury for cash) have been subscribed/purchased for cash and duly allotted/issued/transferred to the subscribers/purchasers (and that the said HDRs have been converted into HK\$...Stock).”

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****(i) Incorporation**

Our Company was incorporated as a company with limited liability in Japan under the Companies Act on May 1, 1963 as Ogori Shoji Co., Ltd. The company's name was changed to FAST RETAILING CO., LTD. in 1991. Our Company was listed on the Hiroshima Stock Exchange in July 1994 and then on the Second Section of the Tokyo Stock Exchange in April 1997, progressing to the First Section of the Tokyo Stock Exchange in February 1999.

Our Company's registered office is at 717-1 Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan. A summary of the Articles of Association of the Company is set out in Appendix IV to this listing document.

We have a registered place of business in Hong Kong at Room 704-705, 7<sup>th</sup> Floor, Miramar Tower, No. 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on January 30, 2014. UNIQLO Hong Kong Ltd has been appointed as our agent for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our registered place of business in Hong Kong (as set out above).

**(ii) Changes in share capital of our Company**

As at the date of this listing document, the total paid-in share capital of the Company was ¥10,273 million, which represented 106,073,656 Shares.

The Company's paid-in share capital remained unchanged during the Track Record Period.

**(iii) Our Major Subsidiaries**

The following table shows a list of our Major Subsidiaries as at August 31, 2013:

	<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Date of Incorporation (dd/mm/yyyy)</u>	<u>Principal Activity</u>	<u>Paid-in Share Capital</u> (Thousand)	<u>Percentage of total right to vote</u>
1.	UNIQLO (U.K.) LIMITED	UK	24/07/2003	Retailing	GBP20,000	100.00%
2.	FAST RETAILING FRANCE S.A.S.	France	26/10/2006	Investment holding	EUR161,025	100.00%
3.	UNIQLO FRANCE S.A.S.	France	28/04/2005	Retailing	EUR244	100.00%
4.	CREATIONS NELSON S.A.S.	France	01/01/2000	Retailing and Wholesale	EUR2,600	100.00%
5.	UNIQLO CO., LTD.	Japan	02/09/1974	Retailing	¥1,000,000	100.00%



**APPENDIX VII**
**STATUTORY AND GENERAL INFORMATION**

Name of Subsidiary	Jurisdiction of Incorporation	Date of Incorporation (dd/mm/yyyy)	Principal Activity	Paid-in Share Capital	Percentage of total right to vote
				(Thousand)	
6. Fast Retailing USA, Inc.	USA	22/11/2004	Investment holding	US\$30,000	100.00%
7. FRL Korea Co., Ltd.	Korea	16/12/2004	Retailing	KRW24,000,000	51.00%
8. UNIQLO HONG KONG, LIMITED	Hong Kong	31/03/2005	Retailing	HK\$11,000	100.00%
9. PETIT VEHICULE S.A.S.	France	07/07/1983	Retailing and Wholesale	EUR2,000	100.00%
10. FAST RETAILING (CHINA) TRADING CO., LTD.* 迅銷（中國）商貿有限公司	China	21/12/2006	Retailing	US\$20,000	100.00%
11. G.U. CO., LTD.	Japan	21/02/1973	Retailing	¥10,000	100.00%
12. LINK THEORY JAPAN CO., LTD.	Japan	10/12/2003	Retailing and Wholesale	¥10,000	100.00%
13. FAST RETAILING (SINGAPORE) PTE. LTD.	Singapore	18/08/2011	Investment holding	SG\$66,000	100.00%
14. UNIQLO (SINGAPORE) PTE. LTD.	Singapore	20/08/2008	Retailing	SG\$6,500	51.00%
15. LLC UNIQLO (RUS)	Russian Federation	29/01/2009	Retailing	RUB510,010	100.00%
16. UNIQLO TRADING CO., LTD.* 優衣庫商貿有限公司	China	30/03/2010	Retailing	US\$30,000	100.00%
17. UNIQLO TAIWAN LTD.* 台灣優衣庫有限公司	Taiwan	06/04/2010	Retailing	NT\$150,000	100.00%
18. UNIQLO (MALAYSIA) SDN. BHD.	Malaysia	10/06/2010	Retailing	MYR18,800	55.00%
19. FAST RETAILING (SHANGHAI) TRADING CO., LTD.* 迅銷（上海）商業有限公司	China	22/10/2012	Retailing	US\$35,000	100.00%

Name of Subsidiary	Jurisdiction of Incorporation	Date of Incorporation (dd/mm/yyyy)	Principal Activity	Paid-in Share Capital (Thousand)	Percentage of total right to vote
20. J BRAND, INC.	USA	31/08/2005	Retailing and Wholesale	US\$394,248	80.76%

Note:

