FAST RETAILING

Items stipulated for internet disclosure in conjunction with the Notice of 2019 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 2019)

(1) Employees of the Group

Number of Employees	Change from Previous Consolidated Fiscal Year
56,523	+ 3,684

(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
1,389	+ 44	38 years and 4month	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 2019)

Lender	Loan Balance
Sumitomo Mitsui Financial Group, Inc.	3,759 million yen
Mitsubishi UFJ Financial Group, Inc.	1,419 million yen
Mizuho Financial Group, Inc.	315 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 2019) of the Business Report included in the AGM Notice.

(2) Principal Activities in the Fiscal Year Ended 31 August 2019

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 the 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	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.
Director	Naotake Ono	11 out of 11 Board of Directors' Meetings	Provided advice and recommendations from a professional viewpoint in the course of management decisions and decision-making, with his wealth of management knowledge from his many years' of management experience in one of Japan's largest construction company.
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.
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.
Statutory Auditor	Takao Kashitani	13 out of 13 Board of Directors' Meetings 13 out of 13 Board of Statutory Auditors' Meetings	Conducted audits from a broad, advanced perspective based on his professional expertise and wealth of experience as a certified public accountant and expressed opinions at board meetings as necessary to ensure that decisions made by the Board of Directors are valid and appropriate.

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 2019

① Amount of remuneration, etc. for the Independent Auditors to be paid by the Company	248 million yen
② Total amount of cash and other economic benefits to be paid by the Company and consolidated subsidiaries	312 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 and reasons for selecting audit corporation

Based on the "Practical Guidelines for Auditors, etc. Concerning the Formulation of Evaluation and Selection Standards for Accounting Auditors" (Japan Audit & Supervisory Board Members Association; 10 November, 2015), the Board of Statutory Auditors selected Deloitte Touche Tohmatsu LLC to be the independent auditor after comprehensively examining the like in accordance with the prescribed selection standards and evaluation standards for accounting auditors. Regarding the policy for determining the dismissal or non-reappointment of an independent auditor, in the event that it is acknowledged that an item prescribed in an item under Article 340-1 of the Companies Act is applicable, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will dismiss the independent auditor based on the consent of all statutory auditors, and in the event that it is acknowledged that it is difficult for the independent auditor to perform an appropriate audit due to an event arising that otherwise impairs the accounting auditor’s competence or independence, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will make a proposal to the General Meeting of Shareholders to dismiss or not reappoint the accounting auditor.

（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 2019)

(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 2019

	9th Share subscription rights A type	9th Share subscription rights B type	9th Share subscription rights C type
Date of resolution of the Board of Directors	11 October 2018	11 October 2018	11 October 2018
Type and number of shares to be issued upon exercise of share subscription rights	Common stock: 4,057 shares	Common stock: 36,275 shares	Common stock: 4,733 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 9 November 2021 to 8 November 2028	From 9 December 2018 to 8 November 2028	9 November 2021
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 notbe exercised.	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may notbe exercised.	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may notbe exercised.

	9th Share subscription rights A type	9th Share subscription rights B type	9th Share subscription rights C type
Status of share subscription rights issued to employees	Employees of the Company: Number of share subscription rights 1,448 Number of underlying shares 1,448 Number of holders 17 Employees of subsidiaries: Number of share subscription rights 2,609 Number of underlying shares 2,609 Number of holders 32	Employees of the Company: Number of share subscription rights 9,923 Number of underlying shares 9,923 Number of holders 419 Employees of subsidiaries: Number of share subscription rights 26,352 Number of underlying shares 26,352 Number of holders 1,267	Employees of the Company: Number of share subscription rights 4,733 Number of underlying shares 4,733 Number of holders 40
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:

