FAST RETAILING

2018

Items stipulated for internet disclosure in conjunction with the Notice of 2018 General Meeting of Shareholders

These items are available for shareholders to view on our company website (https://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 Employees (as at 31 August 2018)

(1) Employees of the Group

Number of Employees	Change from Previous Consolidated Fiscal Year
52,839	+8,415

(Note) The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.

(2) Employees of the Company

Number of Employees	Change from Previous Fiscal Year	Average Age	Average Years of Service
1,345	+179	38 years and 1 month	4 years and 7 months

(Note) The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.

2 Principal Lenders (as at 31 August 2018)

Lender	Loan Balance
Sumitomo Mitsui Financial Group, Inc.	6,407 million yen
Mitsubishi UFJ Financial Group, Inc.	2,961 million yen
Mizuho Financial Group, Inc.	470 million yen

3 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 2018) of the Business Report included in the AGM Notice.

(2) Principal Activities in the Fiscal Year Ended 31 August 2018

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	12 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	12 out of 13 **Board of Directors' Meetings** 13 out of 14 **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** 13 out of 14 **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** 14 out of 14 **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.

4 Independent Auditors

(1) Name of Independent Auditors

Deloitte Touche Tohmatsu LLC

(2) Remuneration for the Independent Auditors for the Fiscal Year ended 31 August 2018

① Amount of remuneration, etc. for the Independent Auditors to be paid by the Company	219 million yen
② Total amount of cash and other economic benefits to be paid by the Company and consolidated subsidiaries	295 million yen

Notes 1. The audit agreement between the Company and the Independent 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, 1 consolidated subsidiary 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 Independent Auditors.

(3) Board of Statutory Auditors Agree Independent Auditors Remuneration

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

(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 Independent Auditors consideration for the provision of advisory, guidance and other services concerning IFRS.

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

When any item in Article 340, Paragraph 1 of the Companies Act is deemed to apply to the Independent Auditors, the Company's Board of Statutory Auditors may dismiss the Independent 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 Independent 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 Independent 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 Independent Auditors' execution of duties.

(6) Outline of Agreement for Limitation of Liability

The Company has entered into an agreement with Deloitte Touche Tohmatsu 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 Independent Auditors.

5 Share Subscription Rights (as at 31 August 2018)

(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 2018

	8th Share subscription rights A type	8th Share subscription rights B type	8th Share subscription rights C type
Date of resolution of the board of directors	12 October 2017	12 October 2017	12 October 2017
Type and number of shares to be issued upon exercise of share subscription rights	Common stock: 5,454 shares	Common stock: 48,178 shares	Common stock: 5,929 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	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 10 November 2020 to 9 November 2027	From 10 December 2017 to 9 November 2027	10 November 2020
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	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.

	8th Share subscription rights A type		8th Share subscription rights B type		8th Share subscription rights C type	
Status of share subscription rights issued to employees	Employees of the Company	Number of share subscription rights 2,337 Number of underlying shares 2,337 Number of holders 19	Employees of the Company	Number of share subscription rights 13,213 Number of underlying shares 13,213 Number of holders 395	Employees of the Company	Number of share subscription rights 5,929 Number of underlying shares 5,929 Number of holders 29
	Employees of subsidiaries	Number of share subscription rights 3,117 Number of underlying shares 3,117 Number of holders 27	Employees of subsidiaries	Number of share subscription rights 34,965 Number of underlying shares 34,965 Number of holders 1,152		
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.		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)	

(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:
   For A type and B type, 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.
   For C type, the period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

6 Ensuring Proper Business Operations (Corporate Governance)

(1) Our Approach to Corporate Governance

True to its corporate statement: Changing clothes. Changing conventional wisdom. Change the world, Fast Retailing seeks to expand its operations to become the world's No.1 digital consumer retailing company. At the same time, the Group aims to pursue clothes-related sustainability initiatives to fulfill the expectations of customers, business partners, shareholders and other stakeholders, and create a speedy, transparent management structure.

