



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Year-end Report 2015/16

2015.9.1–2016.8.31

Stock Code: 6288

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Corporate Information

Board of Directors

Executive Director

Mr. Tadashi Yanai (*Chairman of the Board, President and Chief Executive Officer*)

Non-Executive Directors

Mr. Toru Murayama (*External Director*)

Mr. Takashi Nawa (*External Director*)

Independent Non-Executive Directors

Mr. Toru Hambayashi (*External Director*)

Mr. Nobumichi Hattori (*External Director*)

Mr. Masaaki Shintaku (*External Director*)

Statutory Auditors

Mr. Akira Tanaka (Kansayaku) (*Standing Statutory Auditor*)

Mr. Masaaki Shinjo (Kansayaku) (*Standing Statutory Auditor*)

Mr. Takaharu Yasumoto (Shagai Kansayaku) (*External Statutory Auditor*)

Mr. Akira Watanabe (Shagai Kansayaku) (*External Statutory Auditor*)

Ms. Keiko Kaneko (Shagai Kansayaku) (*External Statutory Auditor*)

Joint Company Secretaries

Japan: Mr. Mitsuru Ohki

Hong Kong: Ms. Choy Yee Man

Auditors

Ernst & Young ShinNihon LLC

Principal Banks

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mizuho Bank, Ltd.

The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama

Yamaguchi City

Yamaguchi 754-0894

Japan

Principal Place of Business in Japan

Midtown Tower 9-7-1

Akasaka Minato-ku

Tokyo 107-6231

Japan

Principal Place of Business in Hong Kong

702-706, 7th Floor, Miramar Tower,

No. 132 Nathan Road

Tsim Sha Tsui

Kowloon

Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Stock Code

Hong Kong: 6288

Japan: 9983

Website Address

<http://www.fastretailing.com>

Financial Highlights

(1) Consolidated Financial Summary

Term	International Financial Reporting Standards (“IFRS”)				
	Transition Date	52nd Year	53rd Year	54th Year	55th Year
Accounting Period	1 September 2012	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016
Revenue (Millions of yen)	—	1,142,971	1,382,935	1,681,781	1,786,473
Operating profit (Millions of yen)	—	134,101	130,402	164,463	127,292
Profit before income taxes (Millions of yen)	—	155,732	135,470	180,676	90,237
Profit attributable to owners of the parent (Millions of yen)	—	104,595	74,546	110,027	48,052
Comprehensive income attributable to owners of the parent (Millions of yen)	—	205,660	75,517	163,871	(139,372)
Equity attributable to owners of the parent (Millions of yen)	391,456	570,428	618,381	750,937	574,501
Total assets (Millions of yen)	604,397	901,208	992,307	1,163,706	1,238,119
Equity per share attributable to owners of the parent (Yen)	3,843.30	5,598.12	6,067.40	7,366.07	5,634.35
Basic earnings per share for the year (Yen)	—	1,026.68	731.51	1,079.42	471.31
Diluted earnings per share for the year (Yen)	—	1,025.75	730.81	1,078.08	470.69
Ratio of equity attributable to owners of the parent to total assets (%)	64.8	63.3	62.3	64.5	46.4
Ratio of profit to equity attributable to owners of the parent (%)	—	21.7	12.5	16.1	7.3
Price earnings ratio (times)	—	31.1	44.5	45.6	77.1
Net cash from operating activities (Millions of yen)	—	99,474	110,595	134,931	98,755
Net cash used in investing activities (Millions of yen)	—	(62,584)	(56,323)	(73,145)	(245,939)
Net cash used in financing activities (Millions of yen)	—	(24,226)	(44,060)	(41,784)	201,428
Cash and cash equivalents at end of the year (Millions of yen)	266,023	296,708	314,049	355,212	385,431
Number of employees: (Separate, average number of temporary employees) (persons)	18,854 (19,485)	23,982 (23,535)	30,448 (25,705)	41,646 (27,219)	43,639 (26,282)

- (Notes) 1. Revenue does not include consumption taxes, etc.
2. The Group started to prepare the consolidated financial statements for the year ended 31 August 2014 in accordance with IFRS.

Term	Generally Accepted Accounting Principles in Japan ("JGAAP")		
	51st Year	52nd Year	53rd Year
Accounting period	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014
Net sales (Millions of yen)	928,669	1,143,003	1,382,907
Ordinary income (Millions of yen)	125,212	148,979	156,828
Net income (Millions of yen)	71,654	90,377	78,118
Comprehensive income (Millions of yen)	96,501	205,329	82,066
Total net assets (Millions of yen)	394,892	579,591	626,581
Total assets (Millions of yen)	595,102	885,800	977,609
Equity per share (Yen)	3,797.04	5,489.86	5,958.54
Basic net income per share (Yen)	703.62	887.12	766.55
Diluted net income per share (Yen)	703.06	886.31	765.82
Equity ratio (%)	65.0	63.2	62.1
Earnings on equity (%)	20.4	19.1	13.4
Price earnings ratio (times)	26.0	36.0	42.5
Net cash from operating activities (Millions of yen)	127,643	99,439	111,399
Net cash used in investing activities (Millions of yen)	(35,313)	(63,901)	(63,574)
Net cash used in financing activities (Millions of yen)	(29,056)	(23,945)	(38,014)
Cash and cash equivalents at end of year (Millions of yen)	266,020	295,622	313,746
Number of employees:	18,854	23,982	30,448
(Separate, average number of temporary employees) (Persons)	(19,485)	(23,535)	(25,705)

- (Notes)
1. Net sales do not include consumption taxes, etc.
 2. The financial figures for the 53rd year prepared in accordance with JGAAP are not audited pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

(2) Non-Consolidated Financial Summary

Term	51st Year	52nd Year	53rd Year	54th Year	55th Year
Accounting period	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016
Operating revenue (Millions of yen)	78,454	91,570	77,438	119,071	99,289
Ordinary income (Millions of yen)	54,982	76,569	46,921	89,245	9,270
Net income (Millions of yen)	55,956	68,776	23,336	70,227	6,084
Capital stock (Millions of yen)	10,273	10,273	10,273	10,273	10,273
Total number of shares issued (shares)	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656
Total net assets (Millions of yen)	284,314	335,754	332,255	376,007	345,773
Total assets (Millions of yen)	322,589	370,110	385,113	410,009	631,086
Equity per share (Yen)	2,783.97	3,286.26	3,243.97	3,662.28	3,355.83
Dividends per share (Figures in parentheses indicate interim dividends) (Yen)	260.00 (130.00)	290.00 (140.00)	300.00 (150.00)	350.0 (175.00)	350.0 (185.00)
Basic net income per share (Yen)	549.48	675.09	228.99	688.96	59.68
Diluted net income per share (Yen)	549.04	674.48	228.77	688.11	59.60
Equity ratio (%)	87.9	90.5	85.9	91.1	54.2
Earnings on equity (%)	21.0	22.2	7.0	20.0	1.7
Price earnings ratio (times)	33.2	47.3	142.1	71.5	608.9
Dividend ratio (%)	47.3	43.0	131.0	50.8	586.5
Number of employees: (Separate, average number of temporary employees) (Persons)	781 (84)	924 (103)	1,088 (114)	1,234 (119)	1,131 (126)

(Note) Operating revenue does not include consumption taxes, etc.

Corporate Profile

1. History

In March 1949, Hitoshi Yanai, the father of our current Chairman, President and CEO Tadashi Yanai, founded Men's Shop Ogori Shoji in Ube City, Yamaguchi Prefecture. To solidify the management foundation, the business later became incorporated in May 1963 under the name Ogori Shoji Co., Ltd.

In June 1984, the Fukuromachi Store, a store specializing in casual clothing, opened its doors in Hiroshima City, Hiroshima Prefecture as the first UNIQLO.

The Company's history:

Date	Summary
May 1963	Tadashi Yanai takes over the family business and transforms it into Ogori Shoji Co., Ltd., capitalized at 6 million yen, with headquarters at 63-147 Ogushi Village, Ube City, Yamaguchi Prefecture (now 2-12-12 Chuo-cho, Ube City, Yamaguchi Prefecture).
June 1984	UNIQLO's first location, the Fukuromachi Store, opens in Hiroshima (closed in 1991), marking the move into casual wear retailing with stores named UNIQLO.
September 1991	Ogori Shoji Co., Ltd. changes its name to FAST RETAILING CO., LTD., to embody the guideline of conduct.
April 1992	The main OS store, selling men's wear, is converted to the UNIQLO Onda store (closed in 2001). All the stores are completely renovated as a casual wear store matching the UNIQLO brand.
April 1994	The number of UNIQLO stores in Japan rises above 100 (109 directly operated stores, 7 franchises).
July 1994	FAST RETAILING CO., LTD. lists its shares on the Hiroshima Stock Exchange.
April 1997	FAST RETAILING CO., LTD. lists its shares on the second section of the Tokyo Stock Exchange.
February 1998	Construction of the head office is finished (717-1 Sayama, Yamaguchi City, Yamaguchi Prefecture) to expand the company's headquarters capacity.
November 1998	The first urban UNIQLO store opens in Shibuya-ku, Tokyo (UNIQLO Harajuku store, closed in 2007).
February 1999	FAST RETAILING CO., LTD. lists its shares on the first section of the Tokyo Stock Exchange.
April 1999	UNIQLO Shanghai office opens to further enhance production management.
April 2000	Tokyo headquarter opens in Shibuya-ku, Tokyo
June 2000	Ties up with East Japan Railway Company (JR East) and JR East Japan Kiosk to offer UNIQLO products through shops in JR East stations in Tokyo area, to raise consumer exposure to our products and make shopping more convenient for our customers.
October 2000	Online store opens for business to open a new sales channel and make shopping easier for our customers.
September 2001	FAST RETAILING (U.K) LTD. opens first four overseas UNIQLO stores in London.
September 2002	Fast Retailing (Jiangsu) Apparel Co., Ltd. opens first two UNIQLO China stores in Shanghai.
August 2003	UNIQLO (U.K.) LIMITED (now UNIQLO EUROPE LIMITED) establishes as successor to FAST RETAILING (U.K) LTD.
January 2004	FAST RETAILING CO., LTD. invests in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), the developer of Theory brand career apparel.
August 2004	Capital reserves of ¥7 billion integrated into capital, increasing total capital to ¥10.273 billion.
November 2004	Establishment of UNIQLO USA, Inc.
December 2004	Establishment of FRL Korea Co., Ltd., a business venture with South Korea's Lotte Shopping Co., Ltd.
March 2005	Establishment of UNIQLO HONG KONG, LIMITED.
April 2005	Establishment of FR FRANCE S.A.S. (now FAST RETAILING FRANCE S.A.S.) and GLOBAL RETAILING FRANCE S.A.S. (now UNIQLO EUROPE LIMITED).
May 2005	Acquires management control of Nelson Finance S.A.S. (now CRÉATIONS NELSON S.A.S.), the developer of the Comptoir des Cotonniers brand, and makes it a subsidiary.
November 2005	Adopts a holding company structure to reinforce the UNIQLO brand and develop new business opportunities.
February 2006	Makes equity investment in, and makes a subsidiary of, PETIT VEHICULE S.A.S., developer of PRINCESSE TAM.TAM, a well-known brand of lingerie in France.
March 2006	Establishes G.U. CO., LTD. to manage a new brand of less-expensive casual clothing to follow UNIQLO.

Date	Summary
November 2006	UNIQLO Soho New York Store opens as the brand's first global flagship store, with over 3,300 square meters of floor space.
March 2007	UNIQLO opens the Kobe Harborland Store (closed in 2013), the first large-format store with over 3,300 square meters of floor space in Japan.
November 2007	UNIQLO 311 Oxford Street Store opens in London as the brand's first global flagship store in Europe.
December 2007	First UNIQLO France store opens in the Paris suburbs La Defense.
August 2008	UNIQLO establishes a business venture with Wing Tai Retail Pte. Ltd. to expand in Singapore.
March 2009	LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.) becomes a subsidiary through a takeover bid.
March 2009	UNIQLO signs a design consulting contract for its products with world-renowned fashion designer Jil Sander.
April 2009	First UNIQLO Singapore store opens in the Tampines 1 Mall.
October 2009	UNIQLO Paris Opera Store opens in France as a global flagship store.
March 2010	UNIQLO establishes a wholly owned subsidiary in Taiwan.
April 2010	First UNIQLO Russia store, UNIQLO Atrium, opens in Moscow.
May 2010	UNIQLO Shanghai West Nanjing Road Store opens in China as a global flagship store.
October 2010	UNIQLO Shinsaibashi Store in Osaka opens as the first UNIQLO global flagship store in Japan.
October 2010	First GU flagship store opens in Shinsaibashi, Osaka.
October 2010	First UNIQLO Taiwan store opens in Taipei.
November 2010	First UNIQLO Malaysia store opens in Kuala Lumpur.
February 2011	FAST RETAILING CO., LTD. launches a global partnership agreement with the United Nations High Commissioner for Refugees (UNHCR) to further reinforce ongoing company initiatives such as the All-Product Recycling Initiative.
March 2011	Donates UNIQLO and GU clothing to sufferers of the Great East Japan Earthquake.
September 2011	First UNIQLO Thailand store opens in Bangkok.
September 2011	UNIQLO Mingyao Department Store opens in Taipei, Taiwan as a global flagship store.
October 2011	UNIQLO Fifth Avenue Store opens in New York as a global flagship store.
November 2011	UNIQLO Myeongdong Central Store opens in Seoul, Korea as a global flagship store.
March 2012	UNIQLO Ginza Store opens in Tokyo as a global flagship store.
June 2012	First UNIQLO Philippines store opens in Manila.
September 2012	BICQLO Shinjuku East Exit Store opens in Tokyo as a global hotspot store.
October 2012	First UNIQLO store on the West Coast of the United States opens in San Francisco, Union Square.
December 2012	FAST RETAILING CO., LTD. acquires majority control of J Brand Holdings, LLC, a leading contemporary fashion brand based in Los Angeles, California.
April 2013	UNIQLO Lee Theatre opens in Hong Kong as a global flagship store.
June 2013	UNIQLO Lotte Shopping Avenue Store opens as the first UNIQLO Store in the Republic of Indonesia.
September 2013	UNIQLO global flagship store opens in Shanghai.
September 2013	First GU overseas store opens in Shanghai.
March 2014	HDRs (Hong Kong Depository Receipts) listed on the Main Board of The Stock Exchange of Hong Kong Limited.
March 2014	UNIQLO global hotspot store opens in Ikebukuro, Sunshine 60.
April 2014	First UNIQLO Australia store opens in Melbourne.
April 2014	First UNIQLO Germany store opens in Berlin, Tauenzienstrasse as a global flagship store.
April 2014	UNIQLO global hotspot store opens in Tokyo, Okachimachi district.
October 2014	UNIQLO global hotspot store opens in Tokyo, Kichijoji.
October 2014	UNIQLO global flagship store, UNIQLO OSAKA, opens.
April 2015	Establishes ON HAND CO., LTD. together with Daiwa HouseIndustry Co., Ltd. to promote the next-generation logistics business.

Date	Summary
September 2015	Establishes Wearex Co., Ltd. together with Accenture Japan Ltd. to accelerate the introduction of advanced IT systems.
October 2015	First UNIQLO Belgium store opens in Antwerp.
October 2015	UNIQLO USA opens its first Midwest store, the UNIQLO Michigan Avenue Store in Chicago.
December 2015	Fast Retailing issues ¥250 billion in unsecured straight bonds.
March 2016	The newly refurbished 311 Oxford Street global flagship store opens in London.
April 2016	Construction completed on state-of-the-art distribution center in Ariake, Tokyo.

2. Our Business

The Group consists of FAST RETAILING CO., LTD. (the “Company”), 120 consolidated subsidiaries and 1 associate accounted for using the equity-method.

Details of the Group’s businesses as well as the positioning of the Company and its main affiliates relative to the businesses are as follows.

The segment categories in this section of the report are the same as the segment categories in the section headed “FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements”.

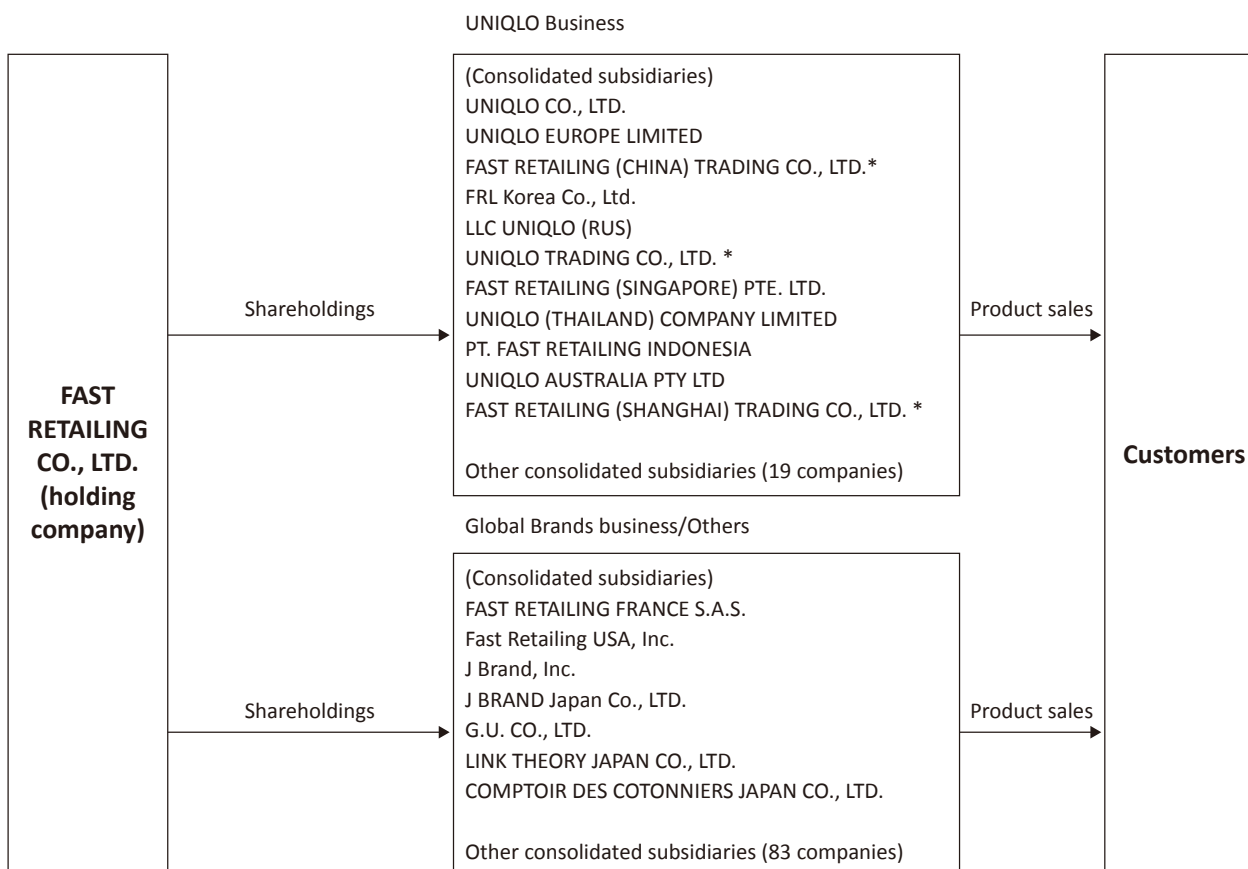
Category	Company name	Reportable Segment
Holding company	FAST RETAILING CO., LTD.	Others
Main consolidated subsidiaries	UNIQLO CO., LTD. (consolidated subsidiary)	UNIQLO Japan
	UNIQLO EUROPE LIMITED (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (CHINA) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FRL Korea Co., Ltd. (consolidated subsidiary)	UNIQLO International
	LLC UNIQLO (RUS) (consolidated subsidiary)	UNIQLO International
	UNIQLO TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SINGAPORE) PTE. LTD. (consolidated subsidiary)	UNIQLO International
	UNIQLO (THAILAND) COMPANY LIMITED (consolidated subsidiary)	UNIQLO International
	PT. FAST RETAILING INDONESIA (consolidated subsidiary)	UNIQLO International
	UNIQLO AUSTRALIA PTY LTD (consolidated subsidiary)	UNIQLO International
	FAST RETAILING (SHANGHAI) TRADING CO., LTD.* (consolidated subsidiary)	UNIQLO International
	FAST RETAILING FRANCE S.A.S. (consolidated subsidiary)	Global Brands
	Fast Retailing USA, Inc. (consolidated subsidiary)	UNIQLO International/ Global Brands
	J Brand, Inc. (consolidated subsidiary)	Global Brands
	J BRAND Japan Co., LTD. (consolidated subsidiary)	Global Brands
	G.U. CO., LTD. (consolidated subsidiary)	Global Brands
	LINK THEORY JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
	COMPTOIR DES COTONNIERS JAPAN CO., LTD. (consolidated subsidiary)	Global Brands
Other consolidated subsidiaries (102 companies)	UNIQLO International/ Global Brands/Others	
Associate accounted for using the equity-method	Other associate accounted for using the equity-method (1 company)	Others

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

- (Notes)
1. “UNIQLO” business means the retail business of UNIQLO brand casual apparel in Japan and overseas.
 2. “Global Brands” business means the planning, retail and manufacturing of apparel in Japan and overseas.
 3. One associate is accounted for using the equity-method, which was an investment corporation was invested by the Company in June 2016, for the purpose of distribution facilities ownership.
 4. “Others” includes real estate leasing businesses.
 5. The Company corresponds to a specified listed company, etc. as stipulated in Article 49-2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions. As a result, assessment of the minimal standard for material facts under the insider trading regulations is based on the consolidated numerical data.

Organizational structure is as follows:

Business Structure



* The English names of all subsidiaries established in PRC are translated for identification only.

3. Subsidiaries and Associates

Name	Location	Nominal value of issued ordinary/registered share capital (Thousands)	Details of main businesses	Ownership Ratio of Voting Rights	Relationship	
					Common directors (Number of persons)	Capital/operational ties
(Consolidated subsidiaries)						
UNIQLO CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY1,000,000	UNIQLO Japan	100.0%	3	—
UNIQLO EUROPE LIMITED	London, United Kingdom	GBP40,000	UNIQLO International	100.0%	1	Bond guarantees
FAST RETAILING (CHINA) TRADING CO., LTD.*	Shanghai, PRC	USD20,000	UNIQLO International	100.0%	2	—
FRL Korea Co., Ltd.	Seoul Special City, South Korea	KRW24,000,000	UNIQLO International	51.0%	1	—
LLC UNIQLO (RUS)	Moscow, Russian Federation	RUB1,310,010	UNIQLO International	100.0%	—	Loans
UNIQLO TRADING CO., LTD.*	Shanghai, PRC	USD30,000	UNIQLO International	100.0%	2	—
FAST RETAILING (SINGAPORE) PTE. LTD.	Republic of Singapore	SGD86,000	UNIQLO International	100.0%	1	—
UNIQLO (THAILAND) COMPANY LIMITED	Bangkok, Kingdom of Thailand	THB800,000	UNIQLO International	75.0% (75.0%)	—	—
PT. FAST RETAILING INDONESIA	Jakarta, Republic of Indonesia	IDR115,236,000	UNIQLO International	75.0% (75.0%)	—	—
UNIQLO AUSTRALIA PTY LTD	Melbourne, Australia	AUD21,000	UNIQLO International	100.0% (100.0%)	—	Loans
FAST RETAILING (SHANGHAI) TRADING CO., LTD.*	Shanghai, PRC	USD35,000	UNIQLO International	100.0%	2	—
FAST RETAILING FRANCE S.A.S.	Paris, France	EUR169,525	Global Brands	100.0%	1	Bond guarantees Loans
Fast Retailing USA, Inc.	New York, United States of America	USD30,000	UNIQLO International/ Global Brands	100.0%	1	Bond guarantees Loans
J Brand, Inc.	California, United States of America	USD394,248	Global brands	100.0% (100.0%)	1	—
J Brand Japan Co., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	—	Loans
G.U. CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	1	—
LINK THEORY JAPAN CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY10,000	Global brands	100.0%	2	—
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	Yamaguchi City, Yamaguchi Prefecture	JPY33,775	Global brands	100.0% (100.0%)	—	—
Other consolidated subsidiaries (102 companies)	—	—	—	—	—	—
Other associate accounted for using the equity-method (1 company)	—	—	—	—	—	—

* The English names of all subsidiaries established in the PRC are translated for identification only.

