FAST RETAILING

2015

Items stipulated for internet disclosure in conjunction with the Notice of 2015 General Meeting of Shareholders

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These items are available for shareholders to view on our company website (http://www.fastretailing.com/eng/ir) as stipulated by law and Fast Retailing's Articles of Incorporation, No.15.

FAST RETAILING CO., LTD.

Business report

1 Items Relating to External Officers

(1) Relationship between the Company and companies where External Officers hold significant concurrent offices

As stated in Section 2 2 (1) Directors and Statutory Auditors (as at 31 August 2015) of the Business Report included in the AGM Notice.

(2) Principal Activities in the Fiscal Year Ended 31 August 2015

Position	Name	Attendance	Activities
Director	Toru Hambayashi	13 out of 13 **Board of Directors' Meetings**	Offered advice and suggestions on the Company's management decisions and decision-making processes based on his experience as a former manager of a leading global trading company with strong textile and apparel retail links.
Director	Nobumichi Hattori	13 out of 13 **Board of Directors' Meetings**	Offered expert advice and opinions on Company management and decision-making based on his long career at a multinational investment bank, and rich insight into M&A and corporate strategy.
Director	Toru Murayama	13 out of 13 **Board of Directors' Meetings**	Offered advice and suggestions on Company management and decision-making stemming from his management experience at a leading global management consultancy firm and his rich knowledge of global corporate growth strategies.
Director	Masaaki Shintaku	13 out of 13 **Board of Directors' Meetings**	Offered advice and suggestions on Company management and decision-making from the standpoint of a former manager of a leading global information systems company with rich knowledge of global corporate management.
Director	Takashi Nawa	13 out of 13 **Board of Directors' Meetings**	Offered advice and suggestions on Company management and decision-making as an expert in international corporate strategy, following his long career in a leading firm of global management consultants.
Statutory Auditor	Takaharu Yasumoto	13 out of 13 **Board of Directors' Meetings** 13 out of 13 **Board of Statutory Auditors' Meetings**	Conducted broad and deep auditing based on professional insight and rich experience as a certified public accountant. Voiced vital opinions in Board of Directors' meetings to ensure propriety and appropriateness of decisions made by the Board.

Position	Name	Attendance	Activities
Statutory Auditor	Akira Watanabe	12 out of 13 **Board of Directors' Meetings** 12 out of 13 **Board of Statutory Auditors' Meetings**	Conducted broad and deep auditing based on insight and experience as a professional lawyer. Voiced vital opinions in Board of Directors' meetings to ensure propriety and appropriateness of decisions made by the Board.
Statutory Auditor	Keiko Kaneko	13 out of 13 **Board of Directors' Meetings** 13 out of 13 **Board of Statutory Auditors' Meetings**	Conducted broad and deep auditing based on insight and experience as a professional lawyer. Voiced vital opinions in Board of Directors' meetings to ensure propriety and appropriateness of decisions made by the Board.

2 Accounting Auditors

(1) Name of Accounting Auditors

Ernst & Young ShinNihon LLC

(2) Remuneration for the Accounting Auditors for the Fiscal Year ended 31 August 2015

① Amount of remuneration, etc. for the Accounting Auditors to be paid by the Company	141 million yen
② Total amount of cash and other economic benefits to be paid by the Company and consolidated subsidiaries	168 million yen

Notes 1. The audit agreement between the Company and the Accounting Auditors makes no distinction between the amount of remuneration for auditing under the Companies Act and the amount of remuneration for auditing under the Financial Instruments and Exchange Act. Since no real distinction can be made in practice, the amount of remuneration in 2) above to be paid for the fiscal year represents the total amount.

2. Of the subsidiaries of the Company, 25 consolidated subsidiaries undergo auditing (inclusive of requirements stipulated by laws and regulations in foreign countries equivalent to the Companies Act and the Financial Instruments and Exchange Act) by an auditing firm other than the Accounting Auditors.