(2) Establishing Strong Internal Control Systems

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Managing Risk of Losses to FR Group

1. The Company regularly analyzes risks relating to the Company and Group subsidiaries to identify risks that could, directly or indirectly, cause financial loss, interrupt or stop business, damage brand images or the credibility of the Company or FR Group, and manages any risks accordingly.
2. If unforeseen circumstances should arise, a task force headed by the President or a Director appointed by the President shall be established to prevent increased losses and minimize damage. For a faster response, the task force may organize an external advisory team including lawyers and certified public accountants.

E. Ensuring Efficient Execution of Directors' Duties

1. To ensure that the duties of Company and Group subsidiary Directors are performed efficiently, the Company holds regular monthly meetings of the Board of Directors, which includes a number of External Directors, and holds ad hoc meetings when necessary. Group subsidiaries which have their own Board of Directors also hold Board meetings as stipulated by law.
2. Important matters concerning Company and Group management policy and management strategy shall be discussed beforehand at the weekly management meeting (Monday Meeting) chaired by the President, and decisions taken after due deliberation.
3. The execution of decisions made by the Board of Directors shall be conducted efficiently and appropriately by the Group officers designated by the Board.

F. Ensuring Reliable FR Group Financial Reports

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

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

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

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

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

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

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

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

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

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

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

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

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

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

K. Other Matters Ensuring Efficient Audits by Statutory Auditors

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

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

L. **Eliminating Anti-social Forces**

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

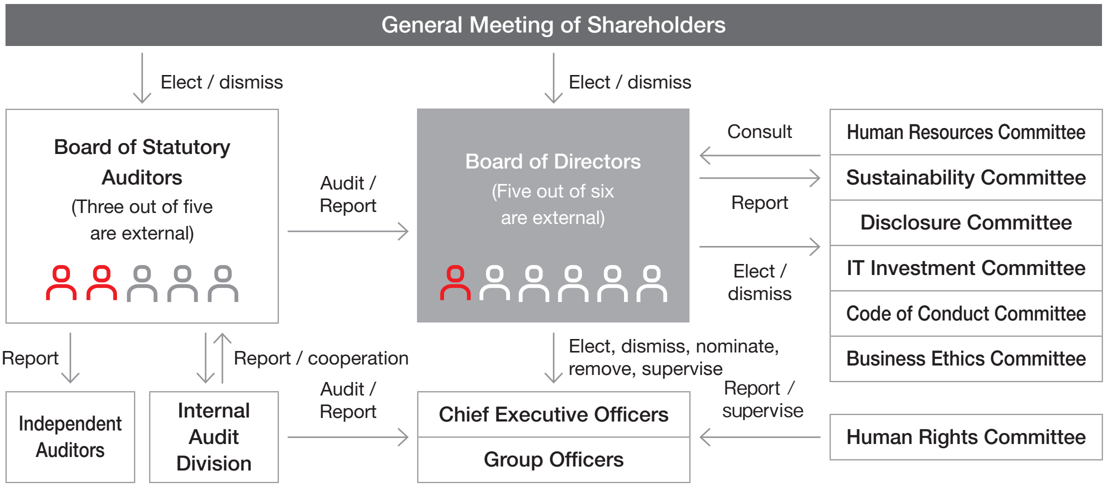
1. The Company adopts a firm stand against and refuses to engage with anti-social forces. The Company forbids the use of financial payments to resolve unreasonable claims from anti-social forces.
2. The Company forbids the use of anti-social forces for Company or individual gain.

(3) Fast Retailing's Fundamental Policies in Action

As the key decision-making body on management and business execution, the Board of Directors meets at least once a month to discuss and determine key issues. In addition, management strategies or business plans mandated by the Board can be swiftly revised at the weekly management meeting (Monday Meeting) chaired by the President. Five External Directors and three External Statutory Auditors voice frank, timely views at Board meetings, and carefully supervise company management and business.

The Company has established several committees, which include External Directors and Statutory Auditors, to complement the functions of the Board of Directors. These committees meet regularly, and encourage open discussion and swift decision-making.

Below is a diagram of our corporate governance systems.