- (Notes)
- The information given in the “Details of main businesses” column is the name of the business segment.
 - UNIQLO CO., LTD., UNIQLO EUROPE LIMITED, FAST RETAILING (China) TRADING CO., LTD., FRL Korea Co., Ltd., LLC UNIQLO (RUS), UNIQLO TRADING CO., LTD., FAST RETAILING (SINGAPORE) PTE. LTD., UNIQLO (THAILAND) COMPANY LIMITED, PT. FAST RETAILING INDONESIA, UNIQLO AUSTRALIA PTY LTD, FAST RETAILING (SHANGHAI) TRADING CO. LTD., FAST RETAILING FRANCE S.A.S., Fast Retailing USA, Inc., and J Brand, Inc. are specified subsidiaries.
 - Figures in parentheses in the “Ownership Ratio of Voting Rights” column indicate the ratio of voting rights held by the Group’s subsidiary.

4. Net sales (excluding internal sales between other member companies of consolidated group) of UNIQLO CO., LTD. and FAST RETAILING (CHINA) TRADING CO., LTD. are greater than 10% of consolidated revenue. Key elements of profit/loss for the year ended 31 August 2016 are as below.

UNIQLO CO., LTD.

(1) Revenue	799,817 million yen
(2) Profit before income taxes	91,880 million yen
(3) Net profit	61,730 million yen
(4) Net assets	140,026 million yen
(5) Total assets	337,434 million yen

FAST RETAILING (CHINA) TRADING CO., LTD

(1) Revenue	213,565 million yen
(2) Profit before income taxes	26,464 million yen
(3) Net profit	19,689 million yen
(4) Net assets	55,468 million yen
(5) Total assets	104,954 million yen

GU CO., LTD.

(1) Revenue	183,212 million yen
(2) Profit before income taxes	22,785 million yen
(3) Net profit	14,842 million yen
(4) Net assets	5,715 million yen
(5) Total assets	76,714 million yen

4. Employees

(1) The Group

As at 31 August 2016

Name of segment	Number of employees (Persons)
UNIQLO Japan	13,233 (11,756)
UNIQLO International	22,186 (8,730)
Global brands	6,009 (5,606)
Total for reportable segments	41,428 (26,092)
Others	1,080 (64)
All companies (shared)	1,131 (126)
Total	43,639 (26,282)

- (Notes)
1. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
 2. The number of junior employees and part-time workers is stated as a separate number in parentheses as the average number of people per year was calculated based on an eight-hour workday per person.
 3. The number of employees given as "All companies (shared)" represents administrative employees who could not be categorized in a specific business segment.
 4. Hiring of employees for new stores was the main reason for the increase in the number of employees during the year ended 31 August 2016.

(2) The Company

As at 31 August 2016

Number of employees (persons)	Average age (years, months)	Average number of years with the Company	Average annual wages (thousands of yen)
1,131 (126)	37 years and 4 months	4 years and 4 month	7,644

- (Notes)
1. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
 2. The number of junior employees and part-time workers stated in parentheses represented the number of persons calculated based on an eight-hour workday per person.
 3. Figures for average annual wages include bonuses and other non-standard payments.
 4. All of the Company's employees are categorized as "All companies (shared)".

(3) Status of labor unions

There are no labor unions at the Company, but unions have been formed at some subsidiary companies. Management-labor relations have been smooth, and there are no items of note to report.

Management Discussion and Analysis

1. Business Results

(1) Analysis of Business Results for the year ended 31 August 2016

The Fast Retailing Group reported a rise in revenue but a fall in profit in fiscal year 2016, the full financial year from 1 September 2015 to 31 August 2016. Consolidated revenue reached ¥1.7864 trillion (+6.2% year-on-year), while consolidated operating profit totaled ¥127.2 billion (-22.6% year-on-year), and profit attributable to owners of the parent totaled ¥48.0 billion (-56.3% year-on-year). There were multiple reasons for this considerable fall in profit attributable to owners of the parent: Under other expenses, we recorded a foreign exchange loss for fiscal year 2016 of ¥11.0 billion, a ¥13.8 billion impairment loss at our J Brand premium denim brand, and a total of ¥9.3 billion in impairment losses along with assets retirement and store-closure losses relating to some stores at UNIQLO Japan and UNIQLO USA. In addition, the appreciation in the yen over the full financial year ended 31 August 2016 reduced the value of our long term foreign-currency holdings in terms of yen, resulted in a ¥36.9 billion foreign exchange loss being recorded under finance costs.

While consolidated operating profit declined 22.6% over the full financial year, we did experience a significant 94.3% year-on-year rebound in operating in profit in the second half financial year (1 March 2016 – 31 August 2016), thanks to a recovery in sales at UNIQLO Japan and UNIQLO International, and a concerted cost-cutting drive.

The Group's medium-term vision is to become the world's number one Information Powered Retail Business. To this aim, we are focusing our efforts on expanding UNIQLO INTERNATIONAL's operations and our low-priced GU casual fashion brand. We continue to boost UNIQLO store numbers in each country where we operate, opening global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. In addition, we also intend to expand GU operations, which has grown into a second pillar brand for the Group alongside UNIQLO, by opening more GU stores within Japan and accelerating the brand's development and store numbers in overseas markets.

The Group is also pressing ahead with medium-term plans to revolutionize our supply chain, unifying all procedures from raw materials procurement, planning, design, manufacturing and retail into a new supply chain system that can fully satisfy the needs of today's digital era. We are looking to transform our industry into an "information-driven manufacturer/retail business," capable of both immediately incorporating feedback from customer into products, and actively conveying the latest information on lifestyles, fashion trends, and exciting but comfortable modern clothing. We are also expanding our e-commerce operation and transforming our distribution systems, as illustrated by the launch of the next-generation distribution center in Ariake, Tokyo in April 2016. Next, we intend to open similar new distribution centers elsewhere in Japan, and internationally in China, Europe and the North America.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue but a fall in operating profit in fiscal year 2016, with revenue totaling ¥799.8 billion (+2.5% year-on-year) and operating profit totaling ¥102.4 billion (-12.6% year-on-year). Full-year revenue was supported by a 0.9% year-on-year rise in same-store sales and a buoyant 30.1% year-on-year increase in e-commerce. The 12.6% year-on-year decline in full-year operating profit was due largely to a 1.4 point contraction in the gross profit margin, and a 0.5 point increase in selling, general and administrative expense ratios.

However, UNIQLO Japan operating profit recovered strongly in the second half financial year to report a healthy 38.0% year-on-year increase. Same-store sales expanded 4.9% year-on-year in the second half financial year, thanks to strong sales of trendy items such as jogger pants, skants and women's blouses, and a strong performance by sport campaign items made from AIRism and DRY antiperspiration high-function materials. The gross profit margin also improved in the second half, as the strategy to offer products at attractive, readily recognizable price levels every day of the week started to bear fruit, and cost-cutting efforts improved selling, general and administrative expense ratios.

UNIQLO International

UNIQLO International also reported a rise in revenue and a fall in operating profit in the fiscal year 2016, with revenue rising 8.6% year on-year to ¥655.4 billion and operating profit contracting 13.7% year-on-year to ¥37.4 billion. However, operating profit improved greatly in the second half financial year and reported 15-fold increase than the previous year, thanks to marked improvements in profitability in Greater China (the area spanning mainland China, Hong Kong and Taiwan), Southeast Asia and Oceania, and Europe.

Breaking down UNIQLO International's full-year performance by region, UNIQLO Greater China generated revenue of ¥332.8 billion (+9.3% year-on-year) in fiscal year 2016 and operating profit of ¥36.5 billion (-5.5% year-on-year). While full-year operating profits declined at UNIQLO Greater China, the operation reported a much stronger-than-expected recovery in profitability in the second half financial year. That was due mainly to a strong profit increase in mainland China, driven by a rebound in same-store sales from the second quarter onwards and an effective cost-cutting drive. Meanwhile, UNIQLO Southeast Asia and Oceania, and Europe reported rising revenue and profits in fiscal year 2016. Across the Pacific, while second-half business conditions improved, UNIQLO USA reported an expanded operating loss for fiscal year 2016 after accounting ¥7.4 billion impairment losses related to asset retirement and store closures.

Finally, UNIQLO International has opened a series of prominent stores over the past 12 months, including the first UNIQLO stores in Belgium in October 2015, and the first stores in Canada in September 2016. In March 2016, UNIQLO International opened the avidly awaited refurbished 311 Oxford Street global flagship store, and, in September 2016, opened the first global flagship store in Southeast Asia; the UNIQLO Orchard Central Store in Singapore. As of 31 August 2016, the total number of UNIQLO International stores had expanded by 160 year-on-year to 958 stores.

Global Brands

Global Brands also reported a rise in revenue but a fall in operating profit in fiscal year 2016. Revenue expanded 11.3% year-on-year to ¥328.5 billion. Operating profit contracted 34.0% year-on-year to ¥9.5 billion following the recording of a ¥13.8 billion impairment loss on J Brand and other operations. Within the Global Brands segment, GU reported an overwhelmingly strong performance, generating significant rises in both revenue and operating profit. GU revenue expanded by an impressive 32.7% year-on-year to ¥187.8 billion, and operating profit expanded 34.8% to ¥22.2 billion. GU same-store sales recorded a double-digit gain on the back of strong sales of trendy women's knitwear, skants and wide pants. The number of GU stores increased by a net 31 stores year-on-year to 350 stores (including 10 stores overseas) at the end of 31 August 2016.

In terms of other Global Brands labels, Comptoir des Cottonniers reported its first full-year loss in fiscal 2016. Princesse tam.tam and J Brand generated persistent losses, while our Theory label reported expanded operating profits in fiscal year 2016.

Corporate Social Responsibility ("CSR") Activities

The basic policy underlying the Group's CSR activities consists of fulfilling our social responsibility, contributing to communities, addressing social issues and creating new value, both globally and locally.

Through our All-Product Recycling Initiative, we have donated a total of 20.3 million items of clothing collected at UNIQLO and G.U. stores (from FY2007 to FY2016) to refugees and displaced persons in partnership with the UNHCR (United Nations High Commissioner for Refugees). This fiscal year, we sent 580,000 items to refugee camps in Uganda and 540,000 items to refugee camps in Rwanda.

The Batik Motif Collection, which incorporates traditional Indonesian patterns, went on sale at Uniqlo stores worldwide in June 2016, and a portion of the profits were used to support the education of approximately 12,000 people who work at the Indonesian factories of the Group's suppliers. This initiative, called the Factory Worker Empowerment Project, began in Bangladesh in 2015 and has been expanded to Indonesia with the aim of improving the hygiene and health of the factory workers there.

The Power of Clothing Project is an initiative that brings the All-Product Recycling Initiative to schools, with the goal of increasing the awareness of refugee issues among students. In fiscal 2016, which was the project's 4th year of operation, around 30,000 students participated from 268 schools in Japan. After a presentation from Fast Retailing employees on the role of clothing and issues facing refugees, the children take the lead and conduct their own clothing drive, and Fast Retailing donates the collected items to refugee camps.

(2) Cash Flows Information

Cash and cash equivalents (hereinafter referred to as “funds”) as at 31 August 2016 were ¥385.4 billion, which was an increase of ¥30.2 billion from the end of the preceding consolidated fiscal year.

(Operating Cash Flows)

Net cash from operating activities for the year ended 31 August 2016 was ¥98.7 billion, which was a decrease of ¥36.1 billion (-26.8 % year-on-year) from the year ended 31 August 2015. The principal factors were ¥90.2 billion in profit before income taxes (a decrease of ¥90.4 billion from the year ended 31 August 2015) and ¥36.9 billion increase in Foreign exchange losses (an increase of ¥52.0 billion from the year ended 31 August 2015).

(Investing Cash Flows)

Net cash used in investing activities for the year ended 31 August 2016 was ¥245.9 billion, which was an increase of ¥172.7 billion (+236.2 % year-on-year) from the year ended 31 August 2015. The principal factors were ¥186.5 billion for increase in bank deposits with maturity over 3 months (an increase of ¥170.3 billion from the year ended 31 August 2015).

(Financing Cash Flows)

Net cash from financing activities for the year ended 31 August 2016 was ¥201.4 billion, which was an increase of ¥243.2 billion from the year ended 31 August 2015. The principal factor was ¥249.3 billion for proceeds from issuance of corporate bonds (an increase of ¥249.3 billion from the year ended 31 August 2015).

(3) Parallel Disclosure

Items concerning differences between the main items in consolidated financial statements prepared under IFRS and consolidated financial statements prepared under JGAAP.

Reclassification

Items stated under non-operating income, non-operating expenses, extraordinary gains, and extraordinary losses under JGAAP have been reclassified under IFRS; presented as finance income, finance costs, other expenses, other income, or selling, general and administrative expenses.

Adjustment to amortization of goodwill

Under JGAAP, goodwill was amortized over an estimated amortization period. Under IFRS, this amortization ceased on the transition date.

As a result, under IFRS, amortization of goodwill (selling, general and administrative expenses) decreased by 1,899 million yen in the year ended 31 August 2016 and 3,680 million yen in the year ended 31 August 2015, and impairment losses (other expenses) increased by 962 million yen in the year ended 31 August 2016 and 1,420 million yen in the year ended 31 August 2015, compared with those under JGAAP.

Adjustment to exchange differences on monetary financial instruments denominated in foreign currencies

Under JGAAP, foreign exchange translation differences on monetary financial instruments denominated in foreign currencies are recorded as unrealized gains or losses on available-for-sale securities under net assets. Under IFRS, these exchange differences are treated as foreign exchange gains or losses.

As a result, under IFRS, foreign exchange translation differences (other income) increased by 1,678 million yen in the year ended 31 August 2016 and 5,595 million yen in the year ended 31 August 2015, compared with those under JGAAP.

Adjustment to impairment losses of non-current assets

Under JGAAP, when there are indications that asset impairment is required, an assessment is made of the extent of the asset impairment (by comparing book value with the value of future cash flows, before discounting). After that, a measurement is made of asset-impairment losses (by comparing book value with recoverable value). Under IFRS, when there are indications that asset impairment is required, the recoverable value of the fixed asset(s) is estimated, and if the estimated recoverable value is less than the book value, then a measurement is made of the asset impairment loss, either of the asset or the cash generating unit group.

As a result, under IFRS, impairment losses increased by 2,394 million yen in the year ended 31 August 2016 and 2,232 million yen in the year ended 31 August 2015, compared with those under JGAAP.

2. Summary of Revenue and Purchasing

(1) Revenue, by division

Division	Year ended 31 August 2015 (From 1 September 2014 to 31 August 2015)		Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)	
	Revenue (Millions of yen)	Percentage of total (%)	Revenue (Millions of yen)	Percentage of total (%)
Men's clothing	314,587	18.7	319,997	17.9
Women's clothing	371,127	22.1	379,837	21.3
Children's & Baby's clothing	56,526	3.4	55,005	3.1
Goods and other items	19,429	1.1	20,935	1.2
Total sales of UNIQLO Japan	761,671	45.3	775,773	43.5
Franchise related income & alteration charges	18,467	1.1	24,044	1.3
Total UNIQLO Japan Operations	780,139	46.4	799,817	44.8
UNIQLO International Operations	603,684	35.9	655,406	36.7
Total UNIQLO Operations	1,383,824	82.3	1,455,224	81.5
Global Brands Operations	295,316	17.6	328,557	18.4
Other Operations	2,641	0.1	2,691	0.1
Total	1,681,781	100.0	1,786,473	100.0

- (Notes)
1. "Franchise related income" refers to the proceeds from garment sales to franchise stores and royalty income. "Alteration charges" refers to income generated from embroidery prints and alterations to pants length.
 2. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
 3. "Global Brands Operations" consists of GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing), Comptoir des Cotonniers operation (selling of Comptoir des Cotonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing) and J Brand operation (selling of J BRAND brand clothing).
 4. "Other Operations" includes real-estate leasing business, etc.
 5. The above amounts do not include consumption taxes, etc.

(2) Revenue by region

Region		Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
UNIQLO Japan store sales of products	Hokkaido	25,753	101.2	1.4	29
	Aomori	5,708	102.0	0.3	9
	Iwate	5,037	98.9	0.3	8
	Miyagi	12,418	100.9	0.7	14
	Akita	3,933	101.1	0.2	7
	Yamagata	5,030	102.9	0.3	8
	Fukushima	8,613	97.9	0.5	10
	Ibaraki	14,678	99.0	0.8	16
	Tochigi	10,251	99.7	0.6	14
	Gunma	11,207	90.6	0.6	18
	Saitama	39,039	98.1	2.2	44
	Chiba	33,461	99.8	1.9	41
	Tokyo	124,522	101.2	7.0	98
	Kanagawa	60,657	103.0	3.4	58
	Niigata	11,730	104.3	0.7	12
	Toyama	4,569	83.8	0.3	6
	Ishikawa	5,991	103.0	0.3	7
	Fukui	4,132	103.8	0.2	5
	Yamanashi	4,694	99.4	0.3	5
	Nagano	10,455	100.0	0.6	11
	Gifu	10,067	101.4	0.6	11
	Shizuoka	20,838	99.1	1.2	24
	Aichi	41,761	100.1	2.3	43
	Mie	9,277	100.4	0.5	10
	Shiga	7,602	106.1	0.4	10
	Kyoto	17,727	102.0	1.0	20
	Osaka	65,322	103.4	3.7	72
	Hyogo	33,509	99.6	1.9	34
	Nara	7,057	96.5	0.4	9
	Wakayama	2,212	99.5	0.1	3
	Tottori	3,009	98.9	0.2	3
	Shimane	504	101.6	0.0	1
	Okayama	8,855	94.9	0.5	9
	Hiroshima	14,507	102.4	0.8	17
	Yamaguchi	3,664	99.1	0.2	5
	Tokushima	3,834	98.2	0.2	5
	Kagawa	4,924	99.7	0.3	6
	Ehime	5,126	100.2	0.3	7
	Kochi	3,605	97.2	0.2	4
	Fukuoka	28,764	102.5	1.6	32
	Saga	3,483	99.2	0.2	4
	Nagasaki	5,719	100.0	0.3	8
	Kumamoto	7,405	93.7	0.4	9

Region		Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)			
		Revenue (Millions of yen)	Year-on-year change (%)	Percentage of total (%)	Number of stores at the end of year (Stores)
	Oita	6,353	104.9	0.4	8
	Miyazaki	4,019	98.0	0.2	6
	Kagoshima	7,268	101.0	0.4	11
	Okinawa	5,294	103.7	0.3	7
Total UNIQLO Japan stores		733,606	100.6	41.1	798
Internet and mail-order sales		42,167	130.1	2.4	—
Products supplied to franchise stores/ management and administrative fees		23,388	131.6	1.3	39
Alteration charges		656	94.7	0.0	—
UNIQLO Japan Operations		799,817	102.5	44.8	837
UNIQLO International Operations		655,406	108.6	36.7	958
Total UNIQLO Operations		1,455,224	105.2	81.5	1,795
Global Brands Operations		328,557	111.3	18.4	1,365
Other Operations		2,691	101.9	0.1	—
Total		1,786,473	106.2	100.0	3,160

- (Notes)
1. “Products supplied to franchise stores” refers to sales of products to franchise stores. “Management and administrative fees” means royalty income from franchise stores. “Alteration charges” refers to income generated from embroidery prints and alteration to length of pants.
 2. “UNIQLO operations” refers to the selling of UNIQLO brand casual clothing.
 3. “Global Brands Operations” consists of Comptoir des Cottonniers operation (selling of Comptoir des Cottonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
 4. “Other Operations” includes real-estate leasing business, etc.
 5. The above amounts do not include consumption taxes, etc.

(3) Sales per unit

Summary		Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)	Year-on-year change (%)
Revenue		1,389,012 million yen	104.2 %
Sales per m ²	Sales floor area (average)	1,576,632 m ²	108.3 %
	Sales per m ² (yearly)	881 thousand yen	96.2 %
Sales per employee	Number of employees (average)	55,633 persons	107.7 %
	Sales per employee (yearly)	24,967 thousand yen	96.8 %

- (Notes)
1. These figures are solely for UNIQLO Japan Operations and UNIQLO International Operations.
 2. Sales figures indicate store sales, and do not include internet sales, products supplied to franchise stores, management and administrative fees or alteration charges.
 3. “Sales floor area (average)” is calculated based on the number of months each store is in operation.
 4. “Number of employees (average)” includes junior employees, part-time workers, contract workers, or temporary staff seconded from other companies, but does not include entrusted operating officers. Figures for junior employees and part-time workers are based on a weighted average (eight-hour workday) during the term.
 5. The above figures do not include consumption tax, etc.

(4) Purchases

By product category	Year ended 31 August 2016 (From 1 September 2015 to 31 August 2016)		
	Purchases (Millions of yen)	Year-on-year change (%)	Percentage of total (%)
Men's clothing	170,357	104.6	18.7
Women's clothing	212,320	110.8	23.3
Children's & Baby's clothing	27,823	92.8	3.0
Goods and other items	11,326	118.1	1.2
Total UNIQLO Japan Operations	421,828	107.0	46.2
UNIQLO International Operations	336,964	109.5	36.9
Total UNIQLO Operations	758,792	108.1	83.1
Global Brands Operations	154,353	118.0	16.9
Total	913,146	109.7	100.0

- (Notes)
1. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
 2. "Global Brands Operations" consists of Comptoir des Cottonniers operation (selling of Comptoir des Cottonniers brand clothing), Princesse tam.tam operation (selling of Princesse tam.tam brand clothing), GU operation (selling of GU brand casual clothing), Theory operation (selling of Theory, Helmut Lang and PLST brand clothing) and J Brand operation (selling of J BRAND brand clothing).
 3. There is business other than the above, mainly real estate leasing, but it does not involve purchasing due to the nature of the activity.
 4. The above figures do not include consumption tax, etc.