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

#### (iv) Changes in share capital of our Major Subsidiaries

The following table sets forth the changes in the share capital of our Major Subsidiaries during the two years preceding the date of this listing document:

Name of Subsidiary	Initial Capital	Date of Increase	Increase amount	Total
FAST RETAILING (SINGAPORE) PTE. LTD.	SG\$24,235,686	14/02/2012	SG\$7,764,314	SG\$32,000,000
FAST RETAILING FRANCE S.A.S.	EUR157,025,000	20/07/2012	EUR4,000,000	EUR161,025,000
FAST RETAILING (SINGAPORE) PTE. LTD.	SG\$32,000,000	13/03/2013	SG\$34,000,000	SG\$66,000,000
UNIQLO (U.K.) Limited	GBP20,000,000	25/11/2013	GBP20,000,000	GBP40,000,000

The share capital of FAST RETAILING (SINGAPORE) PTE. LTD. that was increased on February 14, 2013 has been issued as fully paid up other than in cash by way of share consideration. Such share consideration comprised of 3,315,000 shares in UNIQLO (SINGAPORE) PTE. LTD. for SG\$3,315,000 and 10,340,000 shares in UNIQLO (MALAYSIA) SDN. BHD. for SG\$4,449,314. The rest of the above increased share capitals have been issued as fully paid up in cash.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under paragraph 26 of Appendix 1E and paragraph 20 of Appendix 1F to the Listing Rules in respect of changes to share capital of any of the member of our Group within the two years immediately preceding the issue date of a listing document on the basis that:

(a) we have over 100 subsidiaries in 21 different jurisdictions and therefore it is unduly burdensome for us to procure this information;

(b) it would not be material or meaningful to provide such information to investors as the investors' main focus in relation to changes in the share capital of subsidiaries in our Group would be on the principal operating subsidiaries that form the basis of our Group, rather than all of the various shell, dormant, inactive or other subsidiary companies that play an insignificant role in the overall operations of our Group. By way of illustration, for the financial year ended August 31, 2013, the unaudited aggregate revenue of the principal operating subsidiaries in respect of which the relevant information is disclosed represents approximately 90% of the Group's total revenue. Accordingly, the remaining subsidiaries in the Group are insignificant to the overall results of the Group; and

(c) we have included above the particulars of changes in the share capital of our Company and the principal operating subsidiaries that form the basis of our Group only, rather than all members of our Group. Such principal operating subsidiaries include all of our subsidiaries whose sales on an individual basis exceed 5% of the Group's total sales for the financial year ended August 31, 2013 and other operating subsidiaries which, in the opinion of our Directors, also principally affect the results, assets or liabilities of the Group. For future listing documents issued by us, we will similarly include the particulars of changes in our share capital and the share capital of our subsidiaries whose sales on an individual basis exceed 5% of the Group's total sales for the last financial year and of such other operating subsidiaries which, in the opinion of our Directors, also principally affect the results, assets or liabilities of the Group and that such principal operating subsidiaries would in aggregate contribute at least 70% of the total revenue of the Group for the last financial year.

See "Appendix VII — Statutory and General Information — A. Further Information About our Company and its Subsidiaries — (iv) Changes in share capital of our Major Subsidiaries" and also "Appendix V — Waivers — B. Additional Waivers Obtained — Disclosure Requirements in respect of Changes to Share Capital" in this listing document for further information.

**(v) Repurchase of our Shares**

The following includes information relating to the repurchase by the Company of its own Shares, including information required by the Hong Kong Stock Exchange to be included in this listing document concerning such repurchase.

**(a) Shareholders' approval**

Under the Companies Act, if the Company repurchases its own Shares upon agreement with its particular Shareholder(s), a Shareholders' special resolution is required in advance to approve: (i) the number and the class of the Shares to be repurchased; (ii) the contents and the aggregate amount of consideration to be paid in exchange for the repurchased Shares (or any other assets to be provided in exchange for the repurchased Shares; provided that Shares of the Company may not be provided as consideration for the repurchased Shares); (iii) the

period during which the Company may repurchase its Shares (provided that it must be no more than one year); and (iv) the name of such particular Shareholder(s). However, in cases where the Company repurchases its own Shares through stock exchanges or financial instrument dealers, or upon a takeover bid pursuant to the FIEA, the Board of Directors may, instead of a Shareholders' meeting, determine (i) to (iii) above in accordance with its Articles of Incorporation, if applicable. As there has been no Shareholders' resolution or Board resolution for repurchase of its own Shares for over a year and the repurchase has to be conducted within one year from such resolution, the Company must obtain a new Board resolution or Shareholders' resolution, as appropriate, if the Company intends to repurchase its own Shares.