Business report P1
Consolidated Statement of Changes in Equity P15
Notes to the Consolidated Financial Statements P16
Statement of Changes in Net Assets P30
Notes to Financial Statements P31

Roles and activities of the committees are as follows.

- **Human Resources Committee**

  The Human Resources Committee, chaired by external director, discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board. The committee met 4 times during FY2018.

- **Sustainability Committee**

  The Sustainability Committee discusses and directs Fast Retailing's overall sustainability strategy, from compiling and publishing the annual sustainability report to promoting environmental protection, social responsibility, compliance and diversity. The head of the Sustainability Department chairs the committee. Members include outside experts, statutory auditors and Group officers. The committee met 4 times during FY2018.

- **Disclosure Committee**

  The Disclosure committee, chaired by the company official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is tasked with boosting management transparency by "disclosing information that is timely, accurate, fair and easy to understand." The Committee is responsible for both timely and voluntary disclosures to the TSE and the Stock Exchange of Hong Kong regarding matters that may materially impact investor and shareholder investment decisions. The committee met 12 times during FY2018.

- **IT Investment Committee**

  This Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The committee is chaired by the company president. External experts, external directors and corporate officers participate as committee members or observers. The committee met 13 times during FY2018.

- **Code of Conduct Committee**

  The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the head of the Legal Department. Statutory auditors (including external statutory auditors), corporate officers and others participate as committee members. The committee met 12 times during FY2018.

- **Business Ethics Committee**

  This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee is chaired by the head of the Sustainability Department. Statutory auditors (including external statutory auditors), corporate officers and others participate as committee members. The committee met 12 times during FY2018.

■ **Human Rights Committee**

The Human Rights Committee is chaired by an external expert, and is tasked with discussing and offering advice on implementing human rights due diligence. The committee is responsible for ensuring human rights are upheld according to the 2018 Fast Retailing Group Human Rights Policy. It also advises those in charge of business execution to ensure business is conducted appropriately and fairly, and conducts various educational activities. As the body responsible for reporting and monitoring, the committee will also investigate any human rights violations and take remedial measures. The committee met once in FY2018.

Please refer to page 39 of the reference materials for the 2018 General Meeting of Shareholders about Diagram of composition of directors and statutory auditors for each committee.

Consolidated Statement of Changes in Equity (Year ended 31 August 2018)

(Millions of yen)

	Capital stock	Capital Surplus	Retained earnings	Treasury stock, at cost	Total
As at 1 September 2017	10,273	14,373	698,584	(15,563)	707,667
Net changes during the year					
Profit for the year	—	—	154,811	—	154,811
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	154,811	—	154,811
Acquisition of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	1,169	—	136	1,306
Dividends	—	—	(38,248)	—	(38,248)
Share-based payments	—	857	—	—	857
Increase in equity due to capital increase by consolidated subsidiary	—	—	—	—	—
Capital contributions from non-controlling interests	—	1,874	—	—	1,874
Total transactions with the owners of the Parent	—	3,901	(38,248)	134	(34,212)
Total net changes during the year	—	3,901	116,562	134	120,598
As at 31 August 2018	10,273	18,275	815,146	(15,429)	828,266

	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 2017	2	21,806	2,293	24,102	731,770	30,272	762,043
Net changes during the year							
Profit for the year	—	—	—	—	154,811	14,562	169,373
Other comprehensive income	34	(6,376)	16,909	10,567	10,567	917	11,484
Total comprehensive income	34	(6,376)	16,909	10,567	165,378	15,480	180,858
Acquisition of treasury stock	—	—	—	—	(1)	—	(1)
Disposal of treasury stock	—	—	—	—	1,306	—	1,306
Dividends	—	—	—	—	(38,248)	(7,840)	(46,088)
Share-based payments	—	—	—	—	857	—	857
Increase in equity due to capital increase by consolidated subsidiary	—	—	—	—	—	173	173
Capital contributions from non-controlling interests					1,874	1,754	3,629
Total transactions with the owners of the Parent	—	—	—	—	(34,212)	(5,911)	(40,124)
Total net changes during the year	34	(6,376)	16,909	10,567	131,165	9,568	140,734
As at 31 August 2018	37	15,429	19,202	34,669	862,936	39,841	902,777