3. Business Plan

i) Promote Global One Management Principles

We are strengthening management functions and cooperation among our regional headquarters in Tokyo, New York, London, Paris, Shanghai and Singapore to help promote Global One management principles, and unify Group management across UNIQLO, GU, Theory and other operations. Global One encourages the use of best available global methods, and a self-motivated, united global approach to any challenge. Our FR Management Innovation Center (FR-MIC) is also working hard to nurture future global corporate leaders and managers.

ii) Accelerate UNIQLO's Global Development

We are promoting UNIQLO's global development by expanding store networks in the markets of Asia and Oceania, such as Greater China, South Korea and Southeast Asia, as well as Europe and the United States. We are boosting awareness of the UNIQLO brand by opening global flagship stores and regional flagship stores in major cities worldwide, and polishing our global marketing. Boosting visibility is a top priority in the United States to help turn a profit as soon as possible.

iii) Strengthen Development of Superior World-class Products

We operate dedicated R&D centers in Tokyo, New York, Shanghai, Paris, London and Los Angeles that pick up emerging global fashion trends early, and incorporate them into world-class quality products. UNIQLO's reputation is built upon its ability to offer the very best in basic casualwear. UNIQLO is strengthening its product development to create perfectly finished LifeWear that enriches people's lives, and truly delights customers. GU also collects precise information on upcoming trends to help create stylish, new fashion items.

iv) Major Supply Chain Reforms

The Group is aggressively unifying all procedures from raw materials procurement to planning, design, manufacturing and retail into an entirely new supply chain system for today's digital era. We want to transform our industry into an "Information Powered Retail Business," capable of immediately incorporating feedback from customer into products, and proactively conveying latest information on lifestyles, fashion trends, and exciting but comfortable modern clothing. We are also expanding our e-commerce operation and transforming our distribution systems, as illustrated by the launch of the next-generation distribution center in Ariake, Tokyo in April 2016.

v) Transform Industry through Digital Innovation

Fast Retailing is pursuing a new type of shopping experience that combines physical and virtual stores to boost e-commerce transactions from the current 5% to 30% of total sales. We are promoting digital innovation, including new digital marketing and pertinent Big Data analytics. We are expanding purchasing and delivery options and services so customers can conveniently obtain exactly what they want, how and when they want it.

vi) Promote Stable Growth at UNIQLO Japan

We continue to boost the efficiency of our 837 strong UNIQLO Japan store network as at 31 August 2016 through our "scrap and build" policy of replacing smaller stores with larger ones. Over the medium term, we will encourage 50% of store staff to become local store employees and take an active role in determining community-focused product mixes and marketing. Building a community-based store network is the best way to further improve services, and ensure stable, sustainable growth.

vii) Grow our Global Brands

Our GU fashion casualwear brand has carved a new business model for low-priced fashion. We will continue to open mass new GU stores in Japan and boost profitability. We also plan to expand GU's e-commerce operation, extend GU's store network in Asia, and start growing the brand into a future 1 trillion yen company. We also aim to expand other Group brands such as Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand by maximizing Group synergies.

viii) Pursue CSR to Make the World a Better Place

Our corporate social responsibility focuses on projects that enrich people's lives and society at large, such as the distribution of secondhand UNIQLO and GU clothing to refugee camps through our All-Product Recycling Initiative, social business in Bangladesh, monitoring working conditions and environmental impact at our partner factories and fabric manufacturers, promoting diversity in the workplace and a healthy work-life balance for employees, and the active employment of people with disabilities.

4. Risk

Risk factors that investors may regard as potentially having a significant impact on the businesses of the Company and the Group are stated below. The Company, aware of the possibility that these risks may occur, has planned preventive actions and thoroughgoing administrative procedures and strives to take appropriate measures when they occur.

The statements with regard to the future are based on management decision and projections made by the Company based on information available at the time of the publication of this report (27 November 2016).

(1) Risks specific to management strategy

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

i) Management personnel risk

Our Representative Director, Chairman and CEO Tadashi Yanai and the other members of the Group management team all play vital roles in the operational areas for which they are responsible. If any of our executives should become unable to perform his or her duties, or if they should become unable to play these vital roles, this could have a negative impact on the Group's earnings.

ii) Competitive risks

In all the Group's businesses, our customers are ordinary consumers, who are keenly selective when it comes to products, services and prices, and we are engaged in intense competition with rivals both domestically and internationally. If our customers should choose to do business with our competitors, and if our business competitiveness wanes in relative terms, this may have a negative effect on earnings.

iii) Risk of dependency on production in specified geographic locations

Most products sold through Group companies are manufactured in China, other Asian countries and Turkey. For this reason, if there is a dramatic political, economic, security, or legal change in countries where we produce, or a strike by factory personnel or dock workers, or an earthquake, flood or other major natural disaster, this could have an impact on supply of our products. Also, if there is a sharp rise in prices for cotton, cashmere, down or other raw materials, this could have a negative impact on our earnings.

iv) Risks of corporate acquisitions

One element of the Group's management strategy is to expand the business through M&A. Our aim is to maximize the enterprise value of the Group by pursuing synergies with target companies and businesses, and striving for optimization of our business portfolio, but there is a possibility of negative impact on results if we are unable to achieve anticipated revenues and effects.

v) Overseas business risks

As the Group expands its business through M&A, we are steadily expanding our presence overseas. As we open more stores in more countries, it is expected that our overseas business will make up a higher portion of the Group's total revenues. If the goods we sell do not match the market needs and product trends in each country, or if there are economic fluctuations, social and political turmoil, changes in law, or major currency market volatility, or other factors that affect our ability to hire and train well-qualified management personnel and local staff who can smoothly manage our business in each country, this could have a negative impact on earnings.

vi) Currency risks

Most products sold through the UNIQLO business, which is the Group's core business, are denominated in US dollars. For products to be imported to Japan, we hedge our currency risks for about three years ahead, using forward currency agreements to equalize our exchange rate exposure for imported products and stabilize our purchasing costs. If the yen continues to weaken further against the dollar going forward, this could have a negative impact on earnings at UNIQLO Japan, which is the Group's core business.

(2) General business risks

In management of the Group and operation of businesses, we are cognizant of risks in several categories:

i) Manufactured product liability risk

If gross quality defects are found in products sold by the Group, such as contamination by hazardous materials or toxins, this may require global product recalls, or compensation for harm to the health of customers, which may have a negative impact on earnings, as well as causing damage to customers' trust.

ii) Risk of leaks of business secrets, or customer personal information

In the course of doing business, the Group gathers information (including personal information) about customers, and it also handles trade secrets and other confidential information. Leaks or losses of customer information or confidential information may require that the information be recovered, necessitating apologies to customers, and possible payment of compensation for damages, which may have a negative impact on earnings, as well as causing damage to customers' trust.

iii) Risk due to weather

Global warming may cause a trend toward warmer winter weather, which may reduce sales of products sold by the group, which could have a negative impact on earnings.

iv) Risk due to natural disaster

Fires, floods, explosions, building collapse, or other disasters affecting factories that produce or stores that sell the Group's products, or in their immediate vicinity, may have a negative impact on the Company's ability to supply or to sell its products.

v) Risks of disputes and litigation

In the event of disputes or litigation between the group and tenants of its stores or others with whom it transacts, or customers, resolution of such disputes may cost large sums of money, which could have a negative impact on earnings.

vi) Risk of change in the business climate and consumer trends

Changes in the business climate or consumer trends in countries where the Group carries out business may have the effect of reducing product sales or increasing inventories, which could have a negative impact on earnings.

5. Major Contracts

Not applicable.

6. Research and Development

Not applicable.

7. Financial Review

(1) Significant accounting policies and estimations

The Group's consolidated financial statements were prepared in accordance with IFRS. In preparing the consolidated financial statements, estimates were made on a reasonable basis as necessary.

Please see "FINANCIAL INFORMATION 4. Consolidated Financial Statements: Notes to the Consolidated Financial Statements" for details.

(2) Analysis of management performance for the year ended 31 August 2016

i) Revenue and gross profit

Revenue grew to 1.7864 trillion yen, up 104.6 billion yen from the preceding consolidated fiscal year. For a detailed breakdown of revenue, see "Business Results (1) Analysis of Business Results for the year ended 31 August 2016" and "2. Summary of Revenue and Purchasing."

The main reason behind the growth in revenue was growth in all major segments: a 51.7 billion yen increase for UNIQLO International, a 33.2 billion yen increase for Global Brands and a 19.6 billion yen increase for UNIQLO Japan. In particular, in UNIQLO International business, active addition of new stores in Asia added to revenue, and in our global brand business, expansion of G.U. also added to revenue.

Gross profit grew to 864.9 billion yen, up 16.4 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, gross profit was 48.4%, down 2.1 percentage point from 50.5% the year before. The main reasons for this decline were: at UNIQLO Japan and UNIQLO International, unfavorable warm winter in the first half compelled us to offer products at discounted prices. This caused a decline in gross profit.

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

Selling, general and administrative expenses grew to 702.9 billion yen, up 31.0 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, selling, general and administrative expenses was 39.3%, down 0.6% from 39.9% in the preceding consolidated fiscal year. The main reasons were cost-cutting efforts throughout the company in the second half. Operating income was 127.2 billion yen, down 37.1 billion yen from the preceding consolidated fiscal year.

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

Finance income was 2.3 billion yen, down 14.9 billion yen and Finance expense was 39.4 billion yen, up 38.2 billion yen from the preceding consolidated fiscal year. The main reasons for financial income declined and financial costs increased were that, whereas foreign exchange gains were 15.0 billion yen due to the sharp depreciation of the yen in the previous consolidated fiscal year, foreign exchange losses were 36.9 billion yen due to the sharp appreciation of the yen in the current consolidated fiscal year.

As a result, profit before income taxes was 90.2 billion yen, down 90.4 billion yen from the preceding consolidated fiscal year. As a percentage of revenue, profit before income taxes was 5.1%, up 5.6% from 10.7% the year before.

iv) Profit attributable to owners of the parent

Income taxes were 36.1 billion yen, or 27.1 billion yen lower than the preceding consolidated fiscal year. As a result, profit attributable to owners of the parent was 48.0 billion yen, which was 61.9 billion yen lower than the year before. Basic earnings per share for the year was 471.31 yen, down 608.11 yen.

(3) Sources of funding, and analysis of funds liquidity

i) Total assets

Total assets as at 31 August 2016 were ¥1,238.1 billion, which was an increase of ¥74.4 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥30.2 billion in cash and cash equivalents, an increase of ¥161.6 billion in other current financial assets, an increase of ¥33.3 billion in deferred tax assets, and a decrease of ¥156.9 billion in derivative financial assets.

ii) Total liabilities

Total liabilities as at 31 August 2016 were ¥640.4 billion, which was an increase of ¥251.5 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥72.2 billion in derivative financial liabilities, a decrease of ¥27.1 billion in income taxes payable, an increase of ¥248.5 billion in noncurrent financial liabilities and a decrease of ¥43.4 billion in deferred tax liabilities.

iii) Total net assets

Total net assets as at 31 August 2016 were ¥597.6 billion, which was a decrease of ¥177.1 billion relative to the end of the preceding consolidated fiscal year. The principal factor was a decrease of ¥189.3 billion in other components of equity.

iv) Status of funds

For a discussion of the status of the Group's funds, see "Management Discussion and Analysis 1. Business Results (2) Cash Flow Information".

CAPITAL EXPENDITURE

1. Capital expenditure

UNIQLO Japan opened 27 new stores. UNIQLO International opened 92 stores in the PRC, 8 in Taiwan, 20 in South Korea, 2 in Singapore, 10 in Malaysia, 9 in Thailand, 9 in the Philippines, 1 in Indonesia, 6 in Australia, 8 in USA, 1 in UK, 2 in France, 4 in Russia, 2 in Germany and 2 in Belgium. In addition, Global Brands opened 99 new stores.

As a result, the Group's capital expenditure amounted to 52.3 billion yen during the year ended 31 August 2016. Key components of this were 34.1 billion yen for buildings, 7.4 billion yen for lease deposits for stores, 1.3 billion yen for construction assistance funds and 9.4 billion yen for intangible assets.

The above figures do not include consumption tax, etc.

2. Important Facilities

As at 31 August 2016, the Group's important facilities were shown as below:

(1) Information about the Reporting Entity

Company name	Type of facility	Location	Area (m ²)		Capital expenditure (Millions of yen)					Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/guarantees	Construction assistance funds	Others	Total		
FAST RETAILING CO., LTD.	Head office	Yamaguchi City, Yamaguchi Prefecture	95,255.83	1,047	669	—	—	92	1,808	24	—
	Commercial establishments	Fukuoka City, Chuo-ku, etc.	—	—	297	1,309	—	0	1,607	—	4
	Others		29,308.87	111	561	3,756	—	3,835	8,263	1,107	—

(2) Subsidiaries in Japan

Company name	Type of facility	Location	Area (m ²)		Capital expenditure (Millions of yen)					Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/guarantees	Construction assistance funds	Others	Total		
UNIQLO CO., LTD.	UNIQLO Japan Store	Hokkaido	—	—	400	535	426	189	1,551	419	29
		Aomori	—	—	36	138	121	16	313	131	9
		Iwate	—	—	59	108	64	36	268	120	8
		Miyagi	—	—	126	325	354	102	909	275	14
		Akita	—	—	164	130	156	83	535	74	7
		Yamagata	—	—	142	142	60	63	409	114	8
		Fukushima	—	—	57	130	434	54	676	183	10
		Ibaraki	—	—	214	486	276	100	1,077	229	16
		Tochigi	—	—	170	190	319	43	723	214	14
		Gunma	—	—	172	312	252	69	807	178	18
		Saitama	—	—	872	1,237	352	394	2,857	713	44
		Chiba	—	—	584	918	521	377	2,402	551	41
		Tokyo	—	—	2,774	10,968	197	838	14,779	1,567	98
		Kanagawa	—	—	1,395	2,209	412	749	4,767	924	58
		Niigata	—	—	136	302	475	142	1,057	227	12
		Toyama	—	—	26	55	85	19	187	70	6
		Ishikawa	—	—	59	92	240	19	411	159	7
		Fukui	—	—	16	65	61	9	153	78	5
		Yamanashi	—	—	42	87	174	23	327	71	5
		Nagano	—	—	125	143	595	203	1,068	185	11
Gifu	—	—	175	224	283	81	765	135	11		
Shizuoka	—	—	423	440	381	150	1,395	364	24		
Aichi	—	—	518	1,094	630	287	2,530	604	43		
Mie	—	—	58	138	258	13	469	128	10		

Company name	Type of facility	Location	Area (m ²)		Capital expenditure (Millions of yen)					Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
UNIQLO CO., LTD.	UNIQLO Japan Store	Shiga	—	—	233	221	161	144	760	141	10
		Kyoto	—	—	225	469	105	80	880	275	20
		Osaka	—	—	1,061	3,166	371	468	5,067	1,021	72
		Hyogo	—	—	555	934	357	288	2,135	530	34
		Nara	—	—	24	153	148	57	384	98	9
		Wakayama	—	—	8	40	32	3	84	39	3
		Tottori	—	—	4	60	28	5	97	71	3
		Shimane	—	—	1	10	10	0	22	12	1
		Okayama	—	—	182	186	134	102	605	162	9
		Hiroshima	—	—	221	393	122	70	808	272	17
		Yamaguchi	2,591.06	450	116	40	39	26	673	59	5
		Tokushima	—	—	71	86	11	7	176	67	5
		Kagawa	—	—	50	212	8	14	285	93	6
		Ehime	—	—	107	145	144	63	461	103	7
		Kochi	—	—	54	85	24	26	190	73	4
		Fukuoka	—	—	864	845	382	291	2,383	554	32
		Saga	—	—	55	70	101	41	269	80	4
		Nagasaki	—	—	39	116	226	48	430	126	8
		Kumamoto	—	—	150	294	84	89	619	149	9
		Oita	—	—	234	181	164	178	758	116	8
		Miyazaki	—	—	14	92	43	9	160	88	6
Kagoshima	—	—	98	185	146	97	527	167	11		
Okinawa	—	—	133	95	—	64	293	108	7		
	UNIQLO Japan Stores		2,591.06	450	13,266	28,563	9,990	6,253	58,523	12,117	798
	UNIQLO Japan, other		19,960.76	353	368	3,063	1,989	374	6,148	1,116	—
	Total for UNIQLO Japan		22,551.82	803	13,634	31,626	11,979	6,627	64,671	13,233	798
J BRAND Japan Co., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	—	—	—	—	—	—	—	2	—
G.U. CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	—	—	7,665	6,628	3,871	4,116	22,281	1,581	340
LINK THEORY JAPAN CO., LTD.	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	—	—	256	1,409	—	1,248	2,914	1,575	286
Comptoir des Cotonniers Japan	Stores in Japan, etc.	Yamaguchi City, Yamaguchi Prefecture, etc.	—	—	12	286	—	71	370	175	24

(3) Overseas subsidiaries

Company name	Type of facility	Location	Area (m ²)		Capital expenditure (Millions of yen)					Number of employees (Persons)	Number of commercial establishments (Stores)
			Land	Land	Buildings	Deposits/ guarantees	Construction assistance funds	Others	Total		
UNIQLO EUROPE LIMITED	UNIQLO International Store	London, United Kingdom	—	—	7,359	421	—	2,119	9,900	630	25
FAST RETAILING (CHINA) TRADING CO., LTD	UNIQLO International Store	Shanghai, PRC	—	—	14,508	3,053	—	3,217	20,779	8,066	437
FRL Korea Co., Ltd.	UNIQLO International Store	Seoul Special City, South Korea	—	—	5,863	4,802	—	2,225	12,891	2,843	173
LLC UNIQLO (RUS)	UNIQLO International Store	Moscow, Russian Federation	—	—	695	212	—	638	1,547	218	11
UNIQLO TRADING CO., LTD.	UNIQLO International Store	Shanghai, PRC	—	—	1,478	349	—	355	2,184	710	34
FAST RETAILING (SINGAPORE) PTE. Ltd.	UNIQLO International Store	Republic of Singapore	—	—	3	30	—	1	35	39	—
UNIQLO (THAILAND) COMPANY LIMITED	UNIQLO International Store	Bangkok, Kingdom of Thailand	—	—	1,689	697	—	419	2,806	996	32
PT. Fast Retailing Indonesia	UNIQLO International Store	Jakarta, Indonesia	—	—	529	101	—	478	1,110	722	9
UNIQLO Australia Pty Ltd.	UNIQLO International Store	Melbourne, Australia	—	—	2,154	6	—	635	2,796	532	12
FAST RETAILING (Shanghai) TRADING CO., LTD	UNIQLO International Store	Shanghai, China	—	—	1,743	202	—	94	2,040	183	1
Fast Retailing France S.A.S.	International Stores, etc.	Paris, France	—	—	516	95	—	156	768	451	—
Fast Retailing USA, Inc.	International Stores, etc.	New York, U.S.A.	—	—	8,583	433	—	5,433	14,450	1,828	95
J Brand, Inc.	International Stores, etc.	California, U.S.A.	—	—	61	10	—	136	208	191	—

- (Notes)
1. Most items in the “Others” category for the Reporting Entity are located at the Tokyo headquarter (Minato-ku) or at the old head office (Ube City, Yamaguchi Prefecture).
 2. Monetary amounts are given at book value, not including construction in progress accounts. Also, the figures do not include consumption tax, etc.
 3. The number of employees does not include entrusted operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
 4. Assets are not expressed as allocated among business segments.

3. Plans for new facility construction, old facility removal, etc.

The following are the planned important new facility construction and/or facility removal as at 31 August 2016.

(1) Important New Facilities

The capital investment plans (new facility construction, expansion) for each segment in the year ended 31 August 2017 (1 September 2016 – 31 August 2017) are as follows.

Segment	Capital investment (Millions of yen)	Details of investment
UNIQLO Japan	2,600	New store openings, etc. (approx. 30 stores)
UNIQLO International	19,800	New store openings, etc. (approx. 166 stores)
Global brand business	9,600	New store openings, etc. (approx. 60 stores)
Others	14,500	IT-related investments
Total	46,500	

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital, corporate bonds, borrowings, etc.

2. The above figures do not include consumption tax, etc.

Also, the main new facilities plans included in the plans described above are as follows.

Company name	Type of facility	Name of business	Location	Amount of planned investment		Construction start	Construction completion	Planned sales floor area (m ²)	Reference
				Total (Millions of yen)	Amount already disbursed (Millions of yen)				
UNIQLO CANADA INC.	International Stores, etc.	UNIQLO Toronto Eaton Centre	Toronto, Ontario, Canada	1,149	514	June 2016	September 2016	2,545	—
UNIQLO CANADA INC.	International Stores, etc.	UNIQLO Yorkdale Shopping Center.	Toronto, Ontario, Canada	700	321	May 2016	October 2016	2,369	—
UNIQLO (SINGAPORE) PTE.LTD.	International Store	Orchard Central	Singapore	1,070	563	April 2016	September 2016	2,951	—

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital.

2. The above figures do not include consumption tax, etc.

3. Assets are not allocated among business segments.

(2) Planned Removals of Important Facilities

There were no planned removals of important facilities as at 31 August 2016.

Stock Information and Dividend Policy

1. Stock Information

(1) Number of Shares

(i) Total number of shares

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

(ii) Shares issued

Type	As at 31 August 2016	Numbers of shares issued as of submission date (Shares) (25 November 2016)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

(Note) Hong Kong Depository Receipts (“HDRs”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

(i) 1st Share subscription rights A type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	1,292	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	1,292	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 November 2013 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,624 Paid-in capital: 5,312	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(ii) 1st Share subscription rights B type

Decided by resolution of the board of directors on 8 October 2010.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	13,002	12,750
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	13,002	12,750
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 8 December 2010 to 7 November 2020	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 10,925 Paid-in capital: 5,463	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(iii) 2nd Share subscription rights A type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	6,495	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	6,495	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 November 2014 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,499 Paid-in capital: 6,250	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(iv) 2nd Share subscription rights B type

Decided by resolution of the board of directors on 12 October 2011.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	10,419	10,147
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	10,419	10,147
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 15 December 2011 to 14 November 2021	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 12,742 Paid-in capital: 6,371	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(v) 3rd Share subscription rights A type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	6,554	5,666
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	6,554	5,666
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 November 2015 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,222 Paid-in capital: 7,611	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(vi) 3rd Share subscription rights B type

Decided by resolution of the board of directors on 11 October 2012.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	10,896	10,585
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	10,896	10,585
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 December 2012 to 12 November 2022	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 15,569 Paid-in capital: 7,785	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(vii) 4th Share subscription rights A type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	6,616	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	6,616	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 December 2016 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,110 Paid-in capital: 18,555	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(viii) 4th Share subscription rights B type

Decided by resolution of the board of directors on 10 October 2013.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	12,160	11,900
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	12,160	11,900
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 3 January 2014 to 2 December 2023	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,515 Paid-in capital: 18,757	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(ix) 5th Share subscription rights A type

Decided by resolution of the board of directors on 9 October 2014.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	17,144	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	17,144	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 14 November 2017 to 13 November 2024	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 42,377 Paid-in capital: 21,188	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(x) 5th Share subscription rights B type

Decided by resolution of the board of directors on 9 October 2014.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	18,568	18,051
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	18,568	18,051
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 14 December 2014 to 13 November 2024	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 42,799 Paid-in capital: 21,399	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(xi) 6th Share subscription rights A type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	2,712	2,646
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	2,712	2,646
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 November 2018 to 12 November 2025	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 45,658 Paid-in capital: 22,829	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(xii) 6th Share subscription rights B type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	19,495	18,739
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	19,495	18,739
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	From 13 December 2015 to 12 November 2025	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 46,148 Paid-in capital: 23,074	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

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

(xiii) 6th Share subscription rights C type

Decided by resolution of the board of directors on 8 October 2015.

	As at 31 August 2016	As at last day of month before submission date (31 October 2016)
Number of stock options (Shares)	5,962	Same as left
Number of share subscription rights for treasury stock (Shares)	—	—
Type of shares to be issued upon exercise of share subscription rights	Common stock	Same as left
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,962	Same as left
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.	Same as left
Exercise period of share subscription rights	13 November 2018	Same as left
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 46,841 Paid-in capital: 23,420	Same as left
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.	Same as left
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.	Same as left
Matters pertaining to substitute payments	—	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)	Same as left

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

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
The period from the earlier 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. for exercise of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.