If the Company acquires its own Shares under certain circumstances stipulated by the Companies Act (for example, the Company acquires its own shares from another company as a result of merger), Shareholder approval or Board resolution is not necessarily required and the Company must follow the applicable respective procedures stipulated by the Companies Act to acquire its own Shares.

**(b) *Disclosure of repurchase of shares***

When a listed company repurchases its own shares, the company is required to disclose certain matters, including a reason of the repurchase, details of the repurchase such as the class of shares to be repurchased, (in the case of repurchase from specific shareholder(s)) identities of the specific shareholder(s), pursuant to the TSE Listing Regulations. Furthermore, a company that repurchases its own shares is required to file a Share Buyback Report under the FIEA. In addition, when repurchase of shares is conducted by way of takeover bid, the company is required to comply with the statutory procedures under the FIEA, under which disclosure of certain matters such as the class of shares subject to the takeover, details of the resolution for takeover, offer price and offering period, is required, as well as disclosure for a takeover bid under the TSE Listing Regulations. We have been granted an automatic waiver under the Joint Policy Statement from the requirements of disclosure of certain Share repurchases on the basis that we have applied for, and have obtained, a ruling from the SFC that we are not considered a public company for the purpose of the Takeovers Code.

**(c) *Source of funds***

Under the Companies Act, the aggregate amount of money to be paid (or any other assets to be provided) in exchange for the repurchased shares must not exceed the Distributable Amount on the date that the repurchase comes into effect and such amount is to be calculated in accordance with the Companies Act. In addition, if there is a possibility that the Distributable Amount on the last date of the fiscal year on which the repurchase is to be conducted may be a negative amount, the Company may not repurchase the Shares.

If the Company acquires Shares of the Company under certain other circumstances stipulated by the Companies Act, for example, the Company acquires its own Shares from another company as a result of a merger, the above restrictions on source of funds are not necessarily applied and the Company must follow the applicable respective restrictions on funding stipulated by the Companies Act.

**(d) *Reasons for repurchases***

Although the Company has no immediate plans to repurchase its own Shares, the Company considers that there may be circumstances in which it would be desirable for the Company to repurchase its Shares and the Company wishes to be able to repurchase them if such circumstances arise. Repurchases would only be made if they would be for the benefit of Shareholders generally.

**(e) *Funding of repurchases***

There are no restrictions on the funds used for repurchasing Shares. The Company may repurchase its Shares within the Distributable Amount following the procedures stated in the paragraph entitled "(a) Shareholders' approval" above.

As stated in the paragraph entitled "(a) Shareholders' approval" above, the Company must obtain a Board resolution or Shareholders' resolution, as appropriate, in order to repurchase its own Shares upon agreement with Shareholders. As there has been no Shareholders' resolution or Board resolution for repurchase of its own Shares for over a year and the repurchase has to be conducted within one year from such resolution, the Company must obtain a new Board resolution or Shareholders' resolution to allow it to repurchase its own Shares.

**(f) *General***

None of our Directors, nor any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

We have been granted automatic waivers under the Joint Policy Statement from the requirements set out in Rules 10.05, 10.06(2)(a) to (c), 10.06(2)(e), 10.06(4), 10.06(5) and 13.31(1) of the Listing Rules which relate to share repurchases on the basis that we are applying for a secondary listing. We have obtained a ruling from the SFC that we will not be considered a public company for the purposes of the Takeovers Code.








No connected person of our Company (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Company repurchases its own Shares.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

## (i) Our intellectual property rights

## Trademarks

(a) As at the Latest Practicable Date, we had registered the following trademarks in Japan which are material in relation to our business:





Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	Japan	Fast Retailing Co., Ltd.	35	5334925	02/07/2020
	Japan	Fast Retailing Co., Ltd.	9,14,18,24,25,35	5308263	12/03/2020
	Japan	Fast Retailing Co., Ltd.	35	5137359	06/06/2018
	Japan	Fast Retailing Co., Ltd.	9,18,24,25	4998657	27/10/2016
	Japan	Fast Retailing Co., Ltd.	25	5629683	15/11/2023
 LifeWear	Japan	Fast Retailing Co., Ltd.	25,35	5618859	27/09/2023
THEORY	Japan	Theory LLC	25	4436425	01/12/2020
Theory	Japan	Theory LLC	25	4413156	01/09/2020
theory Luxe	Japan	Link Holdings Co., Ltd.	14, 25	4802794	17/09/2014
	Japan	CREATIONS NELSON	18, 25	772413	22/08/2021