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

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

130

Names of main consolidated subsidiaries

UNIQLO CO., LTD.
UNIQLO TRADING CO., LTD. *
FRL Korea Co., Ltd.
UNIQLO AUSTRALIA PTY LTD
Fast Retailing USA, Inc.
UNIQLO EUROPE LTD
FAST RETAILING FRANCE S.A.S.
Theory LLC
PRINCESSE TAM TAM S.A.S..
FAST RETAILING (CHINA) TRADING CO., LTD. *
FAST RETAILING (SHANGHAI) TRADING CO., LTD. *
FAST RETAILING (SINGAPORE) PTE. LTD.
UNIQLO (THAILAND) COMPANY LIMITED
PT. FAST RETAILING INDONESIA
G.U. CO., LTD.
J Brand, Inc.
COMPTOIR DES COTONNIERS S.A.S.
Other consolidated subsidiaries (113 companies)

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

(3) Scope of investments in associates

Status of associates

Number of associates

4

(4) Consolidated subsidiaries

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

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 International Accounting Standards 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.

Business report P1
Consolidated Statement of Changes in Equity P15
Notes to the Consolidated Financial Statements P16
Statement of Changes in Net Assets P30
Notes to Financial Statements P31

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:

Asset retirement obligations

The obligations to restore property to its original state under real estate leasing agreements for offices, such as corporate headquarters and stores, are estimated and recorded as a provision. The expected length of use is estimated as the time from acquisition to the end of the useful life and discount rates ranging between 0.00–0.99% are generally used in calculations.

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.

J. Application of the consolidated taxation system

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

2 Notes to the Consolidated Statements of Financial Position

(1) Accumulated depreciation of property, plant and equipment

210,781 million yen

Accumulated impairment losses are included in accumulated depreciation.

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

889 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 142,483 shares

(3) Dividends

A. Dividend paid

① Dividend approved by Board of Directors' Meeting held on 2 November 2017:

- Total dividends 17,847,198 thousand yen
- Dividends per share 175 yen
- Record date 31 August 2017
- Effective date 10 November 2017

② Dividend approved at the Board of Directors' Meeting held on 12 April 2018:

- Total dividends 20,401,584 thousand yen
- Dividends per share 200 yen
- Record date 28 February 2018
- Effective date 11 May 2018

B. Declaration date for dividend related to the year ended 31 August 2018 with an effective date in the following fiscal year

• Resolution date	2 November 2018
• Total dividends	24,484,748 thousand yen
• Dividends per share	240 yen
• Record date	31 August 2018
• Effective date	9 November 2018

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. 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.

② **Interest rate risk management**

The Group's interest-bearing borrowings are mainly corporate bonds, 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 2018 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)

Financial assets	Carrying amount	Fair value
Security deposits / guarantees	61,752	62,253
Total	61,752	62,253

(Millions of yen)

Financial liabilities	Carrying amount	Fair value
Long-term borrowings (Note)	8,884	8,924
Corporate bonds	499,020	500,731
Lease obligations (Note)	35,643	36,807
Total	543,548	546,464

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

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

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

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

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

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

5 Per Share Information

Equity per share attributable to owners of the parent	8,458.52 yen
Basic earnings per share for the year	1,517.71 yen
Diluted earnings per share for the year	1,515.23 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 11 October 2018, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

(1) 9th share subscription rights A type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
6,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 6,000 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 9 November 2021 to 8 November 2028

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

Employees of the Company	30 persons
Employees of the Group subsidiaries	50 persons

⑥ **Date of allotment of share subscription rights**
9 November 2018

(2) 9th share subscription rights B type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
43,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 43,000 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 9 December 2018 to 8 November 2028

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

Employees of the Company	490 persons
Employees of the Group subsidiaries	1,460 persons

⑥ **Date of allotment of share subscription rights**
9 November 2018

(3) 9th share subscription rights C type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**

6,000 shares (maximum)