(3) Exercise of convertible bonds with conditional permission for adjustment of exercise price
Not applicable.

(4) Content of Rights Plan
Not applicable.

(5) Change in Total Number of Shares Issued, Capital Stock, Etc.

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

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

(6) Status, by Type of Holder

As at 31 August 2016

Class	Shares (One unit = 100 shares)								Shares less than one unit (shares)
	Government, municipal entities	Financial institutions	Traders of financial products	Other corporations	Foreign corporations, etc.		Individuals & other	Total	
					Excl. individuals	Individuals			
Number of shareholders (persons)	—	72	29	126	665	10	6,499	7,401	—
Number of shares held (Trading units)	—	299,375	58,308	85,105	211,040	11	406,350	1,060,189	54,756
Percentage of shares held (%)	—	28.24	5.50	8.03	19.91	0.00	38.33	100.00	—

- (Notes) 1. The 4,109,503 shares of treasury stock include 41,095 units of shares held by individuals and others and 3 shares held by individuals and others of less than one unit.
2. Figures shown in the columns “Other corporations” and “Shares less than one unit” include 27 units of shares and 84 shares, respectively, in the name of Japan Securities Depository Center, Inc.

(7) Major Shareholders

As at 31 August 2016

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,987	21.67
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	13,886	13.09
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	10,789	10.17
TTY Management B.V.	Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands	5,310	5.01
Kazumi Yanai	New York, U.S.A.	4,781	4.51
Koji Yanai	Shibuya-ku, Tokyo	4,780	4.51
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.48
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	4,256	4.01
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
BNP Paribas Securities (Japan) Limited	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	2,387	2.25
Total	—	77,538	73.10

- (Notes) 1. "Number of shares held" is rounded down to the nearest unit of thousand shares.
2. The shares held by The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are all held in conjunction with trust business.
3. According to the report of large shareholdings (report of change of composition) submitted on 22 July 2016 by Nomura Securities Co., Ltd. and the two parties of Nomura International plc and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 15 July 2016. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	7,898	0.01
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	109,777	0.10
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	8,827,797	8.32

4. According to the report of large shareholdings (report of change of composition) submitted on 6 September 2016 by Sumitomo Mitsui Trust Bank, Limited and the two parties of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 31 August 2016. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,378,600	1.30
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1 Shiba, Minato-ku, Tokyo	285,600	0.27
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	5,097,900	4.81

5. In addition to the above, 4,109,503 shares of treasury stock are held by the Company (3.87% of the total number of authorized shares).

(8) Voting Rights

(i) Shares issued

As at 31 August 2016

Class	Number of shares (shares)	Number of voting rights (number)	Details
Non-voting shares	—	—	—
Shares subject to restrictions on voting rights (treasury stock)	—	—	—
Shares subject to restrictions on voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,109,500	—	—
Shares with full voting rights (others)	Common stock 101,909,400	1,019,094	(Note) 1
Shares less than one unit	Common stock 54,756	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,094	—

- (Notes) 1. The columns for the number of shares of "Shares with full voting rights (others)" and "Shares less than one unit" include, respectively, 2,700 shares and 84 shares held in the name of Japan Securities Depository Center, Inc.
2. Common stock in the "Shares less than one unit" column includes 3 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 August 2016

Name or trade name of holder	Holder's address	Number of shares held in own name (Shares)	Number of shares held in other's name (Shares)	Total number of shares held (Shares)	Percentage of total number of shares issued (%)
(Shares held as treasury stock) FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-City, Yamaguchi	4,109,500	—	4,109,500	3.87
Total	—	4,109,500	—	4,109,500	3.87

(9) Stock Options Program

The Company has instituted a stock options program that grants rights to acquire new shares pursuant to the Companies Act of Japan.

1st Share subscription rights A type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 7 Employees of the Group subsidiaries 3
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

1st Share subscription rights B type

Resolution date	8 October 2010
Class and number of recipients (persons)	Employees of the Company 266 Employees of the Group subsidiaries 413
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights A type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 14 Employees of the Group subsidiaries 4
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

2nd Share subscription rights B type

Resolution date	12 October 2011
Class and number of recipients (persons)	Employees of the Company 139 Employees of the Group subsidiaries 584
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights A type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 18 Employees of the Group subsidiaries 8
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

3rd Share subscription rights B type

Resolution date	11 October 2012
Class and number of recipients (persons)	Employees of the Company 136 Employees of the Group subsidiaries 615
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights A type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 19 Employees of the Group subsidiaries 11
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

4th Share subscription rights B type

Resolution date	10 October 2013
Class and number of recipients (persons)	Employees of the Company 180 Employees of the Group subsidiaries 706
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

5th Share subscription rights A type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 36 Employees of the Group subsidiaries 16
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

5th Share subscription rights B type

Resolution date	9 October 2014
Class and number of recipients (persons)	Employees of the Company 223 Employees of the Group subsidiaries 785
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights A type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 15 Employees of the Group subsidiaries 19
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights B type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 274 Employees of the Group subsidiaries 921
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

6th Share subscription rights C type

Resolution date	8 October 2015
Class and number of recipients (persons)	Employees of the Company 26
Type of shares to be issued upon exercise of share subscription rights	As noted in (2) Share Subscription Rights.
Number of shares (shares)	Same as above
Amount to be paid upon exercise of share subscription rights (Yen)	Same as above
Exercise period of share subscription rights	Same as above
Exercise conditions of share subscription rights	Same as above
Matters pertaining to transfer of share subscription rights	Same as above
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	Same as above

7th Share subscription rights A type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 16 Employees of the Group subsidiaries 23
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	2,821 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 11 November 2019 to 10 November 2026
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

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

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

7th Share subscription rights B type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 339 Employees of the Group subsidiaries 1,096
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	31,726 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 11 December 2016 to 10 November 2026
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

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

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

7th Share subscription rights C type

Resolution date	13 October 2016
Class and number of recipients (persons)	Employees of the Company 30
Type of shares to be issued upon exercise of share subscription rights	Common stock
Number of shares (shares)	5,205 shares
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times ¥1 exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	11 November 2019
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

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

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
The period from the earlier 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.

2. Treasury Stock Information

Types of Shares Buybacks of common stock under Companies Act of Japan, Article 155-7

(1) Purchases approved by General Meeting of Shareholders

Not applicable.

(2) Purchases approved by Board of Directors

Not applicable.

(3) Details of items not based on General Meeting of Shareholders or Board of Directors resolutions

Purchases of shares less than one unit pursuant to Companies Act of Japan, Article 192-1.

Class	Number of shares (shares)	Total paid (thousand yen)
Treasury stock purchased in the fiscal year ended 31 August 2016	149	6,428
Purchases of Treasury stock in current year		

(Note) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2016 and the submission date of this report.

(4) Status of treasury stock purchased

Class	Fiscal year ended 31 August 2016		Current year	
	Number of shares (shares)	Total disposal value (thousands of yen)	Number of shares (shares)	Total disposal value (thousands of yen)
Treasury stock purchases for which subscribers were solicited	—	—	—	—
Treasury stock canceled after purchase	—	—	—	—
Treasury stock transferred due to mergers, share exchange or company split	—	—	—	—
Other	18,901	72,435	3,099	11,789
Number of Treasury shares held	4,109,503	—	4,106,404	—

(Note) The breakdown of figures for the year ended 31 August 2016 reflects the exercise of 18,901 share subscription rights, a share disposal value of 72,435 thousand yen. The breakdown of figures for the current year reflects the exercise of share subscription rights, and does not include shares of less than one unit purchased between 1 November 2016 and the submission date of this report.

3. Dividend Policy

The Company regards the distribution of profits to shareholders as one of its most important considerations. Our basic policy is to constantly increase earnings and to provide ongoing, appropriate profit distribution based on performance. Our policy is to pay dividends that reflect business performance after taking into consideration funds needed to expand business and improve revenues, and ensure the financial health of the Group.

The basic policy of the Group regarding the payment of dividends from surplus is to pay two dividends annually, an interim dividend and a year-end dividend. These dividends are decided by the Board of Directors, unless otherwise stipulated by laws and regulations.

Based on the policy outlined above and the earnings of the consolidated fiscal year ended 31 August 2016, we decided to pay a year-end dividend of ¥165 per share. Together with the ¥185 interim dividend per share, this will bring the total annual dividend for the current fiscal year to ¥350 per share. It is our intention to effectively utilize retained earnings and free cash flow for financial investment and loans to strengthen the operational base of the Group companies.

The payment of an interim dividend under Article 454-5 of the Companies Act of Japan is stipulated by the Company's Articles of Incorporation.

Dividends for the Company's 55th fiscal year are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors resolution of 7 April 2016	18,861	185
Board of Directors resolution of 4 November 2016	16,824	165

4. Share Price Trends

(1) Share price high/low in past 5 fiscal years

Term	51th Year	52st Year	53nd Year	54rd Year	55th Year
Accounting period	Year ended 31 August 2012	Year ended 31 August 2013	Year ended 31 August 2014	Year ended 31 August 2015	Year ended 31 August 2016
High (Yen)	19,150	44,400	45,350	61,970	50,700
Low (Yen)	11,950	15,810	30,350	32,460	25,305

(Note) High/low share price data are from the first section of the Tokyo Stock Exchange.

(2) Share price high/low (monthly) in past 6 months

Month	March 2016	April	May	June	July	August
High (Yen)	37,050	35,940	29,995	30,500	35,000	38,250
Low (Yen)	30,910	26,320	27,355	26,120	25,305	33,110

(Note) High/low share price data are from the first section of the Tokyo Stock Exchange.

5. Waiver from compliance with Rule 19B.21

The Hong Kong Stock Exchange has granted us, subject to certain conditions, a waiver from Rule 19B.21 of the Hong Kong Listing Rules regarding certain requirements for cancellation of HDRs upon a share repurchase. The Company has complied with the relevant conditions in the year ended 31 August 2016.

Board of Directors

Male: 10 persons Female: 1 person (9.1% of officers are female)

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Representative director, chairman and president	CEO	Tadashi Yanai	Born 7 February 1949	<p>August 1972 September 1972 August 1973 September 1984 June 2001 November 2002 September 2005 November 2005 September 2008 June 2009 November 2011</p>	<p>Joined FAST RETAILING CO., LTD. Director, FAST RETAILING CO., LTD. Senior Managing Director, FAST RETAILING CO., LTD. President & CEO, FAST RETAILING CO., LTD. External Director, Softbank Corp. (currently SOFTBANK GROUP CORP.) (current) Chairman and CEO, FAST RETAILING CO., LTD. Chairman, President and CEO, FAST RETAILING CO., LTD. (current) Chairman, President and CEO, UNIQLO CO., LTD. (current) Director and Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (current) External Director, Nippon Venture Capital Co., Ltd. (current) Director, LINK THEORY JAPAN CO., LTD. (current)</p>	Note 3	22,987
Director		Toru Hambayashi	Born 7 January 1937	<p>April 1959 October 2000 April 2003 June 2004 November 2005 June 2007 April 2009 June 2011 June 2015</p>	<p>Joined Nichimen Company Limited (currently Sojitz Corporation) President, Nichimen Corporation (currently Sojitz Corporation) Chairman and Representative Director, Sojitz Holdings Corporation (currently Sojitz Corporation) External Auditor, UNITIKA LTD. External Director, FAST RETAILING CO., LTD. (current) External Director, MAEDA CORPORATION (current) Adviser, The Association for the Promotion of International Trade, Japan (current) External Director, DAIKYO INCORPORATED (current) External Director, UNITIKA LTD. (current)</p>	Note 3	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Nobumichi Hattori	Born 25 December 1957	<p>April 1981 June 1989 November 1998 October 2003 June 2005 November 2005 October 2006 April 2009 March 2015 June 2015 July 2016</p>	<p>Joined NISSAN MOTOR CO.,LTD. Joined Goldman Sachs and Company, Headquarters (New York) Managing Director of Goldman Sachs and Company, Headquarters (New York), and M&A Advisory of Goldman Sachs Japan Co., Ltd. Visiting Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University External Director, Miraca Holdings Inc. (current) External Director, FAST RETAILING CO., LTD. (current) Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current) Visiting Professor, Waseda Graduate School of Finance, Accounting and Law (current) External Auditor, Frontier Management Inc. (current) External Director, Hakuodo DY Holdings Inc. (current) Special Invited Professor, Graduate School of Business Administration, Keio University (current)</p>	Note 3	—
Director		Toru Murayama	Born 11 June 1954	<p>April 1980 April 2003 September 2007 November 2007 April 2008 September 2009 April 2010 October 2011 January 2013 April 2015 June 2016</p>	<p>Joined Arthur Andersen & Co. (currently Accenture Japan Ltd.) Representative Director and President, Accenture Japan Ltd. Director and Chairman, Accenture Japan Ltd. External Director, FAST RETAILING CO., LTD. (current) Visiting Professor, Comprehensive Research Organization, Waseda University Corporate Advisor, Accenture Japan Ltd. Professor, Faculty of Science and Engineering, Waseda University Advisor, Microsoft Japan Co., Ltd. President, Office Murayama (current) Visiting Professor, Faculty of Science and Engineering, Waseda University (current) External Director, Meiji Holdings Co., Ltd. (current)</p>	Note 3	0

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Director		Masaaki Shintaku	Born 10 September 1954	<p>April 1978 December 1991 August 2000 January 2001 April 2008</p> <p>June 2008 May 2009</p> <p>November 2009</p> <p>July 2011 Dec. 2015</p>	<p>Joined IBM Japan, Ltd. Joined Oracle Corporation Japan President & CEO, Oracle Corporation Japan Executive Vice President, Oracle Corporation Vice Chairman, Special Olympics Nippon (currently Special Olympics Nippon Foundation) (current) Chairman, Oracle Corporation Japan Advisory Board Member, NTT DOCOMO, INC. (current) External Director, FAST RETAILING CO., LTD. (current) External Director, COOKPAD Inc. (current) External Director, Works Applications CO., LTD. (current)</p>	Note 3	—
Director		Takashi Nawa	Born 8 June 1957	<p>April 1980 April 1991 June 2010</p> <p>June 2010 September 2010</p> <p>June 2011</p> <p>September 2012 November 2012</p> <p>June 2014</p> <p>June 2015</p>	<p>Joined Mitsubishi Corporation Joined McKinsey & Company Professor, The Graduate School of International Corporate Strategy), Hitotsubashi University (current) President, Genesys Partners (current) Senior Advisor, Boston Consulting Group (current) External Director, NEC Capital Solutions (current) President, Next Smart Lean Co., Ltd. (current) External Director, FAST RETAILING CO., LTD. (current) External Director, DENSO CORPORATION (current) External Director, Ajinomoto Co., Inc. (current)</p>	Note 3	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		Akira Tanaka	Born 26 June 1942	<p>April 1966</p> <p>September 1972</p> <p>March 1993</p> <p>April 1997</p> <p>August 2003</p> <p>November 2003</p> <p>November 2005</p> <p>March 2006</p> <p>November 2006</p> <p>April 2011</p>	<p>Joined The Taisei Fire and Marine Insurance Company Limited (currently Sampo Japan Nipponkoa Insurance Inc.)</p> <p>Joined McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)</p> <p>Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)</p> <p>Deputy President and Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)</p> <p>Advisor, FAST RETAILING CO., LTD.</p> <p>Managing Director, FAST RETAILING CO., LTD.</p> <p>Senior Vice President, UNIQLO CO., LTD.</p> <p>Senior Vice President, FAST RETAILING CO., LTD.</p> <p>Standing Statutory Auditor, FAST RETAILING CO., LTD. (current)</p> <p>Representative Director of FR Health Insurance Organization (current)</p>	Note 4	3
Standing Statutory Auditor		Masaaki Shinjo	Born 28 January 1956	<p>April 1983</p> <p>February 1994</p> <p>September 1998</p> <p>September 2005</p> <p>January 2008</p> <p>March 2009</p> <p>September 2009</p> <p>March 2011</p> <p>April 2011</p> <p>November 2013</p>	<p>Joined ASAHIPEN CORPORATION</p> <p>Joined FAST RETAILING CO., LTD.</p> <p>Entrusted operating officer, manager of administration, FAST RETAILING CO., LTD.</p> <p>General Manager, Group Auditing, FAST RETAILING CO., LTD.</p> <p>Director, Onezone Corp (currently G.U. CO., LTD.)</p> <p>General Manager, Corporate Administration, FAST RETAILING CO., LTD.</p> <p>Statutory Auditor, GOV Retailing Co., Ltd. (currently G.U. CO., LTD.)</p> <p>General Manager, Corporate Planning & Management, FAST RETAILING CO., LTD.</p> <p>Auditor, FAST RETAILING (CHINA) TRADING CO., LTD. (current)</p> <p>Standing Statutory Auditor, FAST RETAILING CO., LTD. (current)</p>	Note 5	0

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Auditor		Takaharu Yasumoto	Born 10 March 1954	November 1978 August 1982 April 1992 November 1993 August 2001 June 2003 November 2005 April 2007 June 2010	Joined Asahi & Co. (currently KPMG AZSA LLC) Registered as a member of Japanese Institute of Certified Public Accountants President, Yasumoto CPA Office (current) External Statutory Auditor, FAST RETAILING CO., LTD. (current) External Statutory Auditor, ASKUL Corporation (current) Statutory Auditor, LINK INTERNATIONAL CO., LTD. (currently LINK THEORY JAPAN CO., LTD.) (current) External Statutory Auditor, UNIQLO CO., LTD. (current) Guest Professor, Chuo Graduate School of International Accounting External Statutory Auditor, UBIC Inc. (currently FRONTEO, Inc.) (current)	Note 5	4
Auditor		Akira Watanabe	Born 16 February 1947	May 1991 April 1998 June 2006 November 2006 June 2007 April 2010 December 2011 March 2013 October 2014 October 2015	Chairman, Legislative Council of the Ministry of Justice Chairman, Yamaichi Securities Co., Ltd. Legal Responsibility Judging Panel Non-Executive Director, JAPAN PILE CORPORATION External Statutory Auditor, FAST RETAILING CO., LTD. (current) External Director, MAEDA CORPORATION (current) External Director, MS&AD Insurance Group Holdings, Inc. (current) Auditor of Olympus Corp., Chairman of Liability Investigation Committee External Director, DUNLOP SPORTS CO. LTD. (current) External Statutory Auditor, KADOKAWA DWANGO CORPORATION (currently KADOKAWA CORPORATION) (current) Non-Executive Director, ASIA PILE HOLDING CORPORATION (current)	Note 4	—

Position	Responsibilities	Name	Date of birth	Brief biography		Term of office	Number of shares held (thousand shares)
Auditor		Keiko Kaneko	Born 11 November 1967	April 1991	Joined Mitsubishi Corporation	Note 5	—
				April 1999	Registered as a member of Japan Federation of Bar Associations		
				April 1999	Joined Anderson, Mori & Tomotsune (AM&T) law firm		
				January 2007	Partner, AM&T (current)		
				April 2007	Guest associate professor, Tokyo University Graduate School of Law		
				November 2012	External Statutory Auditor, FAST RETAILING CO., LTD. (current)		
				November 2012	External Statutory Auditor, UNIQLO CO., LTD. (current)		
				June 2013	External Statutory Auditor, The Asahi Shimbun Company (current)		
Total							22,994

- (Notes)
1. Directors Toru Hambayashi, Nobumichi Hattori, Toru Murayama, Masaaki Shintaku, and Takashi Nawa are External Directors as provided for in Article 2, Paragraph 15 of the Companies Act.
 2. Takaharu Yasumoto, Akira Watanabe, and Keiko Kaneko are External Statutory Auditors as provided for in Article 2, Paragraph 16 of the Companies Act.
 3. For a one-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 24 November 2016.
 4. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 20 November 2014.
 5. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 24 November 2016.

Corporate Governance Report

1. Corporate Governance Practice

(1) Basic Thinking on Corporate Governance

To become the world's No.1 Digital Retailer, in harmony with society and the times, the Company strives to raise the level of its corporate governance to strengthen the independence and the degree of monitoring of the Board of Directors while achieving management that is efficient and transparent.

(2) Details of company organization and internal control systems

(i) Details of company organization

The Company has built a corporate governance system consisting of a Board of Directors, a Board of Corporate Auditors, and various committees. As a key element to strengthen our corporate governance systems, the Company has instituted a system to entrust operating officers (transferring some management authority away from the Board of Directors), to separate management decision-making from operations performance functions. In addition, the management committee (Monday meeting) meets weekly, to examine tasks assigned to it by the Board of Directors, for the speedy revision of management strategy and planning.

Also, to enhance the independence of the Board of Directors and strengthen the monitoring function, five of the six Directors are External Directors, with the CEO acting as chairman of the Board of Directors. The external directors have an abundance of knowledge and experience in corporate management. As the Company's main decision-making body for the performance of management and operations, the Board of Directors meets at least once a month to discuss and decide upon important management issues. The external directors all participate actively in Board of Directors discussions, and offer their opinions without reservations.

Three of the five members of the Board of Corporate Auditors are external statutory auditors. The Standing Statutory Auditor presides. The external auditors are fully independent, and they have ample knowledge and experience as attorneys and certified public accountants. Through their participation in the Board of Directors, the external auditors and other auditors are fully aware of the decision-making process of the Board of Directors, and able to fulfill their supervisory obligations. They also supervise the Directors' performance of their executive duties through regular conversations with the Directors, other executive officers, other employees, and auditors of subsidiary corporations. The board of auditors meets at least once a month to make decisions about audit policies and planning. It meets quarterly to receive briefings and reports from the accounting auditors.

The various committees complement the work of the Board of Directors. The external directors and external auditors also serve as members of these committees. The roles and activities of the committees are shown below.

Human Resources Committee

The Human Resources Committee is responsible for the discussion of important organizational changes and adjustments to the human resources system of the Fast Retailing Group, offering its views and suggestions to the Board of Directors. The committee held 4 meetings during the year ended 31 August 2016.

CSR Committee

The CSR Committee discusses and determines the direction of the Company's CSR policies covering matters such as environmental protection, social contribution, compliance, and diversity, and creates and publishes CSR reports. The CSR Committee is chaired by the head of the CSR department, and the members include outside experts and external statutory auditors as well as executives. The committee held 1 meeting during the year ended 31 August 2016.

Disclosure Committee

The Disclosure Committee, headed by the official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is responsible for increasing the transparency of the Company's management, through its aim: "disclosure of information that is timely, accurate, fair and easy to understand." The Committee is responsible for making decisions about the timing and content of voluntary disclosures to the TSE regarding matters it determines to have potential material impact on the investment decisions of shareholders and investors. The committee held 18 meetings during the year ended 31 August 2016.

IT Investment Committee

The IT Investment Committee's role is to deliberate and decide IT investment policy at the executive level, for the purpose of optimizing the allocation of resources in information systems and advancing the Company's business. In addition, this committee formulates IT investment budgets and examines the suitability and investment return of specific undertakings together with external specialized organizations. The committee held 11 meetings during the year ended 31 August 2016.