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	Japan	CREATIONS NELSON	35	5229908	15/05/2019
PRINCESSE tam•tam	Japan	Petit Vehicule SA	35	5155450	01/08/2018
Helmut Lang	Japan	Helmut Lang LLC	14, 18, 25	2273993	31/10/2020
	Japan	Link Theory Japan Co., Ltd.	3, 9, 14, 18, 24, 25, 26, 28, 35	5401659	25/03/2021
AlRism	Japan	Fast Retailing Co., Ltd.	25	5504689	29/06/2022
HEAT TECH	Japan	Fast Retailing Co., Ltd.	25	5391143	10/02/2021

(b) As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong which are material in relation to our business:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	Hong Kong	Fast Retailing Co., Ltd.	25,35	301525400	18/01/2020
	Hong Kong	Fast Retailing Co., Ltd.	3,14, 20,27,35	301123343	22/05/2018
	Hong Kong	Fast Retailing Co., Ltd.	9,18, 24,25	300646731	25/05/2016
THEORY	Hong Kong	Theory LLC	25	199906858	18/08/2015
	Hong Kong	CREATIONS NELSON	3, 18, 25	300311147	31/10/2014
AlRism	Hong Kong	Fast Retailing Co., Ltd.	25	302164671	16/02/2022
	Hong Kong	Fast Retailing Co., Ltd.	25	302362040	29/08/2022

- (c) As at the Latest Practicable Date, we had registered with the PRC Trademark Office in China the following trademarks which are material in relation to our business:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	China	Fast Retailing Co., Ltd.	9,14,18, 24,25,35	G1022988	25/08/2019
	China	Fast Retailing Co., Ltd.	9,18,24, 25	G907318	24/05/2016
THEORY	China	Theory LLC	25	1390236	27/04/2020
	China	CREATIONS NELSON	18, 25	G772413	22/08/2021
PRINCESSE TAM-TAM	China	Petit Vehicule SA	3, 9, 14, 18, 24, 25	G556392	23/07/2020
AlRism	China	Fast Retailing Co., Ltd.	25	G1116661	20/02/2022
HEAT TECH	China	Fast Retailing Co., Ltd.	25	3139562	20/08/2023
	China	Link Theory Japan Co., Ltd.	3, 9, 14,16, 18, 20, 21, 24, 25, 26, 27, 28, 35	G1149675	27/07/2022

- (d) As at the Latest Practicable Date, we had registered with the following trademarks in Taiwan which are material in relation to our business:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	Taiwan	Fast Retailing Co., Ltd.	3,9,16, 21, 24, 25, 27, 28, 35	1504335	31/01/2022
	Taiwan	Fast Retailing Co., Ltd.	9, 18, 24, 25	1281231	15/09/2017



- (e) As at the Latest Practicable Date, we had registered with the following trademarks in the European Union which are material in relation to our business:

Trademark	Place of Registration	Name of applicant	Class	Application Number	Application Date
	EU	CREATIONS NELSON	14, 18, 25	11725983	10/04/2023

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	EU	Fast Retailing Co., Ltd.	25, 35	1037862	04/02/2020
	EU	Fast Retailing Co., Ltd.	9,18,24, 25	907318	24/05/2016
theory	EU	Theory LLC	25	948745	05/10/2018
Princesse tam.tam PARIS	EU	PETIT VEHICULE S.A.	3, 24, 25	2586345	20/02/2022

- (f) As at the Latest Practicable Date, we had registered with the following trademarks in the United States of America which are material in relation to our business:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	USA	Fast Retailing Co., Ltd.	25, 35	1037862	04/02/2020
	USA	Fast Retailing Co., Ltd.	9,18, 24, 25	907318	24/05/2016
THEORY	USA	Theory LLC	18, 25	IR1060799	19/11/2020
Helmut Lang	USA	Helmut Lang New York LLC	25	2281221	28/09/2019

- (g) As at the Latest Practicable Date, we had registered with the following trademarks in Singapore which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Singapore	Fast Retailing Co., Ltd.	25, 35	1037862	04/02/2020
	Singapore	Fast Retailing Co., Ltd.	9,18,24, 25	907318	24/05/2016

- (h) As at the Latest Practicable Date, our Group had registered with the following trademarks in Thailand which are material in relation to our Group's business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Thailand	Fast Retailing Co., Ltd.	25	Kor331709	04/02/2020
	Thailand	Fast Retailing Co., Ltd.	25	TM310460	22/06/2018

- (i) As at the Latest Practicable Date, we had registered with the following trademarks in Malaysia which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Malaysia	Fast Retailing Co., Ltd.	25	2010011309	24/06/2020
	Malaysia	Fast Retailing Co., Ltd.	25	09007413	06/05/2019


- (j) As at the Latest Practicable Date, we had registered with the following trademarks in Russia which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Russia	Fast Retailing Co., Ltd.	25, 35	1037862	04/02/2020
	Russia	Fast Retailing Co., Ltd.	9,18,24,25	907318	24/05/2016