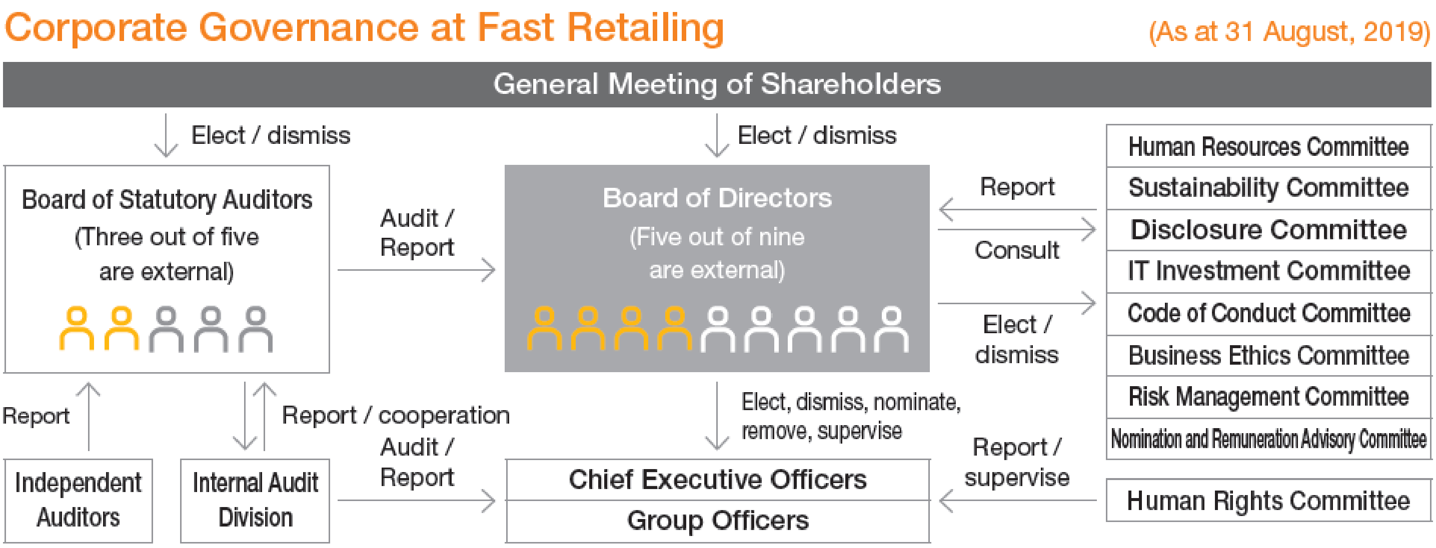
1. The Company adopts a firm stand against and refuses to engage with anti-social forces. The Company forbids the use of financial payments to resolve unreasonable claims from anti-social forces.
2. The Company forbids the use of anti-social forces for Company or individual gain.

(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.



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 FY2019.

- **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 FY2019.

- **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 15 times during FY2019.

- **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 10 times during FY2019.

- **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 11 times during FY2019.

- **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 FY2019.

- **Risk Management Committee**

To identify risks latent in business activities on a regular basis and to strengthen systems for detecting and managing material risks, this committee analyzes and assesses the extent of impact and frequency of risks on business, and discusses countermeasures for business areas high in risk to contain risk before it occurs. The committee is chaired by the Group CFO, and committee members include outside directors and executive officers. The committee held 9 meetings during FY 2019.

- **Nomination and Remuneration Advisory Committee**

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

- **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 8 in FY2019.

Please refer to page 39 of the reference materials for the 2019 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 2019)

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity	
					Financial assets measured at fair value through other comprehensive income/(loss)	Foreign currency translation reserve
As at 1 September 2018	10,273	18,275	815,146	(15,429)	37	15,429
Net changes during the year						
Profit for the year	—	—	162,578	—	—	—
Other comprehensive income	—	—	—	—	(734)	(29,359)
Total comprehensive income	—	—	162,578	—	(734)	(29,359)
Acquisition of treasury stock	—	—	—	(2)	—	—
Disposal of treasury stock	—	1,558	—	159	—	—
Dividends	—	—	(48,976)	—	—	—
Share-based payments	—	769	—	—	—	—
Incorporation of a new subsidiary	—	—	—	—	—	—
Changes in ownership interests in subsidiaries without losing control	—	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—
Total transactions with the owners of the Parent	—	2,328	(48,976)	157	—	—
Total net changes during the year	—	2,328	113,602	157	(734)	(29,359)
As at 31 August 2019	10,273	20,603	928,748	(15,271)	(697)	(13,929)