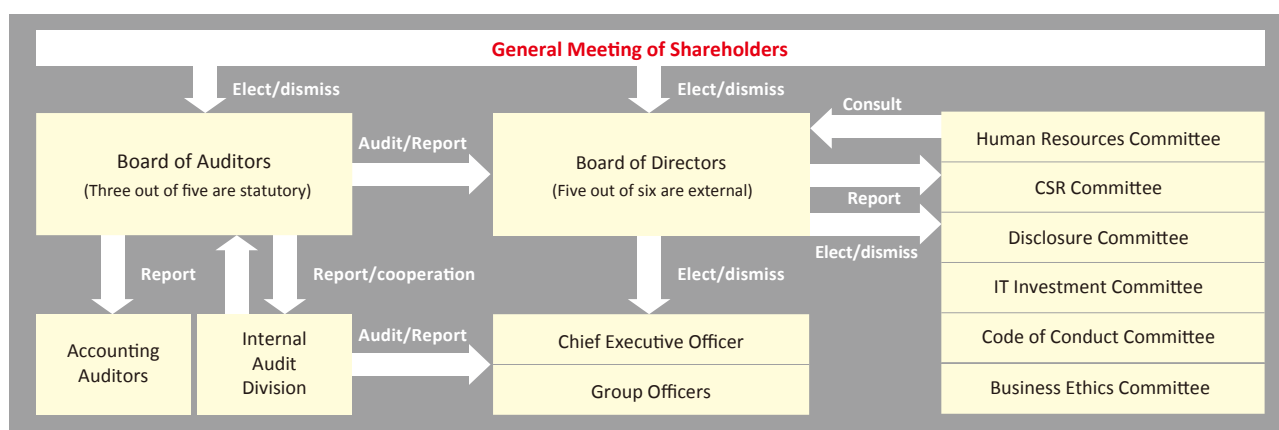
Code of Conduct Committee

The Code of Conduct Committee is responsible for deliberating and responding to violations of the Fast Retailing Code of Conduct ("FR Code of Conduct"), as well as advising on the operation of hotlines, and ensuring that the Company's executives and employees are fully aware of the requirements of the FR Code of Conduct. The Committee is chaired by the head of the general administration/employee satisfaction promotion department, and includes auditors, advisors and attorneys. The committee held 10 meetings during the year ended 31 August 2016.

Business Ethics Committee

The purpose of this committee is to ensure that the Group does not use its advantageous position to exert undue pressure on vendor companies (production factories, suppliers, etc.). The committee provides advice and counsel to departments involved, based on surveys of business conditions and suppliers conducted by external organizations. The Committee is chaired by the head of the CSR department, and includes auditors, advisors and attorneys. The committee held 12 meetings during the year ended 31 August 2016.

Below is a diagram of our corporate governance system



(ii) Establishing Internal Control Systems

The Company seeks to ensure its business operations are legitimate, fair and efficient by establishing a system of internal controls that cover 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 and certified public accountants, 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 Board of Directors and Company regulations and guidelines on document management and confidential information. These documents are stored and managed appropriately and can be easily retrieved for reference or inspection during the legally required storage period.

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

D. Managing Risk of Losses to FR Group

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

- E. Ensuring Efficient Execution of Director Duties
1. To ensure that the duties of 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 operating officers designated by the Board.
- F. Ensuring Reliable FR Group Financial Reports
- Systems have been established to ensure reliable financial reporting of Company and FR Group subsidiary activities, and the appropriate acquisition, holding and disposal of assets. These activities are closely monitored. The Company has also established a Disclosure Committee to ensure the Company and Group subsidiaries disclose information in a timely and appropriate fashion.
- G. Ensuring Proper Execution of Corporate Groups Formed by Company and FR Group Subsidiaries
1. To ensure appropriate operations of FR Group companies, all Group companies are required to uphold the management principles, the FR Way and the FR Code of Conduct. These principles also underpin the rules and regulations used when establishing entrusted individual Group companies. While respecting their autonomy, the Company oversees affiliated companies by determining their rules of business and requiring them to refer important items to the Company for consultation or final determination. The Company monitors affiliates if necessary. If Directors of Group subsidiaries discover any legal violations or serious compliance breaches, they should report them to the Statutory Auditors, the President and compliance officer.
 2. If Directors of Group subsidiaries consider the Company's management principles or guidelines violate the law, undermine corporate ethics in a specific country, or create a compliance problem, they shall report to the Internal Audit Department or the Legal Department. Those departments shall report swiftly to the Board of Statutory Auditors, the President and the compliance officer, and request appropriate improvements.
- H. Employee Assistants Requested by Statutory Auditors, and ensuring 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 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 accounting 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.
- (iii) Internal audits and audits by auditors
- The Company has an Internal Audit Department that is completely independent from business operations departments.
- 7 specialists are employed as of 31 August 2016. A regular review of this internal administrative system is conducted to ensure it remains suitable and effective and the audit of operations performance is also conducted.
- In addition, Statutory Auditors are members of the Board of Directors, and they also audit the status of management performance. The Board of Statutory Auditors described above consists of 2 Full-time Corporate Auditor and 3 external Statutory Auditors. Its purpose is to receive reports on important matters regarding the Company's internal audit department as well as audits by the accounting auditors, discuss these reports, and to cooperate as needed.
- Moreover, Auditor Takaharu Yasumoto is a certified public accountant with substantial expertise in the areas of finance and accounting.

(iv) Accounting audits

Name of audit firm	Name of CPA, etc.		Number of years of continuing auditing
Ernst & Young ShinNihon LLC	Designated limited liability partner and engagement partner	Shigeyuki Amimoto	— (Note)
	Designated limited liability partner and engagement partner	Shuji Kaneko	— (Note)
	Designated limited liability partner and engagement partner	Tomo Ito	— (Note)

Based on the audit plan formulated by Ernst & Young ShinNihon LLC, the group of assistants to the auditors consists of 17 CPAs and 19 others.

(Note) Omitted because the number of years of continuing auditing is less than 7 years.

(v) Functions, roles and selection of external directors and external statutory auditors

The Company has 5 external directors and 3 external statutory auditors.

It is the Company's expectation that the external directors will keep an eye on the management monitoring function. From a business perspective, the advice of these individuals, with their abundance of experience and expertise, makes a major contribution to enhance the value of our enterprise.

It is also expected that external statutory auditors will monitor the performance of the Board of Directors. The Company receives valuable advice based on their rich experience in a wide variety of fields.

External director Toru Murayama is the president of Office Murayama. The Company currently has a consulting subcontract with Office Murayama relating to the training of management personnel.

Aside from the above, there are no distinctive interests between the Company and other external directors or external statutory auditors.

The external directors and external statutory auditors receive reports at the Board of Directors meeting regarding internal audits, the operation of internal controls, audits by statutory auditors and the results of accounting audits. In addition, the external statutory auditors have mutual alliances with Internal Audit Department and Accounting Auditors as detailed in (v) Internal audits and audits by auditors.

With regard to the selection of external directors and external statutory auditors, the Company has no specific standards on independence from the Company, but it is the Company's responsibility to reflect their advice and counsel in its decision-making processes in an objective and independent fashion. For many years now, the Company has chosen many external directors with rich experience as corporate managers in industry, with broad-ranging expertise and discerning views. In addition, to incorporate wide range of stakeholders' view in the audits of our business activities, we value both the independence and the diversity of our external statutory auditors in various fields.

(vi) Items regarding independent directors

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

In addition to the independence criteria set by the Tokyo Stock Exchange, Fast Retailing has set the following independence standards and qualifications for external directors and auditors:

A person shall not qualify as an independent director or auditor of Fast Retailing, if:

- (1) he/she is, or has been within the past three years, a Business Partner*1 or an Executive Officer*2 of a Business Partner*2 of the Fast Retailing Group, whose annual business dealings with Fast Retailing Group during the most recent business year constituted 2% or more of the Fast Retailing Group's consolidated revenue;
- (2) he/she is, or has been within the past three years, a Business Partner*1 of the Fast Retailing Group or an Executive Officer of a Business Partner*2 of Fast Retailing, whose annual business dealings with the Fast Retailing Group during the most recent business year constituted 2% or more of the Business Partner's consolidated revenue;
- (3) he/she is a consultant, an accountant or an attorney who receives, or has received over the past three years, any monies or property equivalent to 10 million yen or more from the Fast Retailing Group, except for remuneration for a director or an auditor; or
- (4) he/she is, or has been over the past three years, a partner, an associate or an employee of an accounting auditor of Fast Retailing or its subsidiaries.

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

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

(vii) Outline of External Directors' limited liability agreement

The Company has concluded agreements with the external directors, external statutory auditors and Ernst & Young ShinNihon LLC, limiting their liabilities based on provisions in Article 427, Paragraph 1 of the Companies Act, which limits the liabilities for damages as provided for in Article 423, Paragraph 1 of the Companies Act.

These agreements state that liabilities for damages shall be limited to the higher amount of either 5 million yen or the amount stipulated by law. For Ernst & Young ShinNihon LLC, the limit of liabilities in damages shall be limited to the highest of the following amounts multiplied by two: the total economic benefits received or to be received from the Company as remuneration and payment received for performance of duties in each business year during its service as the Accounting Auditor.

(viii) Limitation of liabilities for directors and statutory auditors

Under the stipulations of the Company's articles of incorporation (Article 426-1 of the Companies Act), the Company may exempt, by decision of the Board of Directors, directors (including former directors), and statutory auditors (including former statutory auditors) from liabilities for actions described in Article 423-1 of the Companies Act, to the extent allowed by law. The purpose of this is to create an environment where directors and statutory auditors can perform their duties and pursue their expected roles to the full extent of their abilities.

(3) Details of executive remuneration

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

Executive category	Total amount of remuneration (million yen)	Total amount of remuneration, by type (million yen)		Number of executives (# of persons)
		Basic Compensation	Bonuses	
Directors (excluding external directors)	240	240	—	1
Statutory Auditors (excluding external statutory auditors)	35	35	—	2
External Directors and External Statutory Auditors	80	80	—	8

- (i) Directors' remuneration 290 million yen (of which, external directors 50 million yen)
- (ii) Statutory Auditors' remuneration 65 million yen (of which, external statutory auditors 30 million yen)
- (iii) Total consolidated executive remuneration, by executive, but only for those whose total consolidated executive remuneration is at least 100 million yen
 - Representative director Tadashi Yanai 240 million yen

Policies for determining executive compensation

Directors' compensation is calculated based on various factors including areas of responsibility, liability, earnings performance. Directors' compensation has to be approved by the Board of Directors, in accordance with the guidelines for executive compensation set by the General Meeting of Shareholders. Regarding compensation for statutory auditors, this is fixed in consultation with the statutory auditors, following the guidelines for statutory auditor compensation set by the General Meeting of Shareholders.

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

(i) Number of directors

The Company's articles of incorporation stipulate that the number of directors shall be at least 3 but not more than 10.

(ii) Election criteria for directors

The Company's articles of incorporation stipulates that the election of directors shall not be based on cumulative voting. Also, the articles of incorporation stipulates that elections shall be based on a majority vote by shareholders, with at least one-third of eligible shareholders participating.

(iii) Procedure for deciding dividends from surplus

Regarding the payment of dividends from surplus pursuant to the Companies Act, Article 459-1, the Company's articles of incorporation stipulates that dividends are decided by a resolution of the Board of Directors, and not by a resolution of the General Meeting of Shareholders, unless otherwise stipulated by law. The authority to decide payments of dividends from surplus is granted to the Board of Directors to give flexibility in the return of cash to shareholders.

(iv) Interim dividend

As part of the Company's efforts to be flexible in the return of cash to shareholders, and pursuant to the stipulations of Companies Act Article 454-5, and under the Company's articles of incorporation, an interim dividend may be paid at the end of February every year by a resolution of the Board of Directors.

(v) Special resolutions of the General Meeting of Shareholders

Regarding extraordinary resolutions of the General Meeting of Shareholders based on the Companies Act, Article 309-2, the Company's articles of incorporation stipulates that these resolutions shall be passed by two-thirds vote of the shareholders, in which at least one-third of the eligible shareholders participate. This easing of the quorum rules for extraordinary resolutions by the General Meeting of Shareholders is meant to ensure the smooth functioning of the General Meeting of Shareholders.

(5) Status of shareholding

(i) Investment shares held for purposes other than long-term holding: issues, number of issues and balance sheet total

Number of issues	Balance sheet total
5 issues	1,620 million yen

(ii) Investment shares held for purposes other than long-term holding: class, issues, number of shares, balance sheet total and purpose of investment

Year ended 31 August 2015

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Sojitz Corporation	1,342,540	345 million yen	To maintain business relationship

Year ended 31 August 2016

Special investment shares

Issue(s)	Number of shares	Balance sheet total	Purpose of investment
Sojitz Corporation	1,342,540	332 million yen	To maintain business relationship
Nameson Holdings Ltd	57,970,000	1,079 million yen	To maintain business relationship

(iii) Investment shares held for purpose of long-term holding

Not applicable.

(2) Details of accounting auditors' remuneration

(i) Details of remuneration for CPAs, etc.

Class	Year ended 31 August 2015		Year ended 31 August 2016	
	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)	Remuneration for audit and certification duties (Millions of yen)	Remuneration for duties other than audit (Millions of yen)
Reporting Entity	144	6	147	4
Consolidated subsidiaries	17	—	17	—
Total	161	6	165	4

(ii) Other important details regarding remuneration

Year ended 31 August 2015 (1 September 2014 – 31 August 2015)

The Company's consolidated subsidiaries paid 245 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

Year ended 31 August 2016 (1 September 2015 – 31 August 2016)

The Company's consolidated subsidiaries paid 325 million yen as remuneration for audit and certification duties, and other duties, to member firms of the Ernst & Young global network.

(iii) Non-auditing services provided by the CPA firm to the reporting entity

Year ended 31 August 2015 (1 September 2014 – 31 August 2015)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

Year ended 31 August 2016 (1 September 2015 – 31 August 2016)

The Company pays the Accounting Auditors consideration for the provision of advisory and other services concerning accounting matters.

(iv) Policies for determination of accounting audit remuneration

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

FINANCIAL INFORMATION

1. Preparation of consolidated financial statements

- (1) Since the Company meets all criteria of a “specific company” defined in Articles 1-2 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements (Financial Ministerial Order the 28th, 1976) (hereinafter referred to as the “Rules on Consolidated Financial Statements”), the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (“IFRS”) pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Consolidated Financial Statements.
- (2) The financial statements of the Company were prepared in accordance with the Rules Governing Term, Form and Presentation of non-consolidated Financial Statements (Financial Ministerial Order the 59th, 1963) (hereinafter referred to as the “Rules on non-consolidated Financial Statements”).
The non-consolidated financial statements are prepared in accordance with the provisions set out in Article 127 of the Rules on Non-Consolidated Financial Statements, etc., as the Company is categorized as a company that may be allowed to prepare its financial statements according to special provisions.
- (3) In this report, amounts are rounded down to the nearest million Japanese yen.

2. Audits

The Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year from 1 September 2015 to 31 August 2016 have been audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2-1 of the Financial Instruments and Exchange Act.

3. Special measures for ensuring the accuracy of our consolidated financial statements and a framework for ensuring consolidated financial statements are appropriately prepared in accordance with IFRS

The Company has taken special measures to ensure the appropriateness of our consolidated financial statements and has established a framework to ensure our consolidated financial statements are appropriately prepared in accordance with IFRS. Details of these are given below.

- (1) To establish a framework capable of adapting appropriately to changes in accounting standards, the Company has put efforts to build up our specialist knowledge by appointing employees who are well versed in IFRS, joining the Accounting Standards Board of Japan and similar organizations, and participating in training programs.
- (2) To ensure that we appropriately prepared consolidated financial statements in accordance with IFRS, we drafted group guidelines for accounting practices based on IFRS, and have been conducting accounting procedures based on these guidelines. We regularly obtain standards and press releases published by the International Accounting Standards Board, study the latest standards and their potential impact on our Company, and update our group guidelines for accounting practices accordingly.

1. Consolidated Financial Statements
(1) Consolidated Financial Statements
(i) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Millions of yen)

	Notes	As at 31 August 2015	As at 31 August 2016
ASSETS			
Current assets			
Cash and cash equivalents	8,30	355,212	385,431
Trade and other receivables	9,30	44,777	45,178
Other current financial assets	11,30	22,593	184,239
Inventories	10	260,006	270,004
Derivative financial assets	30	157,490	569
Income taxes receivable		18,564	21,626
Others	12	15,748	17,534
Total current assets		874,394	924,583
Non-current assets			
Property, plant and equipment	13	129,340	121,853
Goodwill	14	27,165	17,908
Other intangible assets	14	40,991	34,205
Non-current financial assets	11,30	75,940	77,553
Investments in an associate	16	—	13,132
Deferred tax assets	19	11,107	44,428
Others	12	4,766	4,453
Total non-current assets		289,311	313,535
Total assets		1,163,706	1,238,119
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables	20,30	181,577	189,501
Derivative financial liabilities	30	100	72,388
Other current financial liabilities	11,17,30	15,471	12,581
Income taxes payable		36,763	9,602
Provisions	21	22,615	22,284
Others	12	35,714	31,689
Total current liabilities		292,242	338,046
Non-current liabilities			
Non-current financial liabilities	11,17,30	25,513	274,090
Provisions	21	10,203	10,645
Deferred tax liabilities	19	47,272	3,809
Others	12	13,668	13,865
Total non-current liabilities		96,658	302,411
Total liabilities		388,901	640,458
EQUITY			
Capital stock	22	10,273	10,273
Capital surplus	22	11,524	13,070
Retained earnings	22	602,623	613,974
Treasury stock, at cost	22	(15,699)	(15,633)
Other components of equity	22	142,214	(47,183)
Equity attributable to owners of the parent		750,937	574,501
Non-controlling interests		23,867	23,159
Total equity		774,804	597,661
Total liabilities and equity		1,163,706	1,238,119

(ii) CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of profit or loss

(Millions of yen)

	Notes	Year ended 31 August 2015	Year ended 31 August 2016
Revenue	23	1,681,781	1,786,473
Cost of sales		(833,243)	(921,475)
Gross profit		848,538	864,998
Selling, general and administrative expenses	24	(671,863)	(702,956)
Other income	16,25	8,782	2,363
Other expenses	15,25	(20,992)	(37,112)
Operating profit		164,463	127,292
Finance income	26	17,354	2,364
Finance costs	26	(1,141)	(39,420)
Profit before income taxes		180,676	90,237
Income taxes	19	(63,287)	(36,162)
Profit for the year		117,388	54,074
Attributable to:			
Owners of the parent		110,027	48,052
Non-controlling interests		7,360	6,021
Profit for the year		117,388	54,074
Earnings per share			
Basic (Yen)	28	1,079.42	471.31
Diluted (Yen)	28	1,078.08	470.69

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Year ended 31 August 2015	Year ended 31 August 2016
Profit for the year		117,388	54,074
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gain/(loss) on revaluation of available-for-sale investments	27	(655)	105
Exchange differences on translation of foreign operations	27	14,040	(43,312)
Cash flow hedges	27	40,350	(150,239)
Other comprehensive income, net of taxes		53,735	(193,447)
Total comprehensive income for the year		171,124	(139,372)
Attributable to:			
Owners of the parent		163,871	(141,345)
Non-controlling interests		7,253	1,972
Total comprehensive income for the year		171,124	(139,372)

(iii) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 August 2015

(Millions of yen)

	Notes	Other components of equity							Equity		Total equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	attributable to owners of the parent		Non-controlling interests
As at 1 September 2014		10,273	9,803	525,722	(15,790)	798	23,035	64,536	88,371	618,381	17,660	636,041
Net changes during the year												
Comprehensive income												
Profit for the year		—	—	110,027	—	—	—	—	—	110,027	7,360	117,388
Other comprehensive income	27	—	—	—	—	(655)	14,815	39,683	53,843	53,843	(107)	53,735
Total comprehensive income		—	—	110,027	—	(655)	14,815	39,683	53,843	163,871	7,253	171,124
Transactions with the owners												
Acquisition of treasury stock	22	—	—	—	(11)	—	—	—	—	(11)	—	(11)
Disposal of treasury stock	22	—	700	—	102	—	—	—	—	803	—	803
Dividends	22	—	—	(33,126)	—	—	—	—	—	(33,126)	(1,226)	(34,352)
Share-based payments	22	—	1,019	—	—	—	—	—	—	1,019	—	1,019
Others		—	—	—	—	—	—	—	—	—	180	180
Total transactions with the owners		—	1,720	(33,126)	90	—	—	—	—	(31,315)	(1,046)	(32,361)
Total net changes during the year		—	1,720	76,901	90	(655)	14,815	39,683	53,843	132,556	6,207	138,763
As at 31 August 2015		10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804

For the year ended 31 August 2016

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity			Total	Equity attributable to owners of the parent		Total equity
						Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve		Non-controlling interests		
As at 1 September 2015		10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804
Net changes during the year												
Comprehensive income												
Profit for the year		—	—	48,052	—	—	—	—	—	48,052	6,021	54,074
Other comprehensive income	27	—	—	—	—	105	(40,663)	(148,839)	(189,397)	(189,397)	(4,049)	(193,447)
Total comprehensive income		—	—	48,052	—	105	(40,663)	(148,839)	(189,397)	(141,345)	1,972	(139,372)
Transactions with the owners												
Acquisition of treasury stock	22	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	22	—	546	—	72	—	—	—	—	619	—	619
Dividends	22	—	—	(36,702)	—	—	—	—	—	(36,702)	(3,268)	(39,970)
Share-based payments	22	—	945	—	—	—	—	—	—	945	—	945
Others		—	53	—	—	—	—	—	—	53	587	641
Total transactions with the owners		—	1,546	(36,702)	66	—	—	—	—	(35,090)	(2,680)	(37,770)
Total net changes during the year		—	1,546	11,350	66	105	(40,663)	(148,839)	(189,397)	(176,435)	(708)	(177,143)
As at 31 August 2016		10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661

(iv) CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Profit before income taxes	180,676	90,237
Depreciation and amortization	37,758	36,797
Impairment losses	16,146	22,397
Increase/(decrease) in allowance for doubtful accounts	372	46
Increase/(decrease) in other provisions	5,096	328
Interest and dividend income	(1,477)	(2,364)
Interest expenses	1,137	2,402
Foreign exchange losses/(gains)	(15,084)	36,955
Share of profit and loss of an associate	—	(132)
Losses on retirement of property, plant and equipment	2,479	1,052
Decrease/(increase) in trade and other receivables	3,977	(2,364)
Decrease/(increase) in inventories	(29,295)	(34,908)
Increase/(decrease) in trade and other payables	(8,031)	18,598
Decrease/(increase) in other assets	(1,900)	1,868
Increase/(decrease) in other liabilities	12,260	(1,356)
Others, net	1,339	(476)
Subtotal	205,456	169,079
Interest and dividend income received	1,477	2,364
Interest paid	(1,155)	(2,163)
Income taxes paid	(84,728)	(88,512)
Income taxes refund	13,881	17,987
Net cash from operating activities	134,931	98,755
Decrease/(increase) in bank deposits with maturity over 3 months	(16,173)	(186,536)
Purchases of property, plant and equipment	(44,663)	(34,158)
Proceeds from sales of property, plant and equipment	261	1,137
Purchases of intangible assets	(6,503)	(9,470)
Payments for lease and guarantee deposits	(8,849)	(7,434)
Proceeds from collection of lease and guarantee deposits	3,442	3,983
Investment in an associate	—	(13,000)
Increase in construction assistance fund receivables	(2,445)	(1,323)
Decrease in construction assistance fund receivables	1,895	1,909
Others, net	(109)	(1,045)
Net cash used in investing activities	(73,145)	(245,939)

(Millions of yen)

	Notes	Year ended 31 August 2015	Year ended 31 August 2016
Net increase/(decrease) in short-term loans payable		1,814	(243)
Repayment of long-term loans payable		(5,090)	(4,937)
Proceeds from issuance of bonds		—	249,369
Cash dividends paid	22	(33,127)	(36,700)
Cash dividends paid to non-controlling interests		(1,226)	(3,076)
Repayments of lease obligations		(4,587)	(4,313)
Others, net		431	1,330
Net cash used in financing activities		(41,784)	201,428
Effect of exchange rate changes on cash and cash equivalents		21,162	(24,025)
Net increase/(decrease) in cash and cash equivalents		41,162	30,218
Cash and cash equivalents at beginning of year	8	314,049	355,212
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	355,212	385,431

Notes to the Consolidated Financial Statements

1. Reporting Entity

FAST RETAILING CO., LTD. (the “Company”) is a company incorporated in Japan. The locations of the registered headquarters and principal offices of the Company are disclosed at the Group’s website (<http://www.fastretailing.com/eng/>).