- (k) As at the Latest Practicable Date, we had registered with the following trademarks in the Republic of Korea which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Korea	Fast Retailing Co., Ltd.	25, 35	1037862	04/02/2020
	Korea	Fast Retailing Co., Ltd.	9,18,24,25	907318	24/05/2016

- (l) As at the Latest Practicable Date, we had registered with the following trademarks in Australia which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Australia	Fast Retailing Co., Ltd.	18, 25	907318	24/05/2016


- (m) As at the Latest Practicable Date, our Group had registered with the following trademarks in the Philippines which are material in relation to our Group's business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	Philippines	Fast Retailing Co., Ltd.	18, 25, 35	42009004719	19/11/2019


- (n) As at the Latest Practicable Date, we had registered with the following trademarks in France which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (dd/mm/yyyy)</u>
	France	CREATIONS NELSON	18,25	3096023	19/04/2021





- (o) As at the Latest Practicable Date, we had applied for registration of the following trademarks in Japan which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Name of applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
	Japan	Fast Retailing Co., Ltd.	3, 9, 14, 16, 18, 20, 21, 24, 25, 26, 27, 28, 35	2012-90731	08/11/2012

- (p) As at the Latest Practicable Date, we had applied for registration of the following trademarks in Hong Kong which are material in relation to our business:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Name of applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
	Hong Kong	Fast Retailing Co., Ltd.	9, 14, 18, 24, 25, 26	302457379	05/12/2012
PRINCESSE tam•tam	Hong Kong	PETIT VEHICULE S.A.	3, 9, 14, 18, 35	302585926	22/04/2013

- (q) As at the Latest Practicable Date, we had applied for registration of the following trademarks with the PRC Trademark Office in China which are material in relation to our business:

<u>Trademarks in Application</u>	<u>Place of Registration</u>	<u>Name of applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
	China	Fast Retailing Co., Ltd.	35	12407112	11/04/2013
	China	Fast Retailing Co., Ltd.	25	12182958	21/02/2013
	China	Fast Retailing Co., Ltd.	25	12088138	23/01/2013
	China	Fast Retailing Co., Ltd.	35	12088134	23/01/2013

### Patents

- (a) As at the Latest Practicable Date, we had applied for registration of the following patents with the PRC Patent Bureau in China which are material in relation to our business:

<u>Patent</u>	<u>Applicant</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Patent No.</u>	<u>Application Date</u>
衣架 Hanger	日本株式会社迅銷 Fast Retailing Co., Ltd.	China	A47G25/30(2006.01)I	200980162479.6	2009.11.17

**Domain names**

- (a) As at the Latest Practicable Date, had registered the following domain names which are material in relation to our business:

<b>Domain Name</b>	<b>Registered Owner</b>	<b>Expiry Date (dd/mm/yyyy)</b>
fastretailing.com	Fast Retailing Co., Ltd.	22/11/2014
uniqlo.com	Fast Retailing Co., Ltd.	28/12/2014
gu-japan.com	Fast Retailing Co., Ltd.	10/7/2014
theory.com	Theory LLC	2/10/2015
comptoirdescotonniers.com	Creations Nelson S.A.S.	25/2/2015
princessetamtam.com	Petit Vehicule S.A.S.	18/1/2015
helmutlang.com	Helmut Lang New York LLC	28/7/2014

*Note: Information contained on the websites above does not form part of this listing document.*

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

**C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY****(i) Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this listing document and are or may be material:

- (a) the Deposit Agreement dated January 17, 2014, entered into between the Company and the Depositary in relation to the HDRs;
- (b) the Deed Poll dated January 17, 2014, executed by the Company and the Depositary in favor of the HDR Holders in relation to the Deposit Agreement; and
- (c) the Sponsor Agreement dated February 12, 2014, entered into between the Sole Sponsor and the Company relating to the engagement of the Sole Sponsor by the Company in connection with the Introduction.

**D. INFORMATION ABOUT DIRECTORS****(i) Directors' service contracts**

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**(ii) Directors' and senior management's remuneration**

The aggregate remuneration our Directors have received (including fees, salaries, stock-based benefits, discretionary bonus, housing and other allowances, and other benefits in kind for each of the fiscal years ended August 31, 2011, 2012 and 2013 were approximately ¥190 million, ¥395 million and ¥447 million, respectively.

Under our arrangements currently in force, the aggregate remuneration of our Directors (including fees, salaries, stock-based benefits, discretionary bonuses, housing and other allowances, and other benefits in kind) for the fiscal year ending August 31, 2014 is estimated to be no more than approximately ¥650 million.