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

FAST RETAILING CO., LTD. common stock 6,000 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**

9 November 2021

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

Employees of the Company	50 persons

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

9 November 2018

Statement of Changes in Net Assets (Year ended 31 August 2018)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
As at 1 September 2017	10,273	4,578	3,666	8,245	818	185,100	184,377	370,295
Changes during the year								
Exercise of share subscription rights								
Dividends							(38,248)	(38,248)
Profit							122,158	122,158
Acquisition of treasury stock								
Disposal of treasury stock			1,149	1,149				
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	1,149	1,149	—	—	83,909	83,909
As at 31 August 2018	10,273	4,578	4,816	9,395	818	185,100	268,286	454,204

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Total valuation and translation adjustments		
As at 1 September 2017	(15,563)	373,251	(502)	(502)	4,354	377,103
Changes during the year						
Exercise of share subscription rights						
Dividends		(38,248)				(38,248)
Profit		122,158				122,158
Acquisition of treasury stock	(1)	(1)				(1)
Disposal of treasury stock	136	1,286				1,286
Net changes of items other than those in shareholders' equity			74	74	857	931
Net changes during the year	134	85,193	74	74	857	86,125
As at 31 August 2018	(15,429)	458,445	(427)	(427)	5,211	463,229

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

Business report P1
Consolidated Statement of Changes in Equity P15
Notes to the Consolidated Financial Statements P16
Statement of Changes in Net Assets P30
Notes to Financial Statements P31

Notes to Financial Statements

1 Significant Accounting Policies

(1) Valuation methods for securities

A. Shares of subsidiaries and associates

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 fixtures	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) Deferred assets

Issuance expenses of corporate bonds

Issuance expenses of corporate bonds are expensed as incurred.

(4) Recognition and Measurement of Significant Provisions 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.

Provisions for bonuses

Bonuses to employees are accrued on the balance sheet date.

Provisions for loss on guarantees

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

(5) Accounting for consumption tax

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

(6) Application of the consolidated taxation system

The consolidated taxation system is applied for the Company.

2 Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment

8,479 million yen

Accumulated impairment losses are included in accumulated depreciation.

(2) Payables and receivables for subsidiaries and associates

① Short-term receivables	19,878 million yen
② Short-term payables	11,342 million yen
③ Long-term payables	1,424 million yen

(3) Payables to Directors

Short-term payables	1 million yen

(4) Contingent liabilities

① Guarantee for office and retail store leases	62,788 million yen
② Guarantee on loans payable to financial institutions	9,208 million yen

3 Notes to Statement of Income

Transactions with subsidiaries and associates

Operating transactions	
Operating revenue	190,808 million yen
Operating expense	1,003 million yen
Non-operating transactions	1 million yen

4 Notes to Statement of Changes in Net Assets

Types and number of shares of treasury stock as at 31 August 2018

Class of Shares	Number of shares as at 31 August 2018 (shares)
Common stock	4,053,872

5 Notes to Deferred Tax

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

Deferred tax assets:

Provisions for bonuses	802 million yen
Depreciation	562 million yen
Loss on shares of subsidiaries and associates	48,654 million yen
Impairment losses	1,009 million yen
Allowance for doubtful accounts	1,865 million yen
Valuation differences on available-for-sale securities	449 million yen
Unused tax losses carried forward	2,827 million yen
Software	1,213 million yen
Others	3,316 million yen
Subtotal deferred tax assets	60,700 million yen
Valuation allowance	(56,450) million yen
Total deferred tax assets	4,250 million yen

Deferred tax liabilities:

Temporary differences on shares of subsidiaries	1,893 million yen
Enterprise tax receivable	74 million yen
Valuation differences on available-for-sale securities	302 million yen
Total deferred tax liabilities	2,269 million yen
Net deferred tax assets	1,980 million yen