(3) Board of Statutory Auditors Agree Accounting Auditors Remuneration

The Board of Statutory Auditors agreed to the remuneration of the accounting auditors as stipulated in Article 399, Item 1 of the Companies Act, after checking auditing estimates versus actual performance in previous business years, including itemized auditing hours and remuneration, and investigating whether the estimates for the year ended 31 August 2015 were reasonable, based on the practical guidelines relating to accounting auditors published by the Japan Audit & Supervisory Board Members Association.

(4) Non-auditing Services

In addition to services provided for in Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

(5) Policy on Determination of Removal or Disapproval of Reappointment of the Accounting Auditors

When any item in Article 340, Paragraph 1 of the Companies Act is deemed to apply to the Accounting Auditors, the Company's Board of Statutory Auditors may dismiss the Accounting Auditors with the unanimous approval of the Statutory Auditors. In such case, a Statutory Auditor appointed by the Board of Statutory Auditors shall present details and reasons for the dismissal of the Accounting Auditors at the first annual shareholders meeting held after the dismissal.

Furthermore, the Board of Statutory Auditors shall make the dismissal or non-reappointment of the Accounting Auditors the purpose of a general meeting of shareholders if the Board of Statutory Auditors deems it necessary in cases where there is a problem in the Accounting Auditors' execution of duties.

(6) Outline of Agreement for Limitation of Liability

The Company has entered into an agreement with Ernst & Young ShinNihon LLC based on provisions of Article 427, Paragraph 1 of the Companies Act, which limits its liabilities for damages provided for in Article 423, Paragraph 1 of the same act. Under this agreement, the limit of liabilities in damages shall be limited to the highest of the following amounts multiplied by two: the total economic benefit received or to be received from the Company as remuneration and payment received for performance of duties in each business year during its service as the Accounting Auditors.

3 Share subscription rights (as at 31 August 2015)

(1) Delivery of share options as consideration for the execution of duties and held by the Company officers

Not applicable.

(2) Delivery of share options to employees as consideration for the execution of duties during the year ended 31 August 2015.

	5th Share subscription rights A type		5th Share subscription rights B type	
Date of resolution of the board of directors	9 October 2014		9 October 2014	
Type and number of shares to be issued upon exercise of share subscription rights	Common stock: 21,732 shares		Common stock: 33,062 shares	
Amount to be paid upon exercise of share subscription rights (yen)	The total amount to be paid upon exercise of one share subscription rights shall be determined by multiplying the price to be paid per share that can be granted due to the exercise of share subscription rights, which shall be ¥1, by the number of shares granted		The total amount to be paid upon exercise of one share subscription rights shall be determined by multiplying the price to be paid per share that can be granted due to the exercise of share subscription rights, which shall be ¥1, by the number of shares granted	
Exercise period of share subscription rights	From 14 November 2017 to 13 November 2024		From 14 December 2014 to 13 November 2024	
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.		If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	
Status of share subscription rights issued to employees	Employees of the Company	Number of share subscription rights 19,695 Number of underlying shares 19,695 Number of holders 36	Employees of the Company	Number of share subscription rights 8,104 Number of underlying shares 8,104 Number of holders 223
	Employees of subsidiaries	Number of share subscription rights 2,037 Number of underlying shares 2,037 Number of holders 16	Employees of subsidiaries	Number of share subscription rights 24,958 Number of underlying shares 24,958 Number of holders 785

	5th Share subscription rights A type	5th Share subscription rights B type
Assignment of share subscription rights	The acquisition of share subscription rights by assignment shall be subject to the approval of the Board of Directors.	The acquisition of share subscription rights by assignment shall be subject to the approval of the Board of Directors.
Items relating to payment in lieu	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Notes)	(Notes)

(Notes)

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

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

Consolidated Statement of Changes in Equity (Year ended 31 August 2015)

(Millions of yen)

	Capital stock	Capital Surplus	Retained earnings	Treasury stock, at cost	Total
As at 1 September 2014	10,273	9,803	525,722	(15,790)	530,010
Net changes during the year					
Profit for the year	—	—	110,027	—	110,027
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	110,027	—	110,027
Acquisition of treasury stock	—	—	—	(11)	(11)
Disposal of treasury stock	—	700	—	102	803
Dividends	—	—	(33,126)	—	(33,126)
Share-based payments	—	1,019	—	—	1,019
Others	—	—	—	—	—
Total net changes during the year	—	1,720	76,901	90	78,712
As at 31 August 2015	10,273	11,524	602,623	(15,699)	608,722