The principal activities of the Company and its consolidated subsidiaries (the “Group”) are the UNIQLO business (casual wear retail business operating under the “UNIQLO” brand in Japan and overseas), GU business and Theory business (apparel designing and retail business in Japan and overseas), etc.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The Group meets all criteria of a “specified company” defined under Article 1-2 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements, and accordingly applies Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements.

(2) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 25 November 2016 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

(3) Basis of Measurement

The consolidated financial statements have been prepared on an historical cost basis, except for certain assets, liabilities, and financial instruments which are measured at fair value as indicated in “3. Significant Accounting Policies”.

(4) Functional Currency and Presentation Currency

The presentation currency for the Group’s consolidated financial statements is the Japanese yen (in units of millions of yen), which is also the Company’s functional currency. All values are rounded down to the nearest million yen, except when otherwise indicated.

(5) Use of Estimates and Judgments

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

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

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

- Useful lives of property, plant and equipment, and intangible assets (Notes 13, 14)
- Recoverable amounts from cash-generating units for impairment test (Note 15)
- Recoverability of deferred tax assets (Note 19)
- Valuation of inventories (Note 10)
- Recoverability of trade and other receivables (Notes 9, 30)
- Accounting treatment and valuation of provisions (Note 21)
- Fair value measurement of financial instruments (Note 30)
- Fair value unit price for share-based payments (Note 29)
- Probability of outflow of future economic benefits from contingent liabilities (Note 34)

3. Significant Accounting Policies

(1) Basis of Consolidation

(i) Subsidiaries

“Subsidiaries” refers to enterprises that are controlled by the Company (including businesses established by the Company). The Group controls enterprises where it is exposed to variable returns arising from its involvement in those enterprises or when the Group has rights to variable returns in those enterprises and is able to have an impact on the said variable returns through its power over those enterprises. A subsidiary’s financial statements are incorporated into the Group’s consolidated financial statements from the date on which control begins until the date control ends.

The subsidiaries adopted consistent accounting policies as the Company in the preparation of their financial statements.

All intra-group balances, transactions within the Group as well as unrealized profit and loss resulting from transactions within the Group are eliminated at the time of preparation of the consolidated financial statements.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the adjustment to the non-controlling interest and the fair value of the consideration received is recognized directly in equity as interests attributable to owners of the parent.

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

The number of consolidated subsidiaries as at 31 August 2016 is 120.

(ii) Investments in associates

“Associates companies”, have not been controlled by the Group, refers to the enterprises which the Group has significant influence over the financial and operating policies. If the Group holds 20% or more of the voting rights of another enterprise, it is estimated that the Group has a significant influence over the other enterprise. Investments in associates companies, perform the accounting treatment by applying the equity method, and measured at historical cost at the time of acquisition.

Thereafter the investment is changed in accordance with the change of the Group’s share of net assets of associates companies. At that time, the Group’s share of the net profit or loss of associates companies is recognized in the consolidated statement of profit or loss. In addition, among the other comprehensive income of associates companies, the Group’s share of the net profit or loss is recognized in other comprehensive income in the consolidated statement of comprehensive income.

Gains on significant intercompany transactions have been eliminated in accordance with the equity interest in associate companies.

The number of associate as at 31 August 2016 is 1.

(2) Business combinations

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

If the cost of an acquisition exceeds the fair value of the identifiable assets and liabilities, it is recorded as goodwill on the consolidated statement of financial position. If it is below the fair value, this is immediately recorded as income on the consolidated statement of profit or loss.

Acquisition-related costs are expensed as incurred. Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

Contingent liabilities of acquired companies are recognized in a business combination only if they are present obligations, were incurred as a result of a past event, and their fair value can be reliably measured.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the initial accounting for a business combination is incomplete by the reporting date of the fiscal year in which the business combination occurs, the items for which the acquisition accounting is incomplete are reported using provisional amounts. Those amounts provisionally recognized on the acquisition date are retrospectively adjusted to reflect new information if the acquisitions took place during a period (measurement period) when it is believed that, had facts and circumstances that existed at the acquisition date been known at that time, they would have affected the amounts recognized on that date. Additional assets and liabilities are recognized if new information results in the recognition of additional assets or liabilities. The measurement period should be within one year.

(3) Foreign Currencies

(i) 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 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).

(ii) 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.

(4) Financial Instruments

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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 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.

Non-derivative financial instruments

(i) 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.

(ii) Financial assets at fair value through profit or loss

Financial assets are classified as “financial assets at fair value through profit or loss” if they are held for trading or if they are designated as financial assets at fair value through profit or loss.

Financial assets other than financial assets held for trading may be designated as “financial assets at fair value through profit or loss” at initial recognition if any of the following applies:

(a) If such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) is likely to arise;

(b) If the financial assets are part of a “group of financial assets or financial liabilities (or both)”, which are managed and have their performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on a fair value basis; or

(c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets or liabilities) to be designated as a “financial assets at fair value through profit or loss”), unless they are designated as an effective hedging instrument.

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. Fair value is determined using the method described in “30. Financial Instruments”.

(iii) Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as “loans and receivables”. After initial measurement, such financial assets 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.

(iv) Available-for-sale financial assets

Any non-derivative financial assets classified as “available-for-sale financial assets” are those that are neither classified as “financial assets at fair value through profit or loss”, nor “loans and receivables”, or those that are designated as “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. Fair value is determined using the method described in “30. Financial Instruments”. 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.

When available-for-sale financial assets are derecognized, or when an impairment loss is recognized, the cumulative profits or losses that have been recognized as other comprehensive income up to that time are reclassified to the profit or loss for the period.

Dividends associated with available-for-sale financial assets are recognized in profit or loss when the Group’s right to receive dividends is established. The fair value of available-for-sale financial assets denominated in foreign currencies is determined in that foreign currency and translated at the exchange rate prevailing at each reporting date. The effects of changes in exchange rates on foreign currencies denominated monetary assets is recognized in foreign exchange gains or losses, while the effect of changes in exchange rates on other foreign currencies denominated available-for-sale financial assets is recognized in other comprehensive income.

(v) Impairment of financial assets

Those financial assets other than “Financial assets at fair value through profit or loss”, pursuant to IAS 39, are evaluated at each reporting date 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.

For available-for-sale financial assets, impairment losses previously recognized in profit or loss cannot be reversed through profit or loss. Any change in fair values after an impairment loss is recognized through other comprehensive income as long as this does not give rise to an additional impairment loss.

(vi) 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.

Non-derivative equity instruments and financial liabilities

(i) Equity instruments (stocks)

An equity instrument is a contract that evidences ownership of a residual interest in the assets of a company after deducting all of its liabilities.

(ii) Financial liabilities

Financial liabilities are classified as either “financial liabilities at fair value through profit or loss” or “other financial liabilities”.

(iii) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as “financial liabilities at fair value through profit or loss” if they are held for trading or if they are designated as financial liabilities at fair value through profit or loss.

A financial liability is classified as being held for trading purposes if any of the following applies:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities other than financial liabilities held for trading may be designated as “financial liabilities at fair value through profit or loss” at initial recognition if any of the following applies:

- (a) If such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) is likely to arise;
- (b) If the financial liabilities are part of a “group of financial assets or financial liabilities (or both)” which are managed and have their performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on a fair value basis; or
- (c) If the contract contains at least one embedded derivative (IAS 39 allows the entire hybrid (combined) contract (assets and liabilities) to be designated as “financial liabilities at fair value through profit or loss”).

Financial liabilities designated as “financial liabilities at fair value through profit or loss” are measured at fair value, with any changes recognized in profit or loss. Recognized profits and losses, including the above, are recognized in the consolidated statement of profit or loss as interest expenses or gain or loss on change in fair value. Fair value is determined using the method described in “30. Financial Instruments”.

(iv) Other financial liabilities

Other financial liabilities, including loans payable, are initially measured at fair value, net of directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the EIR method, and interest expenses are recognized using the EIR method.

(v) 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.

(vi) Fair value of financial instruments

The fair value of financial instruments that are traded on an active financial market at each reporting date are based on quoted market prices and dealer prices.

The fair value of financial instruments for which there is no active market are calculated using appropriate valuation techniques.

(vii) Offsetting financial Instruments

Financial assets and financial liabilities are only offset when there is an enforceable legal right to offset the recognized amounts and when there is an intention to either settle on a net basis, or realize the asset and settle the liability simultaneously; and the net amount is reported on the consolidated statement of financial position.

(5) Cash and cash equivalents

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

(6) 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.

(7) Property, plant and equipment (other than leased assets)

(i) Recognition and measurement

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

(ii) Depreciation

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

Buildings and structures	3-50 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.

(8) Goodwill and intangible assets (other than leased assets)

(i) 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.

(ii) Intangible assets

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

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

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

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

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

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

(9) Leases

The determination of whether an arrangement is, or contains, a lease is made based on the substance of the arrangement on the inception date of the lease, or in other words, whether the fulfillment of the arrangement depends on the use of a specific asset or group of assets and whether the arrangement conveys the right to such asset (whether explicitly stated in the contract or not).

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

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the 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.

(10) Impairment

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

The recoverable amount for an asset or cash-generating unit ("CGU") is the higher of value-in-use and fair value less costs of disposal. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

A CGU is the smallest group of assets which generates cash inflows from continuing use, which are largely independent of the cash inflows from other assets or groups of assets.

The CGU (or group of CGUs) for goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes and must not be larger than an operating segment before aggregation.

Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. Impairment losses recognized in relation to a CGU are first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then allocated to the other assets of the CGU pro rata on the basis of their carrying amounts.

An impairment loss related to goodwill cannot be reversed in future periods. Previously recognized impairment losses on other assets are reviewed at each reporting date to determine whether there is any indication that a loss has decreased or no longer exists. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(11) 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:

(i) Allowance for bonuses

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

(ii) Asset retirement obligations

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

(12) Share-based payments

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

Stock options are measured at fair value based on the price of the Company's shares on the grant date. Fair value of stock options is further disclosed in "29. Share-based Payments".

The fair value of the stock options determined at the grant date is expensed, together with a corresponding increase in capital surplus in equity, over the vesting period on a straight-line basis, taking into consideration the Group's best estimates of number of stock options that will ultimately vest.

(13) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable by the Group, less returns, trade discounts and rebates. If a single transaction has multiple identifiable elements, the transaction is apportioned among the elements and revenue is recognized for each element. When two or more transactions make commercial sense only when considered together as a single entity, revenue is recognized for the transactions together. The recognition standards and method of presentation for revenue are described below.

(i) Revenue recognition standards

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Method of presentation for revenue

If the Group is acting as a principal in a transaction, revenue is measured at the fair value of consideration received or receivable from the customer.

(14) Income taxes

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

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

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

- Temporary differences arising from goodwill;
- Temporary differences arising from the initial recognition of an asset/liability which, at the time of the transaction, does not affect either the accounting profit or the taxable income (other than in a business combination); or
- Temporary differences associated with investments in subsidiaries, but only to the extent that it is possible to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

From the current consolidated fiscal year, the Company and 100% owned domestic subsidiaries will apply the consolidated taxation system.

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

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

(15) Earnings per share

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

4. Application of new and amended standards and interpretations

Not applicable.

5. Issued but not yet effective IFRS

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards were issued but not yet effective and have not been early adopted by the Group.

The Company is in the process of assessing the impact of the adoption of these standards and interpretations, but is not yet in a position to state whether these new and revised IFRS would have a significant impact on the Group's results of operation and financial position.

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements	1 January 2016	Year ending 31 August 2017	Clarification of methods of presentation of financial statements and disclosures
IAS16 (Amendments)	Amendments to IAS 16 Property, Plant and Equipment	1 January 2016	Year ending 31 August 2017	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 28 (Amendments)	Amendments to IAS 28 Investments in Associates and Joint Ventures	1 January 2016	Year ending 31 August 2017	Clarification of items requested regarding accounting treatment of investment entities
IAS 34 (Amendments)	Amendments to IAS 34 Interim Financial Reporting	1 January 2016	Year ending 31 August 2017	Clarifying the handling of information required by IAS 34, when given in the "Other" section of the financial reports for the term.
IAS 38 (Amendments)	Amendments to IAS 38 Intangible Assets	1 January 2016	Year ending 31 August 2017	Clarification of Acceptable Methods of Depreciation and amortization
IFRS 5 (Amendments)	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016	Year ending 31 August 2017	Clarification of accounting treatment of non-current assets, when the categorization requirements regarding "holding for purpose of allocation to owner" are no longer met, or when the category is changed from "holding for purpose of sale" to "holding for purpose of allocation to owner."

IFRS	Title	Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
IFRS 7 (Amendments)	Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2016	Year ending 31 August 2017	Clarification of standards for determination of continuing involvement in financial assets to be transferred. Clarification of scope of applicable range for offsetting financial assets and financial liabilities in financial reports for the term.
IFRS 10 (Amendments)	Amendments to IFRS 10 Consolidated Financial Statements	1 January 2016	Year ending 31 August 2017	Clarification of items requested regarding accounting treatment of investment entities.
IFRS 12 (Amendments)	Amendments to IFRS 12 – Disclosures of interests in other entities	1 January 2016	Year ending 31 August 2017	Sets out the disclosure requirements for investment entities.
IAS 7 (Amendments)	Statement of Cash Flows	1 January 2017	Year ending 31 August 2018	Request for disclosure of changes in liabilities related to financing activities.
IAS12 (Amendments)	Income Taxes	1 January 2017	Year ending 31 August 2018	Recognition of deferred tax assets for unrealized losses.
IFRS 2 (Amendments)	Share-based Payment	1 January 2018	Year ending 31 August 2019	Classification and measurement of share-based payment transactions.
IFRS 9 (2014)	Financial Instruments	1 January 2018	Year ending 31 August 2019	Replaces IAS39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. Amendments for the classification and measurement of financial instruments, adoption of expected credit loss impairment model for financial assets and hedge accounting.
IFRS 15 (Amendments)	Revenue from Contracts with Customers	1 January 2018	Year ending 31 August 2019	Revised accounting standard for revenue recognition and disclosures.
IFRS 16 (Amendments)	Leases	January 1, 2019	Year ending 31 August 2020	Amendments to accounting treatment for lease arrangements.
IFRS 10 (Amendments)	Amendments to IFRS 10 Consolidated Financial Statements	※	—	Sale or contribution of assets between an investor and its associate or joint venture.
IAS 28 (Amendments)	Amendments to IAS 28 Investments in Associates and Joint Ventures	※	—	Sale or contribution of assets between an investor and its associate or joint venture.

※ IASB released in December 2015 that it will defer the effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method.

6. Segment Information

(1) Description of reportable segments

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

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

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

UNIQLO Japan: UNIQLO clothing business within Japan

UNIQLO International: UNIQLO clothing business outside of Japan

Global Brands: GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand clothing operations

(2) Method of calculating segment revenue and results

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

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

(3) Segment information

Year ended 31 August 2015

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	780,139	603,684	295,316	1,679,140	2,641	—	1,681,781
Operating profit	117,249	43,376	14,418	175,045	114	(10,695)	164,463
Segment income (profit before income taxes)	119,651	42,914	14,362	176,928	114	3,633	180,676
Other disclosure:							
Depreciation and amortization	7,475	16,865	6,682	31,024	181	6,552	37,758
Impairment losses	106	3,426	6,083	9,616	—	6,530	16,146

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

(Note 2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments. Please refer to "15. Impairment losses" for details related to IT system investment.

Year ended 31 August 2016

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	799,817	655,406	328,557	1,783,782	2,691	—	1,786,473
Operating profit	102,462	37,438	9,520	149,421	235	(22,364)	127,292
Segment income (profit before income taxes)	100,456	37,138	9,297	146,892	235	(56,890)	90,237
Other disclosure:							
Depreciation and amortization	7,190	17,623	6,605	31,419	156	5,221	36,797
Impairment losses	1,747	5,833	14,816	22,397	—	—	22,397

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

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

(4) Geographic Information

Year ended 31 August 2015

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
967,178	204,916	509,687	1,681,781

2. Non-current assets (excluding financial assets and deferred tax assets)

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
56,670	25,143	120,548	202,362

Year ended 31 August 2016

1. External Revenue

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
1,033,058	239,720	513,694	1,786,473

2. Non-current assets (excluding financial assets and deferred tax assets)

(Millions of yen)

Japan	PRC	Overseas (Others)	Total
63,945	22,194	92,281	178,421

7. Business Combination

Year ended 31 August 2015

Not applicable.

Year ended 31 August 2016

Not applicable.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents as at each year end is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Cash and bank balances	305,204	270,051
Money market funds (MMF), cash funds, negotiable certificates of deposits	50,007	115,379
Total	355,212	385,431

9. Trade and other receivables

The breakdown of trade and other receivables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Accounts receivable — trade	40,931	40,509
Notes receivable	66	45
Other accounts receivable	4,459	5,290
Allowance for doubtful accounts	(679)	(667)
Total	44,777	45,178

See note “30. Financial Instruments” for credit risk management and the fair value of trade and other receivables.

10. Inventories

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

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Products	255,736	265,831
Supplies	4,270	4,172
Total	260,006	270,004

No inventories were pledged as collateral to secure debt.

Write-down of inventories to net realizable value is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Write-down of inventories to net realizable value	3,427	3,866

11. Other financial assets and other financial liabilities

The breakdown of other financial assets and other financial liabilities as at each year end is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Other financial assets:		
Available-for-sale financial assets	574	1,636
Loans and receivables		
Loans and receivables	98,225	260,373
Allowance for doubtful accounts	(265)	(218)
Total loans and receivables	97,960	260,155
Total	98,534	261,792
Other current financial assets total	22,593	184,239
Other non-current financial assets total	75,940	77,553

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Other financial liabilities:		
Financial liabilities measured at amortized cost		
Interest-bearing bank and other borrowings	38,035	283,465
Deposits	1,394	1,805
Deposits/guarantees received	1,555	1,400
Total	40,985	286,672
Other current financial liabilities total	15,471	12,581
Other non-current financial liabilities total	25,513	274,090

12. Other assets and other liabilities

The breakdown of other assets and other liabilities as at each year end is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Other assets:		
Prepayments	11,818	11,954
Long-term prepayments	4,755	4,453
Others	3,941	5,580
Total	20,514	21,987
Current	15,748	17,534
Non-current	4,766	4,453

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Other liabilities:		
Accruals	24,248	24,484
Employee benefits accruals	3,793	4,494
Others	21,341	16,575
Total	49,382	45,554
Current	35,714	31,689
Non-current	13,668	13,865

13. Property, plant and equipment

Increase/(decrease) in acquisition costs, accumulated depreciation and impairment of property, plant and equipment are as follows:

(Millions of yen)

Acquisition costs	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2014	163,207	30,943	3,689	6,021	20,276	224,139
Additions	19,917	9,326	—	11,339	4,818	45,401
Disposals	(8,906)	(1,368)	(343)	—	(3,726)	(14,344)
Transfers	10,004	833	—	(10,837)	—	—
Exchange realignment	11,540	(1,372)	—	760	—	10,929
At 31 August 2015	195,764	38,362	3,345	7,284	21,369	266,126
Additions	17,646	5,342	—	16,584	6,529	46,103
Disposals	(8,941)	(1,148)	(1,383)	—	(3,141)	(14,614)
Transfers	11,092	—	—	(11,092)	—	—
Exchange realignment	(19,574)	(3,303)	—	(1,746)	—	(24,624)
At 31 August 2016	195,986	39,253	1,962	11,029	24,757	272,990

(Millions of yen)

Accumulated depreciation and impairment	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Leased assets	Total
At 1 September 2014	(83,907)	(15,510)	(315)	—	(10,007)	(109,741)
Depreciation provided during the year	(18,289)	(7,170)	—	—	(4,060)	(29,520)
Impairment	(3,334)	(772)	(387)	—	(365)	(4,858)
Disposals	5,918	1,361	—	—	4,016	11,296
Exchange realignment	(4,516)	554	—	—	—	(3,961)
At 31 August 2015	(104,129)	(21,537)	(702)	—	(10,416)	(136,785)
Depreciation provided during the year	(19,953)	(7,149)	—	—	(3,939)	(31,041)
Impairment	(6,150)	(1,387)	—	—	(384)	(7,922)
Disposals	6,902	769	702	—	3,351	11,726
Exchange realignment	9,102	3,783	—	—	—	12,886
At 31 August 2016	(114,226)	(25,520)	—	—	(11,389)	(151,136)

(Millions of yen)

Net carrying amount	Buildings and structures	Furniture, equipment and vehicles	Land	Construction in progress	Lease assets	Total
At 31 August 2015	91,635	16,825	2,643	7,284	10,952	129,340
At 31 August 2016	81,759	13,733	1,962	11,029	13,368	121,853

Net carrying amounts of finance-leased assets are as follows:

(Millions of yen)

	Buildings and structures	Furniture, equipment and vehicles	Others	Total
At 31 August 2015	988	9,964	—	10,952
At 31 August 2016	1,223	12,144	—	13,368

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

14. Goodwill and intangible assets

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

(Millions of yen)

Acquisition costs	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2014	38,410	33,688	20,158	22,762	76,608	115,018
External purchases	—	6,759	—	368	7,128	7,128
Disposals	—	(2,223)	—	(673)	(2,896)	(2,896)
Exchange realignment	3,688	3	3,292	2,661	5,956	9,645
At 31 August 2015	42,098	38,227	23,450	25,119	86,797	128,896
External purchases	—	10,164	6	131	10,302	10,302
Disposals	—	(7,233)	—	(324)	(7,558)	(7,558)
Exchange realignment	(3,952)	(286)	(3,398)	(3,851)	(7,535)	(11,487)
At 31 August 2016	38,146	40,871	20,058	21,075	82,006	120,152

(Millions of yen)

Accumulated amortization and impairment	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 1 September 2014	(11,694)	(15,941)	(5,315)	(8,382)	(29,640)	(41,334)
Amortization provided during the year	—	(6,146)	—	(1,761)	(7,907)	(7,907)
Impairment	(1,420)	(6,135)	(1,469)	(2,232)	(9,837)	(11,258)
Disposals	—	2,196	—	190	2,385	2,385
Exchange realignment	(1,818)	23	(785)	(43)	(805)	(2,623)
At 31 August 2015	(14,933)	(26,005)	(7,571)	(12,229)	(45,806)	(60,739)
Amortization provided during the year	—	(4,735)	—	(1,019)	(5,755)	(5,755)
Impairment	(7,565)	—	(3,902)	(2,995)	(6,897)	(14,463)
Disposals	—	7,213	—	324	7,538	7,538
Exchange realignment	2,260	207	984	1,928	3,120	5,381
At 31 August 2016	(20,237)	(23,319)	(10,488)	(13,992)	(47,800)	(68,038)

(Note) Amortization of intangible assets is included in “selling, general and administrative expenses” on the consolidated statement of profit or loss.