6 Notes to the Related Party Transactions

(1) Subsidiaries and associates

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 2018
			(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)	23,297	Operating accounts receivables	11,268
							Paying out funds based on the deposition contract (Note 2)	255	Deposits received	0
Subsidiary	Fast Retailing USA,Inc.	New York, USA	100,446	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Collection of funds (Note 2)	594	Short-term loans receivable from subsidiaries and associates	91,125
							Receipt of interest (Note 2)	1,954	Long-term loans receivable from subsidiaries and associates	355
							Loan guarantee (Note 3)	68,709	Trade accounts receivable	133
Subsidiary	FAST RETAILNG FRANCE S.A.S.	Paris, France	12,552	Clothing-related business	100.0	Relation of service rendering	Lending of funds (Note 2)	8,074	Short-term loans receivable from subsidiaries and associates	27,238
							Collection of funds (Note 2)	4,803	Long-term loans receivable from subsidiaries and associates	11,858
									Allowance for doubtful accounts	5,593
									Provision of allowance for doubtful accounts	5,593
Subsidiary	G.U. CO., LTD.	Yamaguchi City, Yamaguchi	10	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Paying out funds based on the deposition contract (Note 2)	10,658	Deposits received	2,634
Subsidiary	GU Hong Kong Apparel Limited	Hong Kong, Hong Kong	134	Clothing-related business	100.0	Relation of service rendering	Lending of funds (Note 2)	1,228	Short-term loans receivable from subsidiaries and associates	707
									Long-term loans receivable from subsidiaries and associates	495
									Allowance for doubtful accounts	342
									Provision of allowance for doubtful accounts	342
Subsidiary	GU TAIWAN LTD.	New Taipei City, Taiwan	508	Clothing-related business	100.0	Relation of service rendering	Loan guarantee (Note 3)	217	Allowance for loss on guarantees	330
									Provision of allowance for loss on guarantees	330
Subsidiary	GU (Shanghai) Trading Co., Ltd.	Shanghai, China	989	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Collection of funds (Note 2)	170	Short-term loans receivable from subsidiaries and associates	67
									Long-term loans receivable from subsidiaries and associates	134
									Allowance for doubtful accounts	126
									Provision of allowance for doubtful accounts	126

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 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 Company provides financial guarantees for borrowings 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 2018
			(Millions of yen)		(%)			(Millions of yen)		(Millions of yen)
Director	Toru Murayama	—	—	Non-executive Director	0.0	Outsourcing	Consulting and advisory agreements on 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 Per Share Information

Net assets per share	4,489.50 yen
Net income per share for the year	1,197.59 yen
Diluted net income per share for the year	1,195.63 yen

8 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 11 October 2018, the Company decided to issue share subscription rights as stock-based compensation stock options for the purpose of rewarding employees of the Company and its subsidiaries for their contribution to the Group's profit. By linking the Company's stock price more closely to the benefits received by highly productive personnel, the share subscription rights program is designed both to boost staff morale and their motivation to improve group performance and to boost shareholder value by strengthening business development with a focus on shareholder return.

(1) 9th share subscription rights A type by FAST RETAILING CO., LTD.

① Number of share subscription rights

6,000 shares (maximum)

Business report P1
Consolidated Statement of Changes in Equity P15
Notes to the Consolidated Financial Statements P16
Statement of Changes in Net Assets P30
Notes to Financial Statements P31

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 6,000 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 9 November 2021 to 8 November 2028

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

Employees of the Company	30 persons
Employees of the Group subsidiaries	50 persons

⑥ **Date of allotment of share subscription rights**
9 November 2018

(2) 9th share subscription rights B type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
43,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 43,000 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 9 December 2018 to 8 November 2028

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

Employees of the Company	490 persons
Employees of the Group subsidiaries	1,460 persons

⑥ **Date of allotment of share subscription rights**
9 November 2018

(3) 9th share subscription rights C type by FAST RETAILING CO., LTD.

① **Number of share subscription rights**
6,000 shares (maximum)

② **Type and number of shares to be issued upon exercise of share subscription rights**
FAST RETAILING CO., LTD. common stock 6,000 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**
9 November 2021

⑤ **Number of persons allotted share options and breakdown**
Employees of the Company 50 persons

⑥ **Date of allotment of share subscription rights**
9 November 2018