	Other components of equity				Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total			
As at 1 September 2014	798	23,035	64,536	88,371	618,381	17,660	636,041
Net changes during the year							
Profit for the year	—	—	—	—	110,027	7,360	117,388
Other comprehensive income	(655)	14,815	39,683	53,843	53,843	(107)	53,735
Total comprehensive income	(655)	14,815	39,683	53,843	163,871	7,253	171,124
Acquisition of treasury stock	—	—	—	—	(11)	—	(11)
Disposal of treasury stock	—	—	—	—	803	—	803
Dividends	—	—	—	—	(33,126)	(1,226)	(34,352)
Share-based payments	—	—	—	—	1,019	—	1,019
Others	—	—	—	—	—	180	180
Total net changes during the year	(655)	14,815	39,683	53,843	132,556	6,207	138,763
As at 31 August 2015	143	37,851	104,219	142,214	750,937	23,867	774,804

(Note) Amounts are rounded down to the nearest million Japanese Yen.

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Notes to the Consolidated Financial Statements

1 Significant Accounting Policies

(1) Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Paragraph 1 of Article 120 of the Ordinance on Company Accounting. Some items for disclosure required under IFRS are omitted from these consolidated financial statements pursuant to provisions of the latter part of the aforementioned paragraph.

(2) Scope of consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries

119

Names of main consolidated subsidiaries

UNIQLO CO., LTD.
UNIQLO EUROPE LIMITED
Fast Retailing USA, Inc.
FRL Korea Co., Ltd.
UNIQLO HONG KONG, LIMITED
G.U. CO., LTD.
FAST RETAILING FRANCE S.A.S.
COMPTOIR DES COTONNIERS S.A.S
PRINCESSE TAM TAM S.A.S.
FAST RETAILING (CHINA) TRADING CO., LTD. *
LINK THEORY JAPAN CO., LTD.
UNIQLO (SINGAPORE) PTE. LTD.
LLC UNIQLO (RUS)
UNIQLO TRADING CO., LTD. *
Other consolidated subsidiaries (105 companies)

* The English names of all subsidiaries established in the People's Republic of China ("PRC") are translated for identification only.

(3) Application of equity method of accounting

Status of associates accounted for using equity method of accounting

Number of associates accounted for using equity method of accounting

None

(4) Consolidated subsidiaries

The reporting date for FAST RETAILING (CHINA) TRADING CO., LTD., Theory Shanghai International Trading Co., Ltd., UNIQLO TRADING CO., LTD., Fast Retailing (Shanghai) Business Management Consulting Co., Ltd., FAST RETAILING (SHANGHAI) TRADING CO., LTD., GU (Shanghai) Trading Co., Ltd., Comptoir des Cotonniers (Shanghai) Trading Co., Ltd., PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD. and LLC UNIQLO (RUS) is December 31. The management accounts of these subsidiaries are used for the Group's consolidation purpose.

(5) Standard of accounting treatment

A. Evaluation basis and method of financial assets

① **Initial recognition and measurement**

All purchases and sales of financial assets that take place through ordinary methods (purchase or sale of a financial asset requiring delivery within the time frame established by market regulation or convention) are recognized or derecognized, and measured at the initial fair value plus transaction costs, on the trade date.

Financial assets are classified, at initial recognition, into the following three categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

② **Subsequent measurement**

- Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss. Recognized profits or losses, including the above, are recognized in the consolidated statement of profit or loss as dividend income, interest income or gain or loss on changes in fair value.

- Loans and receivables

"Loans and receivables" are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment. The EIR amortization is included in finance income in the statement of profit or loss.