	Other components of equity			Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Cash-flow hedge reserve	Share of other comprehensive income of associates	Total			
As at 1 September 2018	19,202	—	34,669	862,936	39,841	902,777
Net changes during the year						
Profit for the year	—	—	—	162,578	15,467	178,046
Other comprehensive income	8,427	(11)	(21,678)	(21,678)	(1,318)	(22,997)
Total comprehensive Income	8,427	(11)	(21,678)	140,900	14,148	155,049
Acquisition of treasury stock	—	—	—	(2)	—	(2)
Disposal of treasury stock	—	—	—	1,718	—	1,718
Dividends	—	—	—	(48,976)	(9,218)	(58,195)
Share-based Payments	—	—	—	769	—	769
Incorporation of a new subsidiary	—	—	—	—	239	239
Changes in ownership interests in subsidiaries without losing control	—	—	—	—	353	353
Transfer to non-financial assets	(18,723)	—	(18,723)	(18,723)	(451)	(19,175)
Total transactions with the owners of the Parent	(18,723)	—	(18,723)	(65,215)	(9,076)	(74,292)
Total net changes during the year	(10,296)	(11)	(40,402)	75,685	5,071	80,757
As at 31 August 2019	8,906	(11)	(5,732)	938,621	44,913	983,534

(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

133

Names of main consolidated subsidiaries

UNIQLO CO., LTD.	FAST RETAILING (CHINA) TRADING CO., LTD. *
UNIQLO TRADING CO., LTD. *	FAST RETAILING (SHANGHAI) TRADING CO., LTD. *
FRL Korea Co., Ltd.	FAST RETAILING (SINGAPORE) PTE. LTD.
UNIQLO (THAILAND) COMPANY LIMITED	PT. FAST RETAILING INDONESIA
UNIQLO AUSTRALIA PTY LTD.	Fast Retailing USA, Inc.
UNIQLO EUROPE LTD	UNIQLO INDIA PRIVATE LIMITED
UNIQLO VIETNAM Co., Ltd	G.U. CO., LTD.
GU (Shanghai) Trading Co.,Ltd.	FAST RETAILING FRANCE S.A.S.
Theory LLC	PLST CO., LTD.
COMPTOIR DES COTONNIERS S.A.S.	PRINCESSE TAM TAM S.A.S.
J Brand, Inc.	Other consolidated subsidiaries (112 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., GU (Shanghai) Trading Co.,Ltd. and other 10 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 and financial liabilities

(1) Financial assets

① Initial recognition and measurement

The Group classifies financial assets as “financial assets measured at fair value through Net Profit/Loss”; “financial assets measured at fair value through Other Comprehensive Income” or “financial assets measured at amortized cost”; and that classification is determined at the time of initial recognition.

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

All financial assets are measured by adding directly linked transaction costs to fair value, except those in the category classified as “measured at fair value through Net Profit/Loss”.

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

・Assets are held based on a business model that requires them to be held to collect contractual cash flow

・Cash flow, made up solely of payment of the principal and interest on the balance of principal, is generated on a specified day under the contractual terms of the financial asset.

Financial assets other than “financial assets measured at amortized cost” are classified as “financial assets measured at fair value.”

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

② Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

The fluctuation in the fair value of “financial assets measured at fair value” is recognized as Net Profit/Loss. However, any fluctuation in the fair value of equity financial instruments designated as instruments to be “measured at fair value through Other Comprehensive Income”, is recognized as Other Comprehensive Income; and if recognition is suspended or if the fair value significantly drops, then it will be transferred to Retained Earnings. Note that dividends from the financial assets are recognized as Net Profit/Loss as part of financial revenue.

③ Impairment of financial assets

For "financial assets measured at amortized cost", anticipated credit losses pertaining to the financial assets are recognized as Allowances for Doubtful Accounts.

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

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

However, trade receivables, etc., that do not include any major financial elements are always recognized as being an amount equivalent to anticipated credit loss for the entire period.

If the issuer or debtor is in serious financial difficulties or is subject to a legal or formal business failure, then it will be judged that there has been a default on obligations. And if it is judged that there has been a default on obligations, then the assets will be treated as credit-impaired financial assets.

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

④ Derecognition of financial assets

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

(2) Non-derivative financial liabilities

① Initial recognition and measurement

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

② Subsequent measurements

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

③ Derecognition of financial liabilities

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

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	3-30 years

Furniture, equipment and vehicles 5 years

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

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 0.00–1.00% 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. Revenue recognition

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

H. 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.

I. 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

For gains and losses on hedges, effective portions are recognized as Other Comprehensive Income on the Consolidated Statement of Comprehensive Income, and non-effective portions are immediately recognized as Net Profit/Loss on the Consolidated Statement of Income.