The aggregate remuneration our five highest-paid individuals (including one Director) have received (including fees, salaries, stock-based benefits, discretionary bonus, contributions to pension schemes, housing and other allowances, and other benefits in kind), but excluding amounts paid or payable by way of commissions on sales generated by these individuals) for each of the fiscal years ended August 31, 2011, 2012 and 2013 were approximately ¥861 million, ¥1,405 million and ¥1,446 million, respectively.

There is no arrangement under which any Director has waived or agreed to waive any emoluments for each of the fiscal years ended August 31, 2011, 2012 and 2013.

**(iii) Disclosure of interests**

Pursuant to Article 163 of the FIEA, Directors, members of our Board of Statutory Auditors and substantial shareholders who beneficially owns voting securities with more than 10% of the Company's total voting rights are required to disclose all purchase and sale transactions they have conducted on their own account in a given month to the Prime Minister of Japan no later than the 15th day of the following month. Such transactions include transactions in derivatives and other securities with our Company's securities as the underlying assets. In addition, pursuant to Article 27-23 of the FIEA, holders of voting securities with more than 5% of the Company's total voting rights are required to file a report with the Prime Minister within five days after becoming such a holder, and are required to update their ownership report where their ownership has changed by 1% or more.

We have applied for, and the SFC has granted: (a) us and our Shareholders, a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) in respect of disclosure of Shareholders' interests; and (b) any of our directors or chief executive, a partial exemption from strict compliance with the requirement to give notification of their interests within three business days after the day on which the relevant event occurs under section 348(1) of the SFO by extending the time of notification to within five business days after the day on which the relevant event occurs or comes to the director's or chief executive's knowledge under sections 341 and 347 of the SFO. See "Appendix IV — Summary of Legal and Regulatory

Matters — Part B Material Differences between the Hong Kong and Japanese Regimes in respect of Shareholder Protection Matters — Shareholder Protections in Hong Kong — Disclosure of Interests” and “Appendix V — Waivers — B. Additional Waivers Obtained — Disclosure of Interests” in this listing document. We have also applied for, and the Hong Kong Stock Exchange has granted, a waiver from Practice Note 5, paragraph 45(2) of Appendix 1E and paragraph 34(2) of Appendix 1F in respect of disclosure of interests by shareholders and directors. See “Appendix V — Waivers — B. Additional Waivers Obtained — Disclosure of Interests Information” in the listing document.

Our Directors and Statutory Auditors, who deal in any of our securities, are obliged to file a “Sale-Purchase Report” with the FSA by the 15<sup>th</sup> day of the month immediately following such dealing pursuant to the FIEA, as well as to disclose their holdings in our securities in our annual and, on some occasions, quarterly reports. We have not sought an exemption from the requirements of Part XV of the SFO for our Directors and chief executive to file the disclosure forms with us and the Hong Kong Stock Exchange, but as noted above, we have applied for, and have been granted, an exemption from the timing requirements for disclosure of such interests of our Directors and chief executive under Part XV of the SFO, so that the relevant disclosure forms may be filed within five (instead of three) Business Days after the day on which the relevant event occurs, or otherwise within five (instead of three) Business Days after the day on which the occurrence of the relevant event comes to the knowledge of the relevant Director or executive officer.

So far as our Directors are aware, based on the information available as at August 31, 2013: (a) the following persons are interested in 5% or more of the issued share capital of our Company and (b) the following Directors are interested in the issued share capital of our Company<sup>1</sup>.

<b>Name</b>	<b>Title</b>	<b>Number of Shares</b>	<b>Approx. percentage of voting rights (excluding Treasury Stock)</b>	<b>Approx. percentage of issued share capital of our Company (including Treasury Stock)</b>
Mr. Tadashi Yanai <sup>2</sup> . . . . .	Chairman, President & CEO	48,547,540	47.64%	45.77%
The Master Trust Bank of Japan, Ltd. <sup>3</sup> . . . . .	Custodian	10,009,100	9.82%	9.44%
Japan Trustee Services Bank, Ltd. <sup>3</sup> . . . . .	Custodian	8,998,900	8.83%	8.48%
Mr. Toru Murayama . . . . .	Non-executive Director	500	0.00%	0.00%

<sup>1</sup>. As at 31 August 2013, our Company held 4,177,164 Shares as Treasury Stock.