- Available-for-sale financial assets

Available-for-sale listed equity securities that are traded on a market are measured using quoted market prices. Unlisted equity securities are measured at fair value using reasonable methods. Profits or losses arising from changes in fair value are recognized as other comprehensive income. Impairment losses or foreign currency gains or losses associated with monetary assets are treated as exceptions and recognized in profit or loss.

③ **Derecognition of financial assets**

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

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④ **Impairment of financial assets**

Those financial assets other than “financial assets at fair value through profit or loss”, which are measured at amortized cost at each reporting date pursuant to IAS 39, are evaluated to determine whether there is objective evidence of impairment. If there is objective evidence that one or more events having a negative impact on the estimated future cash flows has occurred subsequent to the initial recognition of the financial asset, an impairment loss is recognized.

For listed and unlisted equity securities classified as “available-for-sale financial assets”, a significant or prolonged decline in the fair value of the investment below its historical cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable securities and finance lease receivables classified as available-for-sale financial assets, objective evidence of impairment may include the following:

(a) Significant deterioration in the financial condition of the issuer or counterparty;
(b) Default or delinquency in interest or principal payments; or
(c) Probability that the issuer will enter bankruptcy or financial reorganization.

Certain categories of financial assets, such as trade receivables, are assessed for impairment on a collective basis even if they are not impaired individually. Objective evidence of impairment for a portfolio of receivables could include changes in national or local economic conditions that correlate with default on receivables or an increase in the number of delinquent payments in the portfolio past the average credit period.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original EIR. An asset’s carrying amount is reduced directly by the impairment loss amount, with the exception of trade receivables where the impairment loss is posted by using the allowance for doubtful accounts. An allowance for doubtful accounts is established when it is determined that receivables are uncollectable, including receivables for which the due date has been changed, and the allowance for doubtful accounts is reduced if the receivables are subsequently abandoned or collected. Changes in the allowance for doubtful accounts are recognized in profit or loss except for decreases due to use. Except for available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment after reversing the impairment loss does not exceed what the amortized cost would have been had the impairment not been recognized.

B. Evaluation basis and method of derivatives

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

C. Inventories

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

D. Depreciation method of important depreciable assets

① Property, Plant and Equipment (other than leased assets)

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

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

Buildings and structures	3-50 years
Furniture, equipment and vehicles	5 years

The useful lives, residual values, and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimates being accounted for on a prospective basis.

② Intangible assets (other than leased assets)

Intangible assets are measured at cost, with any accumulated amortization and accumulated impairment losses deducted from the historical cost to arrive at the stated carrying amount. Intangible assets acquired separately are measured at cost at initial recognition, and the cost of intangible assets acquired in a business combination is measured as fair value at the acquisition date.

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

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

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

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

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

③ **Leases**

If the lease agreement substantially conveys the risks and rewards of the ownership of the asset to the lessee, the lease is classified as a finance lease. Leases other than finance leases are classified as operating leases.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss. A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

Operating lease payments as lessee are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Operating lease income as lessor are recognized as an operating revenue in the statement of profit or loss on a straight-line basis over the lease term.

E. Provisions

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

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

Each provision is described below:

① Allowance for bonuses

The amount expected to be borne as bonuses in the current reporting period is recorded as a provision for the payment of bonuses to employees of the Group.

② Asset retirement obligations

The obligations to restore property to its original state under real estate leasing agreements for offices, such as corporate headquarters and stores, are estimated and recorded as a provision. The expected length of use is estimated as the time from acquisition to the end of the useful life and 0.37–0.99% is generally used as the discount rate in calculations.

F. Goodwill

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

Goodwill is not amortized but is allocated to identifiable cash-generating units based on the geographical region where business takes place and the type of business conducted, and then tested for impairment each year or when there is an indication that it may be impaired.

Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and cannot be subsequently reversed in future period.