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

J. Accounting treatment of consumption tax

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

K. Application of the consolidated taxation system

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

(6) Changes of group accounting policy

Application of IFRS 9: Financial Instruments

① Financial instruments: Classification and measurement

The Group began classifying equity instruments that previously were classified as "Available-for-sale financial assets" as "Financial assets measured at fair value through other comprehensive income" from the beginning of the consolidated fiscal year ending 31 August 2019.The Group has chosen not to apply the full retrospective application of IFRS 9 on the consolidated financial statements for the consolidated fiscal year ended 31 August 2018 in accordance with the transition provisions set out in IFRS 9.

② Financial instruments: Impairment

The Group has changed the recognition of impairment of financial assets measured at amortized cost to recognize a loss allowance for expected credit losses on those financial assets.

③ Financial instruments: Hedge accounting

The Group applies IFRS 9 hedge accounting standards and considers the fulfilment of specific hedge accounting requirements under IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 9 as incremental parts of a consistent hedge accounting policy.

Application of IFRS 15 "Revenue from Contracts with Customers"

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group as a global clothing retailer, recognizes revenue when it satisfies its performance obligation by transferring the promised goods to the customer. An asset is transferred when the customer obtains control of that asset. In addition, the Group recognizes revenue at the amount of the promised consideration that the customer would pay in accordance with a contract, less the sum of discounts, rebates and refunds or credits. In the current consolidated accounting year, applying the above-mentioned standards will cause no significant impact on the Group.

2 Notes to the Consolidated Statements of Financial Position

（1）Accumulated depreciation of property, plant and equipment

231,092 million yen

Accumulated impairment losses are included in accumulated depreciation.

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

871 million yen

（3） Contingent liabilities

Guarantees on loans payable to financial institutions

294 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 143,233 shares

（3）Dividends

A. Dividend paid

① Dividend approved by Board of Directors' Meeting held on 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

② Dividend approved at the Board of Directors' Meeting held on 11 April 2019:

- Total dividends 24,492,222 thousand yen
- Dividends per share 240yen
- Record date 28 February 2019
- Effective date 13 May 2019

B. Declaration date for dividend related to the year ended 31 August 2019 with an effective date in the following fiscal year

- Resolution date 5 November 2019
- Total dividends 24,494,816 thousand yen
- Dividends per share 240 yen
- Record date 31 August 2019
- Effective date 8 November 2019

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. The Group does not have excessively concentrated credit risk exposure to any single company or corporate group. As for deposits and guarantees, the Group mitigates risk by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health.

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 2019 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	62,398	63,982
Total	62,398	63,982

(Millions of yen)

Financial liabilities	Carrying amount	Fair value
Long-term borrowings (Note)	4,258	4,258
Corporate bonds	469,183	478,638
Lease obligations (Note)	38,726	38,595
Total	512,168	521,492

(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.

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

5 Per Share Information

Equity per share attributable to owners of the parent	9,196.61 yen
Basic earnings per share for the year	1,593.20 yen
Diluted earnings per share for the year	1,590.55 yen

6 Notes to Significant Subsequent Events

Not applicable.

Statement of Changes in Net Assets (Year ended 31 August 2019)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
As at 1 September 2018	10,273	4,578	4,816	9,395	818	185,100	268,286	454,204
Changes during the year								
Dividends	—	—	—	—	—	—	(48,976)	(48,976)
Profit	—	—	—	—	—	—	106,113	106,113
Acquisition of treasury stock	—	—	—	—	—	—		—
Disposal of treasury stock	—	—	1,519	1,519	—	—	—	—
Net changes of items other than those in shareholders' equity	—	—	—	—	—	—	—	—
Net changes during the year	—	—	1,519	1,519	—	—	57,136	57,136
As at 31 August 2019	10,273	4,578	6,335	10,914	818	185,100	325,423	511,341

	Shareholders' equity		Valuation and translation adjustments		Share sub-scription rights	Total net assets
	Treasury stock	Total share-holders' equity	Valuation differences on available-for-sale securities	Total valuation and translation adjustments		
As at 1 September 2018	(15,429)	458,445	(427)	(427)	5,211	463,229
Changes during the year						
Dividends	—	(48,976)	—	—	—	(48,976)
Profit	—	106,113	—	—	—	106,113
Acquisition of treasury stock	(2)	(2)	—	—	—	(2)
Disposal of treasury stock	159	1,697	—	—	—	1,697
Net changes of items other than those in shareholders' equity	—		(1,106)	(1,106)	769	(336)
Net changes during the year	157	58,813	(1,106)	(1,106)	769	58,476
As at 31 August 2019	(15,429)	517,258	(1,533)	(1,533)	5,981	521,706

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

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.