(Millions of yen)

Net carrying amount	Goodwill	Intangible assets other than goodwill				Intangible assets total
		Software	Trademarks	Other intangible assets	Total	
At 31 August 2015	27,165	12,222	15,879	12,889	40,991	68,156
At 31 August 2016	17,908	17,552	9,570	7,083	34,205	52,114

(2) Significant goodwill and intangible assets

Goodwill and intangible assets recorded in the consolidated statement of financial position are mainly for goodwill and trademarks related to Theory business.

Certain trademarks will continue to be used as long as the business remains viable; therefore, management estimated the useful lives as indefinite.

The carrying amount of the goodwill and intangible assets with indefinite useful lives by cash-generating unit ("CGU") is as follows:

(Millions of yen)

Net carrying amount	Goodwill			Intangible assets with indefinite useful lives		
	UNIQLO Japan	UNIQLO International	Global Brands	UNIQLO Japan	UNIQLO International	Global Brands
At 31 August 2015	—	—	27,165	—	—	23,244
At 31 August 2016	—	—	17,908	—	—	15,244

15. Impairment losses

During the year ended 31 August 2016, the Group recognized impairment losses of some store assets, goodwill and intangible assets owned by J Brand business, leasehold rights and key money, mainly due to a decline in their profitability.

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

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Buildings and structures	3,334	6,150
Furniture and equipment	772	1,387
Land	387	—
Leased assets	365	384
Subtotal impairment losses on property, plant and equipment	4,858	7,922
Software	6,135	—
Goodwill	1,420	7,565
Trademark	1,469	3,902
Other intangible assets	2,232	2,995
Subtotal impairment losses on intangible assets	11,258	14,463
Other non-current assets (Long-term prepayments)	29	11
Total impairment losses	16,146	22,397

(Note) Leased assets include furniture and equipment.

The Group's impairment losses during the year ended 31 August 2016 amounted to 22,397 million yen, compared with 16,146 million yen during the year ended 31 August 2015, and are included in "other expenses" on the consolidated statement of profit or loss.

Year ended 31 August 2015

(1) Property, plant and equipment

The grouping is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store is considered a cash-generating unit and recoverable amounts of cash-generating units are calculated based on value in use.

Impairment losses represented write down of the carrying amount of the store assets to the recoverable amount, mainly due to a reduction in profitability of certain stores.

The value in use is calculated based on estimates and growth rates compiled by management. Since the future cash flow is estimated to be negative, the value in use is deemed to be zero.

The main cash-generating units of which impairment losses were recorded are as follows:

Operating segment	Cash-generating unit	Type
UNIQLO International	UNIQLO USA LLC stores	Buildings and structures

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to J Brand business

Out of the total impairment losses amounted to 16,146 million yen, 5,123 million yen represented impairment losses for goodwill, trademarks and customer relationships owned by the J Brand business. The carrying amounts of cash-generating units related to J Brand business after recognition of impairment losses are 11,401 million yen of goodwill, 7,005 million yen of trademarks and 4,249 million yen of customer relationships.

The recoverable amounts of goodwill, trademarks and customer relationships related to the J Brand business are calculated based on fair value less costs of disposal.

Fair value less costs of disposal is determined by taking into account the following two approaches:

① The terminal value of the business added to the 10-year discounted cash flow based on plans projected and approved by management. The discount rate (post-tax) is calculated at 19.5% (pre-tax discount rate is 27.5%) based on the weighted average cost of capital of the cash-generating units (Income approach).

② Calculation based on the market value of similar assets (Market approach).

This measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs in used valuation techniques. Adverse change in key assumptions — lower estimated future cash flow or higher discount rate, would cause further impairment loss to be recognized.

(ii) Impairment losses related to IT system investment

Out of the total impairment losses amounted to 16,146 million yen, 6,530 million yen is related to IT system. 6,530 million yen comprised of impairment losses for software assets which amount to 6,135 million yen and impairment losses amounted to 395 million yen for IT system assets, which are included in property, plant and equipment and other non-current assets.

Impairment losses represented write down of the carrying amount of assets to the recoverable amount, mainly due to a reduction in profitability. IT system and related assets are recognized as one cash-generating unit and the recoverable amount was deemed as zero because the assets are going to be disposed.

Year ended 31 August 2016

(1) Property, plant and equipment

Out of the total impairment losses amounted to 22,397 million yen, 7,934 million yen represented write down of the carrying amount of the store assets to the recoverable amount, mainly due to a reduction in profitability of certain stores.

The grouping is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store is considered a cash-generating unit and recoverable amounts of cash-generating units are calculated based on value in use.

The value in use is calculated by reducing the cash flow based on estimates and growth rates compiled by management by 13.9%. Theoretically, the projected cash flows cover a 5-year period and do not use a growth rate that exceeds the long-term average market growth rate. The discount rate (pre-tax) is calculated based on the weighted average cost of capital.

The main cash-generating units for which impairment losses were recorded is as follows:

Operating segment	Cash-generating unit	Type
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings and structures
UNIQLO International	UNIQLO USA LLC etc. stores	Buildings and structures

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to J Brand business

Out of the total impairment losses amounted to 22,397 million yen, 13,861 million yen represented impairment losses for goodwill, trademarks and customer relationships owned by the J Brand business. The carrying amounts of cash-generating units related to J Brand business after recognition of impairment losses are 2,018 million yen of goodwill, 1,987 million yen of trademarks and 731 million yen of customer relationships.

The recoverable amounts from goodwill and intangible assets relating to trademarks and customer relationships, related to the J Brand business are calculated based on fair value less cost of disposal.

Fair value less costs of disposal is determined by taking into account the following two approaches:

① The terminal value of the business added to the 10-year discounted cash flow based on plans projected and approved by management. The discount rate (post-tax) is calculated at 22.0% (pre-tax discount rate is 32.1%) based on the weighted average cost of capital of the cash-generating units (Income approach).

In addition, deviation from the amount of future cash flows or the predictions about the implementation timing is reflected mainly in the discount rate.

② Calculation based on the market value of similar assets (Market approach).

This measurement of fair value is classified as level 3 in the fair value hierarchy based on significant inputs in used valuation techniques. Adverse change in key assumptions — lower estimated future cash flow or higher discount rate, would cause further impairment loss to be recognized.

(ii) Impairment losses on leasehold rights and key money, etc.

Out of the impairment loss 22,397 million yen, 601 million yen represented the impairment losses on leasehold rights and key money, etc., which are included in other intangible assets. The leasehold rights and key money, etc., are intangible assets with indefinite useful lives. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The recoverable amount of such as the store rental agreement related rights fair value less disposal costs, which is calculated based on the evaluation carried out by accredited independent expert or, are measured at whichever is the greater amount of value in use.

16. Investments in an associate

The information of associate accounted for using the equity-method is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Share of profit and loss of an associate	—	132
Share of other comprehensive income of investments in an associate	—	—
Share of comprehensive income of investments in an associate	—	132
Carrying amount of investments in an associate	—	13,132

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

The maximum exposure of losses exposed to the Company's investment in the associate is limited to the carrying amount of investment by the Company included in the consolidated statement of financial position as "Investments in an associate" amounted to 13,132 million yen. The Group's share of profit and comprehensive income of the associate are 132 million yen and are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively.

Total assets of the associate amounted to 73,127 million yen, which mainly comprised of non-current assets such as warehouse and etc. The Company invested in the associate at the time of incorporation and no goodwill is recognized.

The Company has not received dividend from the associate during the year ended 31 August 2016. The Group has entered into lease contracts with the associate relating to warehouse rental etc.

17. Finance lease obligations

The breakdown of finance lease obligations is as follows:

(Millions of yen)

	Future minimum lease payments		Present value of future minimum lease payments	
	As at 31 August 2015	As at 31 August 2016	As at 31 August 2015	As at 31 August 2016
Finance lease obligations				
Due within one year	4,302	4,954	4,188	4,821
Due after one year through five years	8,185	9,956	8,073	9,679
Due after five years	—	1,568	—	1,567
Total	12,488	16,479	12,262	16,069
Deductions – future finance costs	(226)	(410)	—	—
Total net finance lease payables	12,262	16,069	12,262	16,069
Current portion	—	—	4,188	4,821
Non-current portion	—	—	8,073	11,247

The Group has no sublease contracts, accrued variable lease fees or escalation clauses (clauses enabling upward revision of rental charges), and no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

18. Operating lease commitments

(1) As Lessee

The Group's total future minimum lease payments on non-cancellable operating leases as at each year end are as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Due within one year	34,018	37,956
Due after one year through five years	96,064	104,234
Due after five years	85,187	126,506
Total	215,270	268,696

The total minimum lease payments and contingent rents for operating lease contracts recognized as expenses during the year are as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Total minimum lease payments	103,298	90,544
Contingent rents	63,139	80,811
Total	166,437	171,356

Contingent rents, renewal options, and escalation clauses (clauses enabling upward revision of rental charges) are included in the operating lease agreements.

There are no limitations imposed by lease contracts (limitations regarding dividends, additional borrowing, or additional leases, etc.).

(2) As lessor

The Company sub-leases some of the properties it leased through operating leases, and so while it pays rent to the property owner, it also receives rent from the sub-tenant.

A breakdown of the future minimum rental receivables under non-cancellable leases is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Due within one year	8	3
Due after one year through five years	—	14
Due after five years	—	3
Total	8	21

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

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Contingent rents	1,162	1,136

19. Deferred taxes and income taxes

(1) Deferred taxes

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

(Millions of yen)

	As at 1 September 2014	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As at 31 August 2015
Temporary differences				
Accrued business tax	2,073	305	—	2,378
Allowance for bonuses	2,697	595	—	3,293
Provision of allowance for doubtful accounts	122	76	—	199
Impairment losses on non-current assets	998	2,244	—	3,243
Unrealized gains/(losses) on available-for-sale securities	(1)	—	(69)	(70)
Depreciation	5,524	361	—	5,886
Net gain/(loss) on revaluation of cash flow hedges	(35,861)	—	(16,180)	(52,042)
Temporary differences on shares of subsidiaries	(2,203)	208	—	(1,994)
Accelerated depreciation	(3,505)	(1,751)	—	(5,256)
Intangible assets	(4,747)	806	—	(3,940)
Others	4,593	921	—	5,515
Subtotal	(30,308)	3,770	(16,250)	(42,788)
Tax losses carried forward	4,177	2,445	—	6,623
Net deferred tax assets/(liabilities)	(26,130)	6,215	(16,250)	(36,165)

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

(Millions of yen)

	As at 1 September 2015	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As at 31 August 2016
Temporary differences				
Accrued business tax	2,378	(1,249)	—	1,129
Allowance for bonuses	3,293	91	—	3,385
Provision of allowance for doubtful accounts	199	(12)	—	186
Impairment losses on non-current assets	3,243	310	—	3,553
Unrealized gains/(losses) on available-for-sale securities	(70)	—	33	(36)
Depreciation	5,886	533	—	6,419
Net gain/(loss) on revaluation of cash flow hedges	(52,042)	—	74,659	22,617
Temporary differences on shares of subsidiaries	(1,994)	101	—	(1,893)
Accelerated depreciation	(5,256)	(240)	—	5,496
Intangible assets	(3,940)	3,293	—	647
Others	5,515	(371)	—	5,143
Subtotal	(42,788)	2,456	74,693	34,361
Tax losses carried forward	6,623	(366)	—	6,257
Net deferred tax assets/(liabilities)	(36,165)	2,090	74,693	40,618

(Note) The difference between the total amount recognized in profit or loss and the amount of deferred tax is due to exchange realignment.

Tax effects of unrecognized tax losses carried forward and deductible temporary differences for which deferred tax assets were not recognized is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Unrecognized tax losses carried forward	9,590	15,488
Deductible temporary differences	12,577	14,607
Total	22,167	30,095

Tax effects of unrecognized tax losses carried forward of which no deferred tax asset is recognized in the consolidated statement of financial position, if unutilized, will expire as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year and thereafter	9,590	15,488
Total	9,590	15,488

Temporary differences on shares of subsidiaries for which deferred tax liabilities were not recognized

The aggregate amounts of temporary differences associated with undistributed retained earnings of subsidiaries for which deferred tax liabilities have not been recognized as at 31 August 2015 and 31 August 2016 were 414,218 million yen and 284,455 million yen, respectively.

No liability has been recognized with respect to these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

(2) Income taxes

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Current tax	68,110	40,772
Deferred tax	(4,822)	(4,609)
Total	63,287	36,162

Reconciliations between the statutory income tax rates and the effective tax rates are as follows. The effective tax rate shown is the corporate income tax rate applied to the Group's profit before income taxes.

In addition, following promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2008) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) on 29 March 2016, a reduction in the corporation tax rate was applied to the Company and its domestic subsidiaries from the fiscal year commencing 1 April 2016.

As a result, the statutory tax rate used in the calculation of deferred tax assets and liabilities has been revised from 32.2% to 30.8% with regard to temporary differences expected to be eliminated in the consolidated fiscal years commencing 1 September 2016, and 2017 and to 30.6% with regard to temporary differences expected to be eliminated in the consolidated fiscal year commencing 1 September 2018.

The impact of this tax rate amendment on the financial statements is slight.

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Statutory income tax rate	35.6%	33.0%
Unrecognized deferred tax assets	2.0%	8.9%
Difference in statutory income tax rates of subsidiaries	(4.2%)	(7.9%)
Impairment loss of goodwill	0.3%	3.2%
Inhabitant tax on per capita basis	0.4%	1.0%
Others	0.8%	1.7%
Effective tax rate	35.0%	40.0%

20. Trade and other payables

The breakdown of trade and other payables as at each year end is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Trade payables	122,620	130,745
Other payables	58,957	58,756
Total	181,577	189,501

21. Provisions

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

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Allowance for bonuses	17,735	16,802
Asset retirement obligations	15,083	16,126
Total	32,819	32,929
Current liabilities	22,615	22,284
Non-current liabilities	10,203	10,645

The main factors for the increase/(decrease) in provisions are as follows:

(Millions of yen)

	Allowance for bonuses	Asset retirement obligations	Total
Balances as at 1 September 2014	12,192	11,656	23,849
Additional provisions	20,902	3,641	24,543
Amounts utilized	(15,806)	(468)	(16,274)
Increase in discounted amounts arising from passage of time	—	153	153
Others	446	100	546
Balances as at 31 August 2015	17,735	15,083	32,819
Additional provisions	21,088	1,800	22,888
Amounts utilized	(20,759)	(356)	(21,116)
Increase in discounted amounts arising from passage of time	—	243	243
Others	(1,261)	(644)	(1,905)
Balances as at 31 August 2016	16,802	16,126	32,929

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

22. Equity and other equity Items

(1) Share Capital

	Number of authorized shares (Common stock with no par-value) (shares)	Number of issued shares (Common stock with no par-value) (shares)	Number of outstanding shares (Common stock with no par-value) (shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
Balances as at 1 September 2014	300,000,000	106,073,656	101,918,611	10,273	9,803
Increase/(decrease) (Note)	—	—	26,790	—	1,720
Balances as at 31 August 2015	300,000,000	106,073,656	101,945,401	10,273	11,524
Increase/(decrease) (Note)	—	—	18,752	—	1,546
Balances as at 31 August 2016	300,000,000	106,073,656	101,964,153	10,273	13,070

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

(2) Treasury Stock and Capital Surplus

① Treasury Stock

	Number of shares (shares)	Amount (Millions of yen)
Balances as at 1 September 2014	4,155,045	15,790
Acquisition of treasury stock less than one unit	228	11
Exercise of stock options	(27,018)	(102)
Balances as at 31 August 2015	4,128,255	15,699
Acquisition of treasury stock less than one unit	149	6
Exercise of stock options	(18,901)	(72)
Balances as at 31 August 2016	4,109,503	15,633

② Capital surplus

(Millions of yen)

	Capital reserve	Gain/(loss) on disposal of treasury stock	Stock options	Others	Total
Balances as at 1 September 2014	4,578	1,856	1,642	1,726	9,803
Disposal of treasury stock	—	700	—	—	700
Share-based payments	—	—	1,019	—	1,019
Balances as at 31 August 2015	4,578	2,556	2,662	1,726	11,524
Disposal of treasury stock	—	546	—	—	546
Share-based payments	—	—	945	—	945
Others	—	8	(8)	53	53
Balances as at 31 August 2016	4,578	3,112	3,599	1,779	13,070

Please refer to “29. Share-based payments” for details of share-based payments (stock options).

(3) Other components of equity

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

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Exchange differences on translation of foreign operations	(774)	(2,648)
Cash flow hedges	667	(1,400)
Other comprehensive income	(107)	(4,049)

(4) Dividends

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

The total amount of dividends paid was as follows:

Year ended 31 August 2015

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 3 November 2014	15,287	150
Board of Directors' meeting held on 9 April 2015	17,838	175

Year ended 31 August 2016

Resolutions	Amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors' meeting held on 4 November 2015	17,840	175
Board of Directors' meeting held on 7 April 2016	18,861	185

Proposed dividends on common stock are as follows:

	Year ended 31 August 2015	Year ended 31 August 2016
Total amount of dividends (million yen)	17,840	16,824
Dividends per share (yen)	175	165

Regarding the proposed dividends per common stock, the Board has approved the proposal subsequent to the year-end date, and this sum is not recognized as a liability at year end.

23. Revenue

The breakdown of revenue for each reporting period is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Revenue		
Sales of goods	1,677,016	1,782,033
Service revenue	4,765	4,440
Total	1,681,781	1,786,473

24. Selling, general and administrative Expenses

The breakdown of selling, general and administrative expenses for the year is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Selling, general and administrative expenses		
Advertising and promotion	68,474	71,611
Rental expenses	166,437	171,356
Depreciation and amortization	37,758	36,797
Outsourcing	29,324	33,602
Salaries	230,815	242,033
Others	139,053	147,555
Total	671,863	702,956

25. Other income and other expenses

The breakdown of other income and other expenses for the year is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Other income		
Foreign exchange gains*	5,809	—
Gains on sales of property, plant and equipment	43	135
Share of income of investments accounted for using the equity method	—	132
Others	2,929	2,095
Total	8,782	2,363

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Other expenses		
Foreign exchange losses*	—	11,095
Loss on retirement of property, plant and equipment	2,479	1,052
Impairment losses	16,146	22,397
Others	2,366	2,567
Total	20,992	37,112

* Currency adjustments incurred in the course of operating transactions are included in “other income” or “other expenses”.

26. Finance income and finance costs

The breakdown of finance income and finance costs for each reporting period is as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Finance income		
Foreign exchange gains*	15,084	—
Interest income	1,434	2,349
Dividend income	42	14
Others	792	—
Total	17,354	2,364

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Finance costs		
Foreign exchange losses*	—	36,955
Interest expenses	1,137	2,402
Others	3	62
Total	1,141	39,420

* Currency adjustments incurred in the course of non-operating transactions are included in “finance income” or “finance costs”.

27. Other comprehensive income

The breakdown of amounts recorded during the year, reclassification adjustments and income tax effect generated by individual comprehensive income items included in “other comprehensive income” for the year are as follows:

Year ended 31 August 2015

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	(585)	—	(585)	(69)	(655)
Exchange differences on translation of foreign operations	14,040	—	14,040	—	14,040
Cash flow hedges	142,536	(86,004)	56,531	(16,180)	40,350
Total	155,991	(86,004)	69,986	(16,250)	53,735

Year ended 31 August 2016

(Millions of yen)

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
Net gain/(loss) on revaluation of available-for-sale investments	71	—	71	33	105
Exchange differences on translation of foreign operations	(43,312)	—	(43,312)	—	(43,312)
Cash flow hedges	(168,603)	(56,295)	(224,899)	74,659	(150,239)
Total	(211,844)	(56,295)	(268,140)	74,693	(193,447)

28. Earnings per share

Year ended 31 August 2015		Year ended 31 August 2016	
Equity per share attributable to owners of the parent (Yen)	7,366.07	Equity per share attributable to owners of the parent (Yen)	5,634.35
Basic earnings per share for the year (Yen)	1,079.42	Basic earnings per share for the year (Yen)	471.31
Diluted earnings per share for the year (Yen)	1,078.08	Diluted earnings per share for the year (Yen)	470.69

Note: The basis for calculation of basic earnings per share and diluted earnings per share for the year is as follows:

	Year ended 31 August 2015	Year ended 31 August 2016
Basic earnings per share for the year		
Profit for the year attributable to owners of the parent (Millions of yen)	110,027	48,052
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	110,027	48,052
Average number of common stock during the year (Shares)	101,932,225	101,955,026
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares) (share subscription rights)	126,749 (126,749)	134,476 (134,476)

29. Share-based Payments

The Group has a program for issuing share subscription rights as share-based compensation stock options for employees of the Company and its subsidiaries as a means of recognizing their contribution to Group's profit. By linking the Company's stock price to the benefits received by personnel, this program aims to boost staff morale and motivation, improve Group performance and enhance shareholder value by strengthening business development with a focus on shareholder return.

1. Details, scale and changes in stock options

(1) Description of stock options

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

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

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

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

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

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

	6th share subscription rights C type
Category and number of grantee	Employees of the Company: 26
Number of stock options by type of shares (Note)	Common stock: maximum 6,072 shares
Grant date	13 November 2015
Vesting conditions	To serve continuously until the vesting date (12 November 2018) after the grant date (13 November 2015)
Eligible service period	From 13 November 2015 to 12 November 2018
Exercise period	13 November 2018
Settlement	Equity settlement

Note: The number of stock options is equivalent to the number of shares.

Expenses recognized for share-based payments are as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Expenses recognized		
Share-based payments	1,849	1,539

(2) Scale of stock options program and changes

For purposes of counting the number of stock options in existence in the consolidated fiscal year under review (ended August 2016), each stock option is recorded as converted to shares.

① The number and weighted average exercise prices of stock options

Stock options

	Year ended 31 August 2015	Year ended 31 August 2016
	Number of shares (shares)	Number of shares (shares)
Non-vested		
Non-vested at beginning of the year	30,375	34,172
Granted	54,794	34,308
Forfeited	(4,790)	(957)
Vested	(46,207)	(35,089)
Non-vested at end of the year	34,172	32,434

	Year ended 31 August 2015	Year ended 31 August 2016
	Number of shares (shares)	Number of shares (shares)
Vested		
Outstanding at beginning of the year	64,774	83,147
Vested	46,207	35,089
Exercised	(27,018)	(18,940)
Forfeited	(816)	(415)
Outstanding at end of the year	83,147	98,881

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

② Stock price on exercise date

Stock options exercised during the year ended 31 August 2016 are as follows:

Type	Number of shares (shares)	Weighted average stock price on exercise date (Yen)
Stock options	18,940	36,491

③ Expected life of stock options

The weighted average expected life of outstanding stock options as at 31 August 2016 was 6.87 years.

In addition, the weighted average expected life of outstanding stock options as at 31 August 2015 was 7.63 years.

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

The methods of estimating fair value of 6th share subscription rights A type, B type and C type, granted during the year ended 31 August 2016, were as follows:

- ① Valuation model: Black-Scholes model
- ② The following table lists the inputs to the model used:

	6th share subscription rights A type	6th share subscription rights B type
Stock price volatility (Note 1)	35%	33%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	350 yen/share	350 yen/share
Risk-free interest rate (Note 4)	0.083%	0.044%

	6th share subscription rights C type
Stock price volatility (Note 1)	34%
Expected life of options (Note 2)	3.0 years
Expected dividends (Note 3)	350 yen/share
Risk-free interest rate (Note 4)	0.008%

- Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2009 to October 2015), 5.04 years for B type (from November 2010 to October 2015) and 3 years for C type (from November 2012 to October 2015).
 2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
 3. Expected dividends are the actual dividends for the year ended 31 August 2015.
 4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

Also, the method of estimating fair value for the 5th share subscription rights A type and B type granted during the year ended 31 August 2015 are as follows:

- ① Valuation model: Black-Scholes model
- ② The following table lists the inputs to the model used:

	5th share subscription rights A type	5th share subscription rights B type
Stock price volatility (Note 1)	36%	34%
Expected life of options (Note 2)	6.5 years	5.04 years
Expected dividends (Note 3)	300 yen/share	300 yen/share
Risk-free interest rate (Note 4)	0.254%	0.168%

- Notes:
1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from May 2008 to October 2014) and 5.04 years for B type (from November 2009 to October 2014).
 2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
 3. Expected dividends are the actual dividends for the year ended 31 August 2014.
 4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.