G. Foreign Currencies

① Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at each reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

② Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Japanese yen at the rate of exchange prevailing at each reporting date and their income statements are translated at average exchange rates during the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

H. Main Hedge Accounting Methods

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

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

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

Cash flow hedges

When derivatives are designated as a hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income and included in "Cash flow hedges" in other components of equity. The balances of cash flow hedges are subtracted from "other comprehensive income" on the consolidated statement of comprehensive income for the same period when the hedged cash flows would affect cash flow profit or loss, and reclassified as profit or loss in the same line items as the hedging instruments. The gain or loss relating to the ineffective portion of changes in the fair value of the derivatives is recognized immediately in profit or loss. When a hedged item gives rise to the recognition of a non-financial asset or non-financial liability, the amount recognized as other comprehensive income is treated as an adjustment to the initial carrying amount of the non-financial asset or liability.

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

I. Accounting treatment of consumption tax

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

2 Notes to the Consolidated Statements of Financial Position

(1) Accumulated depreciation of property, plant and equipment

136,785 million yen

Accumulated impairment losses are included in accumulated depreciation.

(2) Allowance for doubtful accounts directly deducted from trade and other receivables

945 million yen

(3) Contingent liabilities

Guarantees on loans payable to financial institutions

— million yen

3 Notes to the Consolidated Statement of Changes in Equity

(1) Types and number of shares outstanding

Class of shares	Number of shares at the end of the current consolidated fiscal year (shares)
Common stock	106,073,656

(2) Share subscription rights

Type and number of underlying shares for share subscription rights as at the end of the consolidated fiscal year (excluding those that have not reached the first day of their exercise period)

Common stock 83,147 shares

(3) Dividends

A. Dividend paid

① Dividend approved by Board of Directors' Meeting held on 3 November 2014:

- Total dividends 15,287,791 thousand yen
- Dividends per share 150 yen
- Record date 31 August 2014
- Effective date 21 November 2014

② **Dividend approved at the Board of Directors' Meeting held on 9 April 2015:**

• Total dividends	17,838,482 thousand yen
• Dividends per share	175 yen
• Record date	28 February 2015
• Effective date	11 May 2015

B. Declaration date for dividend related to the year ended 31 August 2015 with an effective date in the following year

Approved as follows by the Board of Directors on 4 November 2015:

• Total dividends	17,840,445 thousand yen
• Dividends per share	175 yen
• Record date	31 August 2015
• Effective date	11 November 2015

4 Notes to Financial Instruments

(1) Matters relating to the management of financial instruments

A. Financial risk management

In relation to the cash management, the Group seeks to ensure effective utilization of group funds through the Group's Cash Management Service ("CMS"). The Group obtained credit facilities from financial institutions. 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. Market risk management

① **Foreign currency risk**

The Group conducts its business on a global scale, and is exposed to foreign currency risk in relation to purchases and sales transactions and financing denominated in currencies other than the local currencies of those countries in which the Group operates its business. In regard to operating obligations denominated in foreign currencies, the Group in principle hedges risk by using foreign currency forward contracts and other instruments for foreign currency risk determined by denomination on a semi-annual basis.

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② **Interest rate risk management**

The Group's interest-bearing borrowings are mainly loans with variable interest rates, but the Group maintains positions in cash and cash equivalents that exceed the outstanding balance of its interest-bearing borrowings. At present, the impact of interest payments on the Group is quite small. Consequently, the Group's current level of interest-rate risk is minor.

③ **Price risk management in equity instruments**

The Group is exposed to the risk of price volatility in equity financial instruments. The Group holds no equity financial instruments for short-term trading purposes. The Group makes regular periodic checks of the market value of the equity financial instruments it holds, as well as the financial health of the issuers.

C. Credit risk management

When the Group initiates ongoing transactions where receivables will be generated on an ongoing basis, the finance department manages the Group's risk exposure by setting credit limits and credit periods, as needed. Accounts receivable encompasses many customers spanning a wide range of industries and geographic regions. The Group conducts regular credit checks of the companies it does business with, and when necessary takes appropriate protective measures, such as requiring collateral.

D. Liquidity risk management

The Group manages liquidity risk by formulating and revising its funding plans on a timely basis and maintains an appropriate level of liquidity on hand. The ultimate responsibility for management of liquidity risk lies with the CFO appointed by the Board of Directors. The finance department, under the direction of the CFO, performs the day-to-day aspects of liquidity risk management by maintaining appropriate levels of surplus funds and bank loans, and by monitoring budgets and cash flows.