<sup>2</sup>. As at 31 August 2013, Mr. Tadashi Yanai was directly holding 22,987,284 Shares representing an approximately 22.56% shareholding and indirectly holding, through TTY Management B.V., which is 100% owned by Mr. Tadashi Yanai, 5,310,000 Shares representing an approximately 5.21% shareholding in our Company (excluding Treasury Stock). As such, Mr. Tadashi Yanai had a beneficial interest in an aggregate of 28,297,284 Shares representing an approximately 27.77% shareholding in our Company (excluding Treasury Stock). If taking into account the shareholdings held by Mr. Tadashi Yanai’s associates (namely Mr. Kazumi Yanai, Mr. Koji Yanai, Ms. Teruyo Yanai, TTY Management B.V., Fight & Step Co., Ltd. and MASTERMIND Co., Ltd.), Mr. Tadashi Yanai was deemed to be interested in an aggregate of 48,547,540 Shares representing an approximately 47.64% shareholding in our Company (excluding Treasury Stock). Mr. Kazumi Yanai is the older son of Mr. Tadashi Yanai. As at 31 August 2013, Mr. Kazumi Yanai was directly holding 4,781,808 Shares representing an approximately 4.69% shareholding and indirectly holding, through Fight & Step Co., Ltd. which is 100% owned by Mr. Kazumi Yanai, 4,750,000 Shares representing an approximately 4.66% shareholding in our



Company (excluding Treasury Stock). Mr. Koji Yanai is the younger son of Mr. Tadashi Yanai. As at 31 August 2013, Mr. Koji Yanai was directly holding 4,780,600 Shares representing an approximately 4.69% shareholding and indirectly holding, through MASTERMIND Co., Ltd., which is 100% owned by Mr. Koji Yanai, 3,610,000 representing an approximately 3.54% shareholding in our Company (excluding Treasury Stock). Ms. Teruyo Yanai is the spouse of Mr. Tadashi Yanai.

3. Both The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. are Independent Third Party custodians holding Shares on account of investors.

## **E. OTHER INFORMATION**

### **(i) Share Acquisition Rights**

As at December 31, 2013, the SARs to subscribe for an aggregate of 114,228 Shares, representing approximately 0.11% of our issued Share capital (whether including or excluding Treasury Stock) at a fair value ranging from ¥10,624 to ¥30,615 per SAR as at the relevant grant date have been conditionally granted to 952 grantees by our Company at nil consideration and at an exercise price of ¥1 for each SAR. All the SARs were granted during the period from November 8, 2010 to December 3, 2013, and no further SARs will be granted by our Company prior to the Secondary Listing Date. Upon the exercise of the SARs in full, the estimated earnings per Share included in our Financial Guidance would become ¥901.83 instead of ¥902.85 for the year ending August 31, 2014. See the section headed “Disclosure of Financial Guidance” and “Appendix III — Financial Guidance” in this listing document.

As at December 31, 2013, the aggregate number of SARs granted to one of our Statutory Auditors and eight members of our senior management was 13,392 and the aggregate number of Shares to be subscribed for pursuant to the exercise of the SARs by the remaining grantees was 100,836. The aggregate number of Shares to be subscribed for pursuant to the exercise of the SARs by the remaining grantees represented approximately 0.10% of our issued share capital (whether including or excluding Treasury Stock at a fair value ranging from ¥10,624 to ¥30,615 per SAR as at the relevant grant date for an exercise period from December 8, 2010 to December 2, 2023 at nil consideration and at an exercise price of ¥1 for each SAR).

A summary of the particulars of SARs granted to one of our Statutory Auditors and eight members of our senior management is set out below:

Name	No. of SARs	No. of Shares under the SARs	Description of Shares	Consideration	Exercise Price	Exercise Period	Address
<b>Statutory Auditor</b>							
Masaaki Shinjo	466	466	Ordinary Shares	Nil	1.00	November 5, 2014~November 12, 2022	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
<b>Senior Management</b>							
Naoki Otoma	2,996	2,996	Ordinary Shares	Nil	1.00	November 5, 2014~November 14, 2021	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Nobuo Domae	1,498	1,498	Ordinary Shares	Nil	1.00	November 5, 2014~November 14, 2021	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Shuichi Namajima	1,498	1,498	Ordinary Shares	Nil	1.00	November 5, 2014~November 14, 2021	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Jun Yokohama	749	749	Ordinary Shares	Nil	1.00	November 5, 2014~November 14, 2021	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Takeshi Okazaki	601	601	Ordinary Shares	Nil	1.00	November 13, 2015~November 12, 2022	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Osamu Yunoki	2,479	2,479	Ordinary Shares	Nil	1.00	November 5, 2014~December 2, 2023	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Yoshihiro Kunii	1,130	1,130	Ordinary Shares	Nil	1.00	November 13, 2015~December 2, 2023	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan
Takahiro Wakabayashi	1,975	1,975	Ordinary Shares	Nil	1.00	November 5, 2014~December 2, 2023	Midtown Tower 9-7-1 Akasaka Minato-ku Tokyo 107-6231 Japan

We have applied for, and have been granted, a waiver from the disclosure requirements in respect of Share Option Schemes under paragraph 27 of Appendix 1E to the Listing Rules. For further details, see “Appendix V — Waivers — B. Additional Waivers Obtained — Disclosure requirements in respect of share option schemes” in this listing document.