Allowances for Affiliated Company Operating Losses

To prepare for operating losses of affiliates, estimated losses are recorded, taking into account their financial positions.

(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 (Change of presentation method)

From the start of the current business year, we have been applying the “Partial Amendments to Accounting Standard for Tax Effect Account” (ASBJ Statement No. 28 of February 16, 2018; hereinafter referred to as the “Partial Amendments to Tax Effect Accounting Standard”), and the method we use has changed so that deferred tax assets are presented under the category of Investments & Other Assets, and deferred tax liabilities are presented under the category of Non-current Liabilities.

3 Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment

9,880 million yen

Accumulated impairment losses are included in accumulated depreciation.

(2) Payables and receivables for subsidiaries and associates

① Short-term receivables	48,201 million yen
② Short-term payables	35,580 million yen
③ Long-term payables	1,424 million yen

(3) Contingent liabilities

① Guarantee for office and retail store leases	50,452 million yen
② Guarantee on loans payable to financial institutions	10,472 million yen

4 Notes to Statement of Income

Transactions with subsidiaries and associates

Operating transactions	
Operating revenue	182,780 million yen
Operating expense	1,462 million yen
Non-operating transactions	44 million yen

5 Notes to Statement of Changes in Net Assets

Types and number of shares of treasury stock as at 31 August 2019

Class of Shares	Number of shares as at 31 August 2019 (shares)
Common stock	4,011,921

6 Notes to Deferred Tax

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

Deferred tax assets:

Provisions for bonuses	812 million yen
Depreciation	586 million yen
Loss on shares of subsidiaries and associates	50,736 million yen
Impairment losses	482 million yen
Allowance for doubtful accounts	321 million yen
Valuation differences on available-for-sale securities	765 million yen
Unused tax losses carried forward	3,638 million yen
Software	2,022 million yen
Others	4,905 million yen
Subtotal deferred tax assets	64,271 million yen
Valuation allowances for tax loss carryforwards	(3,638) million yen
Valuation allowances pertaining to the sum total of future deductible temporary differences etc.	(54,524) million yen
Valuation allowance	(58,163) million yen
Total deferred tax assets	6,107 million yen

Deferred tax liabilities:

Temporary differences on shares of subsidiaries	1,893 million yen
Others	830 million yen
Total deferred tax liabilities	2,723 million yen
Net deferred tax assets	3,384 million yen

7 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 2019
			(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 service fee etc. (Note 1)	25,133	Operating accounts receivables	11,424
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)	695	Short-term loans receivable from subsidiaries and associAtes	87,018
							Receipt of interest (Note 2)	2,662		
							Loan guarantee (Note 3)	44,954		
Subsidiary	FAST RETAILNG FRANCE S.A.S.	Paris, France	12,552	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Collection of funds (Note 2)	27,587	Short-term loans receivable from subsidiaries and associates	5,479
							Capital increase (Note 4)	19,496	Long-term loans receivable from subsidiaries and associates	3,678
Subsidiary	UNIQLO EUROPE LTD	London,UK	10,965	Clothing-related business	100.0	Relation of service rendering Interlocking directors	Lending of funds (Note 2)	14,833	Short-term loans receivable from subsidiaries and associates	6,500
									Long-term loans receivable from subsidiaries and associates	7,815
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)	24,119	Deposits received	26,753

Terms of business and how they are determined

Notes:

1. FAST RETAILING CO., LTD. receives payments as service fee for system service, etc. service 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.
4. Capital increase means making a full additional capital contribution to FAST RETAILNG FRANCE S.A.S.
5. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(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 2019
			(Millions of yen)		(%)			(Millions of yen)		(Millions of yen)
Company in which officers and close relatives hold a majority of voting rights	T T Y Management B.V. (Note: 1)	Amsterdam, Holland	71,826	Assets holdings, managing, etc.	5.2% are directly held	Rent of store properties by our subsidiary Serves concurrently as an officer	Provision of guarantee (Note: 2)	7,473	—	—

Terms of business and how they are determined

Notes:

1. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights.
2. Transaction amounts were determined based on the negotiation with the related party considering market prices.
3. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

8 Per Share Information

Net assets per share	5,053.07 yen
Net income per share for the year	1,039.87 yen
Diluted net income per share for the year	1,038.14 yen

9 Notes to Significant Subsequent Events

Not applicable