(2) Matters relating to the fair value of financial instruments

The carrying amounts of financial instruments and their fair values as at 31 August 2015 are shown below. Financial instruments measured at fair value on recurring basis are not included in this list, because the fair values of those financial instruments are the same as respective carrying amounts.

(Millions of yen)

	Carrying amount	Fair value
Short-term borrowings	4,652	4,652
Long-term borrowings (Note)	21,121	21,270
Lease obligations (Note)	12,262	12,197
Total	38,035	38,120

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

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

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

5 Per Share Information

Equity per share attributable to owners of the parent	7,366.07 yen
Basic earnings per share for the year	1,079.42 yen
Diluted earnings per share for the year	1,078.08 yen

6 Notes to Significant Subsequent Events

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

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 8 October 2015, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

(1) 6th share subscription rights A type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
5,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 5,000 shares (maximum)

③ **The amount to be recorded upon allotment of share subscription rights**
The option price per share is calculated according to the Black-Scholes model multiplied by the number of shares granted (rounded up to the nearest yen).

④ **Exercise period of the share subscription rights**
From 13 November 2018 to 12 November 2025

⑤ **Number of persons allotted share options and breakdown**

Employees of the Company	20 persons
Employees of the Group subsidiaries	30 persons

⑥ **Date of allotment of share subscription rights**
13 November 2015

(2) 6th share subscription rights B type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
29,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 29,000 shares (maximum)

③ **The amount to be recorded upon allotment of share subscription rights**
The option price per share is calculated according to the Black-Scholes model multiplied by the number of shares granted (rounded up to the nearest yen).

④ **Exercise period of the share subscription rights**
From 13 December 2015 to 12 November 2025

⑤ **Number of persons allotted share options and breakdown**

Employees of the Company	310 persons
Employees of the Group subsidiaries	1,040 persons

⑥ **Date of allotment of share subscription rights**
13 November 2015

(3) 6th share subscription rights C type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**

9,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**

FAST RETAILING CO., LTD. common stock 9,000 shares (maximum)

③ **The amount to be recorded upon allotment of share subscription rights**

The option price per share is calculated according to the Black-Scholes model multiplied by the number of shares granted (rounded up to the nearest yen).

④ **Exercise period of the share subscription rights**

13 November 2018

⑤ **Number of persons allotted share options and breakdown**

Employees of the Company	40 persons

⑥ **Date of allotment of share subscription rights**

13 November 2015

Statement of Changes in Net Assets (Year ended 31 August 2014)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Special reserve fund	Retained earnings carried forward	Total retained earnings
As at 1 September 2014	10,273	4,578	1,856	6,435	818	185,100	148,299	334,217
Changes during the year								
Exercise of share subscription rights			694	694				
Dividends							(33,126)	(33,126)
Net income							70,227	70,227
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	694	694	—	—	37,101	37,101
As at 31 August 2015	10,273	4,578	2,550	7,129	818	185,100	185,400	371,318

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains/ (losses) on available-for-sale securities	Total valuation and translation adjustments		
As at 1 September 2014	(15,790)	335,136	(4,515)	(4,515)	1,634	332,255
Changes during the year						
Exercise of share subscription rights		694				694
Dividends		(33,126)				(33,126)
Net income		70,227				70,227
Acquisition of treasury stock	(11)	(11)				(11)
Disposal of treasury stock	102	102				102
Net changes of items other than those in shareholders' equity			4,845	4,845	1,019	5,865
Net changes during the year	90	37,886	4,845	4,845	1,019	43,751
As at 31 August 2015	(15,699)	373,023	329	329	2,654	376,007

(Note) Amounts are rounded down to the nearest million Japanese Yen.