**(ii) Estate duty, tax and other indemnities**

The Directors have been advised that no material liability for estate duty in Hong Kong is likely to fall on the Company or any of its subsidiaries in Hong Kong or any other relevant jurisdiction where the Company or any of its subsidiaries is incorporated.

**(iii) Preliminary expenses**

The estimated preliminary expenses in relation to the Introduction are approximately ¥600 million and are payable by our Company.

**(iv) Sole Sponsor**

The Sole Sponsor has declared pursuant to Rule 3A.03 of the Listing Rules that it is independent in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees in relation to the Introduction are approximately ¥150 million.

**(v) Qualifications of experts**

The qualifications of the experts who have given opinions and/or whose names are included in this listing document are as follows:

<u>Name</u>	<u>Qualifications</u>
Morgan Stanley Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Ernst & Young ShinNihon LLC	Japanese certified public accountants
Skadden Arps Law Office	Japanese legal advisers

**(vi) Consents of experts**

Each of the experts set out above has given and has not withdrawn its respective written consent to the issue of this listing document with the inclusion of its reports and/or letters and/or the references to its name included in this listing document in the form and context in which it respectively appears.

Each of the experts set out above has confirmed that it does not have any shareholding in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any such securities.

**(vii) Related party transactions**

The Group entered into the related party transactions within the two years immediately preceding the date of this listing document as mentioned in note XXI of section A. 1 of the "Accountants' Report" in Appendix I in this listing document.

**(viii) Bilingual document**

The English language and Chinese language versions of this document are being published separately.

**(ix) Miscellaneous**

Except as disclosed in this listing document:

- (a) none of the Directors has any material interest in any business (apart from the Company's business) which competes or is likely to compete, either directly or indirectly, with the Company's business;
- (b) none of the Directors nor any of the parties listed in the section headed "Qualifications of Experts" in this Appendix has any direct or indirect interest in the promotion of the Company or any of its subsidiaries, or in any assets which, within the two years immediately preceding the issue of this listing document, have been or proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries;
- (c) to the best of our knowledge, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option (except pursuant to the stock incentive plans described in this listing document);
- (d) we have no outstanding convertible debt securities;
- (e) within the two years preceding the date of this listing document, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (f) there has not been any interruption in the business of the Company and its subsidiaries which may have or has had a significant effect on the financial position of the Company and its subsidiaries in the 12 months preceding the date of this listing document; and
- (g) no change in the nature of the business of the Company is in contemplation.

Copies of the following documents will be available for inspection at the offices of Skadden, Arps, Slate, Meagher & Flom and Affiliates at 42<sup>nd</sup> Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including March 4, 2014:

- (1) a certified English translation of the Articles of Incorporation;
- (2) an English translation of the Companies Act;
- (3) the Accountants' Report of our Company prepared by Ernst & Young ShinNihon LLC, the text of which is set out in Appendix I in this listing document;
- (4) a certified English translation of the audited consolidated financial statements of our Company for the years ended August 31, 2011, 2012 and 2013;
- (5) the letter prepared by Skadden Arps Law Office, our Company's legal counsel on Japanese law, summarizing certain aspects of the Companies Act referred to in Appendix IV in this listing document;
- (6) the material contracts referred to in "Appendix VII — Statutory and General Information — C. Further information about the business of our Company" in this listing document;
- (7) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — (viii) Consents" in this listing document; and
- (8) a full list of all our eight members of senior management and one Statutory Auditor who have been issued the SARs with all the particulars required under paragraph 27 of Appendix 1E to the Listing Rules.

In addition, investors can access copies of the following legislation via the following websites:

- (i) the FIEA at: <http://www.japaneselawtranslation.go.jp/law/detail/?ft=1&re=01&dn=1&co=01&x=0&y=0&ky=%E9%87%91%E8%9E%8D%E5%95%86%E5%93%81%E5%8F%96%E5%BC%95%E6%B3%95&page=12>
- (ii) the Companies Act at:
  - (A) <http://www.japaneselawtranslation.go.jp/law/detail/?re=01&dn=1&x=0&y=0&co=1&yo=&gn=&sy=&ht=&no=&bu=&ta=&ky=%E4%BC%9A%E7%A4%BE%E6%B3%95&page=11>; and
  - (B) <http://www.japaneselawtranslation.go.jp/law/detail/?re=01&dn=1&x=0&y=0&co=1&yo=&gn=&sy=&ht=&no=&bu=&ta=&ky=%E4%BC%9A%E7%A4%BE%E6%B3%95&page=12>;
- (iii) the TSE Listing Regulations at: <http://www.tse.or.jp/english/rules/regulations/index.html>

Any information contained in, or that can be accessed via, the above websites does not constitute a part of this listing document.