Notes to Non-Consolidated Financial Statements

1 Significant Accounting Policies

(1) Valuation methods for securities

A. Investments in subsidiaries and affiliates

Cost determined by average method

B. Other securities

Listed securities:	Fair value method determined by the market value registered on the balance sheet date (31 August), reported as "unrealized gains/(losses) on available-for-sale securities", a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.
Unlisted securities:	Cost determined by average method

(2) Depreciation method of non-current assets

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

Property, plant and equipment are depreciated using the straight-line method. The principal ranges of estimated useful lives are as follows:

Buildings & structures	5 to 10 years
Tools, furniture and equipment	5 years

B. Intangible assets (other than leased assets)

Intangible assets except for leased assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method based on an estimated useful life of 5 years.

C. Leased assets

Finance lease transactions that do not relate to transfer of ownership.

The leased assets are amortized using the straight-line method over the lease terms at zero residual value.

(3) Recognition and Measurement of Significant Reserves and Allowances

Allowance for doubtful accounts

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

Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

(4) Accounting for consumption tax

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

2 Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment

6,114 million yen

(2) Payables and receivables for subsidiaries and affiliates

① Short-term receivables	11,730 million yen
② Short-term payables	25,518 million yen
③ Long-term payables	227 million yen

(3) Payables to Directors

Short-term payables	1 million yen

(4) Contingent liabilities

① Guarantee for office and retail store leases	94,814 million yen
② Guarantee on loans payable to financial institutions	20,916 million yen

3 Notes to Statement of Income

Transactions with subsidiaries and affiliates

Operating transactions	116,588 million yen
Non-operating transactions	17 million yen

4 Notes to Statement of Changes in Net Assets

Types and number of shares of treasury stock as at 31 August 2015

Class of Shares	Number of shares as at 31 August 2015 (shares)
Common stock	4,128,255

5 Notes to Deferred Tax

Main breakdown of the causes of deferred tax assets and deferred tax liabilities

Deferred tax assets:

Allowance for bonus	596 million yen
Depreciation	402 million yen
Write-down of shares in subsidiaries and affiliates	28,471 million yen
Impairment losses	2,158 million yen
Provision of allowance for doubtful accounts	0 million yen
Unused tax losses carried forward	641 million yen
Others	2,518 million yen
Subtotal deferred tax assets	34,788 million yen
Valuation allowance	(31,694) million yen
Total deferred tax assets	3,093 million yen

Deferred tax liabilities:

Temporary differences on shares of subsidiaries	1,994 million yen
Enterprise tax receivable	49 million yen
Foreign exchange gain on long-term foreign currency receivables	1,056 million yen
Others	197 million yen
Total deferred tax liabilities	3,298 million yen
Net deferred tax assets	(204) million yen

6 Notes to the Related Party Transactions

(1) Subsidiaries and affiliates

Type	Company name	Location	Capital stock or investment	Business details	Percentage of shares	Relationship with related parties	Contents of transactions	Amount of transaction	Account	Balance at 31 August 2015
			(Millions of yen)		(%)			(Millions of yen)		(Millions of yen)
Subsidiary	UNIQLO CO., LTD.	Yamaguchi City, Yamaguchi	1,000	Clothing-related business	100.0	Relation of trademark use agreement Interlocking directors	Receipt of management fee etc. (Note 1)	16,261	Trade accounts receivables	7,378
							Advance payment of expenses	7,429	Account receivables from subsidiaries and affiliates	1,758
							Paying out funds based on the deposition contract (Note 2)	21,295	Deposits received	4,341
Subsidiary	Fast Retailing USA, Inc.	New York, USA	3,494	Clothing-related business	100.0	Relation of service rendering	Lending of funds (Note 2)	15,542	Short-term loans receivable from subsidiaries and affiliates	18,776
							Collection of funds (Note 2)	8,231	Long-term loans receivable from subsidiaries and affiliates	19,240
							Undertaking of the increase of capital (Note 3)	14,406		
							Loan guarantee (Note 4)	93,353		
Subsidiary	FAST RETAILING FRANCE S.A.S.	Paris, France	23,583	Clothing-related business	100.0	Interlocking directors	Lending of funds (Note 2)	7,857	Short-term loans receivable from subsidiaries and affiliates	18,824
									Long-term loans receivable from subsidiaries and affiliates	7,379
Subsidiary	UNIQLO EUROPE LIMITED	London United Kingdom	7,418	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Loan guarantee (Note 4)	19,272		
Subsidiary	G.U. CO., LTD.	Yamaguchi City, Yamaguchi	10	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Custody of funds by deposition contract (Note 2)	158	Deposit received	15,142
Subsidiary	FAST RETAILING (SINGAPORE) PTE. LTD.	Republic of Singapore	6,174	Clothing-related business	100.0	Relation of service rendering	Collection of funds (Note 2)	2,682	Short-term loans receivable from subsidiaries and affiliates	9,573
Subsidiary	UNIQLO AUSTRALIA PTY LTD	Melbourne, Australia	1,974	Clothing-related business	100.0	Relation of service rendering	Lending of funds (Note 2)	4,173	Short-term loans receivable from subsidiaries and affiliates	1,204
									Long-term loans receivable from subsidiaries and affiliates	2,576

Terms of business and how they are determined

Notes:

1. FAST RETAILING CO., LTD. receives payments as management fee for system service, etc. Management fee payments are based on a certain percentage of sales. The rate is determined using a reasonable and uniform standard across the entire corporate group.
2. The rate of interest on loans or deposits is set at a reasonable rate with due consideration of current market rates. The transaction amount of any fund deposit is listed as the net balance of monies deposited and withdrawn.
3. The undertaking of the capital increase relates to the monetary guarantee provided when Fast Retailing USA, Inc. increased its capital stock.
4. The Company provides loan guarantees for borrowing and rental payments.

(2) Directors and Major Individual Shareholders

Type	Name of Company or Individual	Location	Capital stock or investment	Business details or profession	Percentage of shares	Relationship with related parties	Contents of transactions	Amount of transaction	Account	Balance at 31 August 2015
			(Millions of yen)		(%)			(Millions of yen)		(Millions of yen)
Director	Toru Murayama	—	—	Non-executive Director	0.0	Outsourcing	Consulting and advisory agreements about training of management personnel (Note: 1)	18	Accounts payable	1

Terms of business and how they are determined

Notes:

1. Transaction amounts were determined based on the negotiation with the related party considering market prices
2. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes

7 Notes to Asset Retirement Obligations

Asset Retirements Recorded on the Balance Sheet

(1) Overview of the Asset Retirement Obligations

These obligations relate to the requirement stipulated in real estate lease agreements of the head office, other offices and stores to restore any rented space to their original states at the expiry of the lease period.

(2) Amount and Method of Calculating the Asset Retirement Obligations

Calculation of the amount of asset retirement obligation is based on estimates of the potential use (primarily 5 years) from the date of acquisition to the end of the useful life and 0.27% is generally used as the discount rate in calculations.

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(3) Change in balance of Asset Retirement Obligations for Year Ended 31 August 2015

Balance at the beginning of year	473 million yen
Increase related to acquisition of property, plant and equipment	— million yen
Accretion adjustments	1 million yen
Decrease due to settlement of asset retirement obligations	— million yen
Others	— million yen
Balance at the end of year	474 million yen

8 Per share information

Net assets per share	3,662.28 yen
Net income per share for the year	688.96 yen
Diluted net income per share for the year	688.11 yen

9 Notes to Significant Subsequent Events

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

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The option price per share is calculated according to the Black-Scholes model multiplied by the number of shares granted (rounded up to the nearest yen).

④ **Exercise period of the share subscription rights**
From 13 November 2018 to 12 November 2025

⑤ **Number of persons allotted share options and breakdown**

Employees of the Company	20 persons
Employees of the Group subsidiaries	30 persons

⑥ **Date of allotment of share subscription rights**
13 November 2015

(2) 6th share subscription rights B type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
29,000 shares (maximum)

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From 13 December 2015 to 12 November 2025

⑤ **Number of persons allotted share options and breakdown**

Employees of the Company	310 persons
Employees of the Group subsidiaries	1,040 persons

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13 November 2015

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(3) 6th share subscription rights C type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
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② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 9,000 shares (maximum)

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④ **Exercise period of the share subscription rights**
13 November 2018

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Employees of the Company	40 persons

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13 November 2015