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

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

30. Financial Instruments

(1) Capital risk management

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

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

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Interest-bearing borrowings	38,035	283,465
Cash and cash equivalents	355,212	385,431
Net interest-bearing borrowings	(317,176)	(101,965)
Equity	774,804	597,661

To maximize corporate value, the Group engages in cash flow-oriented management. As at 31 August 2015 and 2016, the Group maintained a position where the value of cash and cash equivalents exceeded interest-bearing borrowings.

As at 31 August 2016, the Group is not subject to any externally imposed capital requirement.

(2) Significant accounting policies

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

(3) Categories of financial instruments

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Financial assets		
Loans and receivables		
Trade and other receivables	44,777	45,178
Other current financial assets	22,593	184,239
Other non-current financial assets	75,366	75,916
Available-for-sale investments	574	1,636
Derivatives		
Financial assets at fair value through profit or loss ("FVTPL")	595	8
Foreign currency forward contracts designated as hedging instruments	156,895	560
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	181,577	189,501
Other current financial liabilities	15,471	12,581
Other non-current financial liabilities	25,513	274,090
Derivatives		
Financial liabilities at FVTPL	38	16
Foreign currency forward contracts designated as hedging instruments	61	72,371

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

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

(4) Financial risk management

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

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

(5) Market risk management

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

① Foreign currency risk

1) Foreign currency risk management

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

In regard to operating obligations denominated in foreign currencies, the Group in principle hedges risk by using foreign currency forward contracts and other instruments for foreign currency risk assessed on a semi-annual basis.

For imports, the Group endeavors to stabilize purchasing costs by concluding foreign currency forward contracts and standardizing import exchange rates. If the yen should weaken significantly against the US dollar in the future and this situation continued for an extended period, it could have a negative impact on the Group's performance.

The Group identifies concentration of risk in regard to foreign currency forward contracts.

The Group's notional amount of foreign currency forward contracts was 1,191,953 million yen as at 31 August 2016.

2) Foreign currency sensitivity analysis

Below is an analysis of the impact an 1% increase in the yen against the Euro ("EUR") and the United States dollar ("\$\$") would have on the Group's profit for the year and other comprehensive income on the respective reporting periods.

These calculations assume no changes in the value of other foreign currencies not included herein.

	Year ended 31 August 2015	Year ended 31 August 2016
Average exchange rate (Yen)		
\$	117.36	115.06
EUR	137.14	127.23
Impact on profit for the year (Millions of yen)		
\$	(1,281)	(1,098)
EUR	(70)	(50)
Impact on other comprehensive income (Millions of yen)		
\$	(10,865)	(9,609)
EUR	(8)	—

3) Currency derivatives and hedges

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

Cash flow hedges

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

Fluctuations in the fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, and included in other components of equity, and are reclassified to profit or loss at the time net profit is recognized on the hedged item.

The gain/(loss) on derivative transactions (after tax effects) projected to be reclassified to profit or loss within one year was 11,979 million yen (loss) as at 31 August 2016, and 94,285 million yen (gain) as at 31 August 2015.

1. Derivative transactions of which hedge accounting is not applied

	Average exchange		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2015	31 August 2016	31 August 2015	31 August 2016	31 August 2015	31 August 2016	31 August 2015	31 August 2016
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell EUR)	0.90 (€/ \$)	0.88 (€/ \$)	8	0	1,117	97	(0)	0
Within 1 year								
Buy USD (sell EUR)	0.89 (€/ \$)	0.88 (€/ \$)	13	23	1,507	2,428	(38)	8
Buy USD (sell KRW)	1,131.13 (KRW/\$)	1,198.33 (KRW/\$)	2	0	282	1	11	(0)
Buy USD (sell TWD)	31.58 (TWD/\$)	31.69 (TWD/\$)	39	7	4,680	806	181	0
Buy USD (sell AUD)	— (AUD/\$)	1.35 (AUD/\$)	—	13	—	1,448	—	(17)
Buy USD (sell SGD)	1.33 (SG\$/ \$)	— (SG\$/ \$)	22	—	2,585	—	162	—
Buy USD (sell THB)	33.47 (THB/\$)	— (THB/\$)	28	—	3,167	—	239	—

2. Derivative transactions of which hedge accounting is applied

	Average exchange rates		Foreign currencies (Millions of respective currency)		Contract principal (Millions of yen)		Fair value (Millions of yen)	
	31 August 2015	31 August 2016	31 August 2015	31 August 2016	31 August 2015	31 August 2016	31 August 2015	31 August 2016
Foreign currency forward contracts								
Over 1 year								
Buy USD (sell JPY)	106.01 (¥/\$)	109.31 (¥/\$)	5,659	6,133	599,999	670,443	62,547	(59,123)
Buy USD (sell EUR)	0.88 (€/ \$)	0.87 (€/ \$)	2	39	299	3,917	1	0
Buy USD (sell GBP)	— (£/\$)	0.70 (£/\$)	—	20	—	1,951	—	154
Buy USD (sell KRW)	— (KRW/\$)	1,149.36 (KRW/\$)	—	302	—	32,000	—	(845)
Buy USD (sell SGD)	— (SG\$/ \$)	1.37 (SG\$/ \$)	—	20	—	2,163	—	(17)
Within 1 year								
Buy USD (sell JPY)	95.11 (¥/\$)	104.78 (¥/\$)	3,618	3,529	344,154	369,772	90,583	(8,945)
Buy USD (sell EUR)	0.85 (€/ \$)	0.89 (€/ \$)	123	115	14,210	11,779	564	(22)
Buy USD (sell GBP)	— (£/\$)	0.70 (£/\$)	—	47	—	4,488	—	379
Buy USD (sell KRW)	1,120.14 (KRW/\$)	1,169.03 (KRW/\$)	413	468	47,342	50,492	2,577	(2,416)
Buy USD (sell TWD)	32.20 (TWD/\$)	32.54 (SG\$/ \$)	117	114	14,127	12,109	221	(345)
Buy USD (sell SGD)	— (SG\$/ \$)	1.38 (SG\$/ \$)	—	72	—	7,581	—	(51)
Buy USD (sell THB)	— (THB/\$)	35.56 (THB/\$)	—	71	—	7,544	—	(184)
Buy USD (sell MYR)	3.70 (MYR/\$)	4.13 (MYR/\$)	10	46	1,091	4,885	152	(57)
Buy USD (sell AUD)	1.30 (AUD/\$)	1.35 (AUD/\$)	23	36	2,617	3,798	222	(41)
Buy USD (sell RUB)	— (RUB/\$)	75.3 (RUB/\$)	—	25	—	2,998	—	(319)
Buy USD (sell CAD)	— (CAD/\$)	1.26 (CAD/\$)	—	11	—	1,134	—	21
Buy USD (sell IDR)	14,052.00 (IDR/\$)	— (IDR/\$)	5	—	663	—	25	—
Buy EUR (sell JPY)	139.05 (¥/€)	— (¥/€)	6	—	851	—	(49)	—
Buy KRW (sell USD)	0.001 (\$/KRW)	0.001 (\$/KRW)	2	1	255	107	(12)	4

② Interest rate risk management

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

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

③ Price risk management in equity instruments

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

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

(6) Credit risk management

When the Group initiates ongoing transactions where receivables will be generated on an ongoing basis, the finance department manages the Group's risk exposure by setting credit limits and credit periods, as needed.

Trade receivables encompass many customers spanning a wide range of industries and geographic regions. The Group conducts regular credit checks of the companies it does business with, and when necessary takes appropriate protective measures, such as requiring collateral.

The Group does not have excessively concentrated credit risk exposure to any single company or corporate group.

As for deposits and guarantees, the Group mitigates risk by conducting regular monitoring of the companies with which it does business for early detection of any worsening of their financial health.

① Financial assets and other credit risk exposure

The carrying amounts after adjustment for impairment shown in the consolidated financial statements represent the Group's maximum exposure to credit risk before consideration of collateral assets.

② Past-due or impaired financial assets

Below is an aged analysis of financial assets whose due date had not passed as at each reporting date, and financial assets that are overdue whereof no asset impairment was recognized.

(Millions of yen)

	Total	Within due date	Overdue amounts		
			Within 90 days	91 days to 1 year	Over 1 year
Balances as at 31 August 2015					
Trade and other receivables (total)	45,457	42,864	2,152	165	275
Allowance for doubtful accounts	(679)	(452)	(2)	(43)	(180)
Trade and other receivables (net)	44,777	42,411	2,150	121	95
Other financial assets (total)	98,800	98,681	10	77	30
Allowance for doubtful accounts	(265)	(265)	—	—	—
Other financial assets (net)	98,534	98,415	10	77	30
Balances as at 31 August 2016					
Trade and other receivables (total)	45,846	43,595	1,844	121	284
Allowance for doubtful accounts	(667)	(431)	(6)	(53)	(176)
Trade and other receivables (net)	45,178	43,164	1,838	68	107
Other financial assets (total)	262,010	261,955	—	5	49
Allowance for doubtful accounts	(218)	(214)	—	(3)	—
Other financial assets (net)	261,792	261,740	—	2	49

The Group does not hold any collateral or other credit enhancements on the above financial assets.

When the Group recognizes impairment of a financial asset, it does not subtract the value of the impairment directly from the carrying amount. Rather, this is recorded as an allowance for doubtful accounts.

The main factors increasing/decreasing the Group's allowances for doubtful accounts were as follows:

(Millions of yen)

	Allowance for doubtful accounts (current)	Allowance for doubtful accounts (non-current)	Total
Balances as at 1 September 2014	511	76	588
Provision for the year	436	276	712
Decrease (intended purposes)	(26)	(24)	(51)
Others	(241)	(63)	(304)
Balances as at 31 August 2015	679	265	945
Provision for the year	150	49	199
Decrease (intended purposes)	(6)	(32)	(38)
Others	(155)	(64)	(219)
Balances as at 31 August 2016	667	218	885

Where recoverability is uncertain, the Group conducts ongoing monitoring of the credit status of companies with which it does business, including receivables whose maturity date has been changed.

Based on the credit facts uncovered by this monitoring, the Group assess the recoverability of trade receivables, etc., and makes provisions accordingly, in the form of allowances for doubtful accounts.

In addition, because the Group does business on a world-wide scale and its credit risk is distributed, it is not overly reliant on any specific counterparty and faces minimal exposure to the impact of chain-reaction credit risk due to the worsening of the credit conditions of any given counterparty.

Consequently, there is no need to record additional allowances for doubtful accounts based on credit risk concentration.

(7) Liquidity risk management

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

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

(Millions of yen)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years	Over 5 years
As at 31 August 2015								
Non-derivative financial liabilities								
Trade and other payables	181,577	181,577	181,577	—	—	—	—	—
Long-term borrowings (excluding current portion)	15,884	15,884	—	2,536	3,654	4,847	4,847	—
Current portion of long-term borrowings	5,236	5,236	5,236	—	—	—	—	—
Short-term borrowings	4,652	4,652	4,652	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Long-term finance lease obligations	8,073	8,073	—	3,495	2,720	1,488	368	—
Short-term finance lease obligations	4,188	4,188	4,188	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	100	—	—	—	—	—	—	—
Total	219,713	219,613	195,654	6,031	6,375	6,335	5,215	—
As at 31 August 2016								
Non-derivative financial liabilities								
Trade and other payables	189,501	189,501	189,501	—	—	—	—	—
Long-term borrowings (excluding current portion)	11,955	11,955	—	3,112	4,323	4,323	196	—
Current portion of long-term borrowings	2,164	2,164	2,164	—	—	—	—	—
Short-term borrowings	3,788	3,788	3,788	—	—	—	—	—
Corporate bonds	249,486	249,486	—	—	29,959	—	99,828	119,698
Long-term finance lease obligations	11,247	11,247	—	4,032	2,904	1,797	945	1,567
Short-term finance lease obligations	4,821	4,821	4,821	—	—	—	—	—
Derivative financial liabilities								
Foreign currency forward contracts	72,388	—	—	—	—	—	—	—
Total	545,355	472,967	200,276	7,144	37,187	6,121	100,970	121,266

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

(8) Fair value of financial instruments

(Millions of yen)

	As at 31 August 2015		As at 31 August 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	4,652	4,652	3,788	3,788
Long-term borrowings (Note 1)	21,121	21,270	14,120	14,298
Corporate bonds (Note 2)	—	—	249,486	253,850
Lease obligations (Note 1)	12,262	12,197	16,069	16,001
Total	38,035	38,120	283,465	287,939

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

(Note 2) Corporate bonds issued during the year ended 31 August, 2016 are as follows.

(Millions of yen)

Company name	Name of bonds	Date of issuance	Amount issued	Interest Rate (%)	Date of maturity
FAST RETAILING CO., LTD.	1st non-collateralized corporate bonds	18 December 2015	30,000	0.110	18 December 2018
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	100,000	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	50,000	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	70,000	0.749	18 December 2025

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

The fair value of corporate bonds is measured at the market price.

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

(9) Fair value hierarchy of financial instruments

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

① The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

(Millions of yen)

As at 31 August 2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	363	—	210	574
Financial assets/(liabilities) at FVTPL	—	556	—	556
Foreign currency forward contracts designated as hedging instruments	—	156,834	—	156,834
Net amount	363	157,390	210	157,964

As at 31 August 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,424	—	212	1,636
Financial assets/(liabilities) at FVTPL	—	(8)	—	(8)
Foreign currency forward contracts designated as hedging instruments	—	(71,810)	—	(71,810)
Net amount	1,424	(71,818)	212	(70,182)

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

Non-listed shares are included in level 3. There is no significant increase or decrease in level 3 items through purchase, disposal or settlement. Also, there is no transfer from level 3 to level 2.

② The financial instruments measured at amortized cost

The fair value measurements for corporate bonds, long-term borrowings and lease obligations are classified as level 2.

31. Related Party Disclosures

Remuneration of key management personnel

Remuneration of the Group's key management personnel is as below:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Short-term employee benefits	364	364
Total	364	364

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

Year ended 31 August 2015 (from 1 September 2014 to 31 August 2015)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2015 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Trade and other payables	1

- Notes:
1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
 2. Terms of transactions and policy for the terms
Transaction amounts were determined based on the negotiation with the related party considering market prices.

Year ended 31 August 2016 (from 1 September 2015 to 31 August 2016)

Category	Name of Company or Individual	Location	Capital Stock or investment	Business details or profession	Percentage of shares with voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (millions of yen)	Account	Balance at 31 August 2016 (millions of yen)
Officer	Toru Murayama	—	—	Non-executive Director	Direct 0.00	Outsourcing	Consulting and advisory agreements about training of management personnel	18	Trade and other payables	1

- Notes: 1. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
2. Terms of transactions and policy for the terms
Transaction amounts were determined based on the negotiation with the related party considering market prices.

32. Major subsidiaries

The Group's major subsidiaries are as listed in "Corporate Profile 3. Subsidiaries and Associates".

33. Commitments

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Commitment for the acquisition of property, plant and equipment	8,825	9,889
Commitment for acquisition of intangible assets	85	399
Total	8,910	10,288

34. Contingent liabilities

Year ended 31 August 2015

Not applicable

Year ended 31 August 2016

Not applicable

35. Subsequent Events

Year ended 31 August 2015

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

Based on Articles 236, 238 and 240 of the Companies Act and on the decision taken by the Board of Directors at its meeting held on 8 October 2015, the Company decided to issue share subscription rights as share-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.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(2) Issuance of non-collateralized corporate bonds

At the Board of Directors meeting on 25 November 2015, a comprehensive decision was made to issue non-collateralized corporate bonds, as detailed below.

(1) Amount to be issued	Up to 250 billion yen (may be issued in multiple tranches, up to a total of this amount)
(2) Time frame	26 November 2015 to 5 November 2017
(3) Amount of payment	100 yen per 100 yen face value
(4) Interest rate	No more than 0.6 percentage point above the market yield of JGBs of comparable maturity
(5) Term	Three years or more, up to 10 years
(6) Redemption	Lump sum payment at maturity
(7) Use of funds	Capital investment, operating funds, investments and/or repayment of other borrowings
(8) Determination of terms of issuance	Decisions regarding amount to be issued, maturity, interest rate, payment date and other terms of issuance shall be made solely by the chairman, president and representative director, within parameters determined by the Board of Directors.

Year ended 31 August 2016

The Issue of Share-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 13 October 2016, the Company decided to issue share subscription rights as share-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.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(2) Others

Quarterly information for the year ended 31 August 2016

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	520,303	1,011,653	1,434,616	1,786,473
Quarterly income before income taxes and non-controlling interests (Millions of yen)	77,666	82,041	122,095	90,237
Quarterly net income (Millions of yen)	48,024	47,043	71,010	48,052
Earnings per share (Yen)	471.07	461.43	696.50	471.31

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings/(losses) per share (Yen)	471.07	(9.63)	235.07	(225.16)

2. Financial statements

(1) Financial statements

(1) Balance Sheet

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
ASSETS		
Current assets		
Cash and deposits	145,192	177,827
Trade accounts receivable	*1 11,818	*1 12,232
Short-term investment securities	39,943	115,357
Short-term loans receivable from subsidiaries and affiliates	49,226	51,689
Income taxes receivable	17,979	20,597
Accounts receivable from subsidiaries and affiliates	3,036	12,156
Deferred tax assets	867	1,011
Others	1,821	2,782
Allowance for doubtful accounts	(0)	(187)
Total current assets	269,886	393,466
Non-current assets		
Property, plant and equipment		
Buildings	5,860	6,231
Accumulated depreciation	*3 (4,412)	*3 (4,703)
Buildings, net	1,448	1,527
Structures	298	298
Accumulated depreciation	*3 (212)	*3 (217)
Structures, net	86	81
Tools, furniture and equipment	1,475	1,512
Accumulated depreciation	*3 (1,355)	*3 (1,399)
Tools, furniture and equipment, net	119	112
Land	1,158	1,158
Leased assets	135	52
Accumulated depreciation	*3 (133)	*3 (0)
Leased assets, net	2	52
Construction in progress	—	3,677
Total property, plant and equipment	2,815	6,609
Intangible assets		
Software	10,179	13,601
Software in progress	1,124	2,583
Others	73	64
Total intangible assets	11,377	16,249
Investments and other assets		
Investment securities	553	14,620
Investments in subsidiaries and affiliates	75,810	111,595
Investments in capital of subsidiaries and affiliates	12,629	10,336
Long-term loans receivable from subsidiaries and affiliates	29,898	70,555
Leases and guarantee deposits	5,986	5,065
Deferred tax assets	—	570
Others	1,051	2,015
Allowance for doubtful accounts	(0)	—
Total investments and other assets	125,930	214,760
Total non-current assets	140,122	237,619
Total assets	410,009	631,086

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
LIABILITIES		
Current liabilities		
Accounts payable	4,251	8,102
Accruals	715	649
Deposits received	*1 23,939	*1 22,693
Allowance for bonuses	1,614	1,620
Others	521	428
Total current liabilities	31,043	33,494
Non-current liabilities		
Corporate bonds	—	250,000
Guarantee deposits received	1,126	1,100
Deferred tax liabilities	1,072	—
Others	759	716
Total non-current liabilities	2,959	251,817
Total liabilities	34,002	285,312
NET ASSETS		
Shareholders' equity		
Capital stock	10,273	10,273
Capital surplus		
Capital reserve	4,578	4,578
Other capital surplus	2,550	3,071
Total capital surplus	7,129	7,650
Retained earnings		
Legal reserve	818	818
Other retained earnings		
Special reserve fund	185,100	185,100
Retained earnings carried forward	185,400	154,782
Total retained earnings	371,318	340,701
Treasury stock	(15,699)	(15,633)
Total shareholders' equity	373,023	342,992
Valuation and translation adjustments		
Unrealized gains/(losses)		
on available-for-sale securities	329	(818)
Total valuation and translation adjustments	329	(818)
Share subscription rights	2,654	3,599
Total net assets	376,007	345,773
Total liabilities and net assets	410,009	631,086

(2) Statement of Income

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Operating revenue		
Management income from operating companies	*1 30,265	*1 30,377
Dividends income from subsidiaries and affiliates	*1 88,805	*1 68,911
Total operating revenue	119,071	99,289
Operating expenses		
Selling, general and administrative expenses		
Salaries	4,280	4,777
Bonuses	396	298
Allowance for bonuses	1,106	1,289
Rental expenses	4,419	5,045
Depreciation	6,438	4,940
Outsourcing expenses	13,923	15,832
Others	10,662	11,467
Total operating expenses	41,227	43,651
Operating income	77,844	55,637
Non-operating income		
Interest income	292	517
Interest income from investment securities	39	99
Foreign exchange gains	11,218	—
Others	132	181
Total non-operating income	11,683	799
Non-operating expenses		
Interest expenses	42	802
Foreign exchange losses	—	45,657
Others	239	706
Total non-operating expenses	282	47,166
Ordinary income	89,245	9,270
Extraordinary income		
Gain on sales of investments in short-term investment securities	1,773	—
Others	1	—
Total extraordinary income	1,775	—
Extraordinary losses		
Losses on retirement of non-current assets	*2 9	*2 0
Loss on sales of investments in short-term investment securities	1,081	—
Impairment losses of investments in investment securities	15,591	18,996
Impairment losses	6,530	—
Others	—	489
Total extraordinary losses	23,212	19,486
Income/(loss) before income taxes	67,808	(10,215)
Income taxes – current	586	(15,002)
Income taxes – deferred	(3,005)	(1,297)
Total income taxes	(2,418)	(16,300)
Net income	70,227	6,084

(iii) Statement of Changes in Net Assets
Year ended 31 August 2015

(Millions of yen)

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

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

	Shareholders' equity							
	Capital stock	Capital surplus			Legal reserve	Retained earnings		
		Capital reserve	Other capital surplus	Total capital surplus		Special reserve fund	Retained earnings carried forward	Total retained earnings
Balance at the beginning of year	10,273	4,578	2,550	7,129	818	185,100	185,400	371,318
Changes during the year								
Exercise of share subscription rights			521	521				
Dividends							(36,702)	(36,702)
Net income							6,084	6,084
Acquisition of treasury stock								
Disposal of treasury stock								
Net changes of items other than those in shareholders' equity								
Net changes during the year	—	—	521	521	—	—	(30,617)	(30,617)
Balance at the end of year	10,273	4,578	3,071	7,650	818	185,100	154,782	340,701

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains/(losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of year	(15,699)	373,023	329	329	2,654	376,007
Changes during the year						
Exercise of share subscription rights		521				521
Dividends		(36,702)				(36,702)
Net income		6,084				6,084
Acquisition of treasury stock	(6)	(6)				(6)
Disposal of treasury stock	72	72				72
Net changes of items other than those in shareholders' equity			(1,148)	(1,148)	945	(202)
Net changes during the year	66	(30,030)	(1,148)	(1,148)	945	(30,233)
Balance at the end of year	(15,633)	342,992	(818)	(818)	3,599	345,773

Notes

(Significant accounting policies)

1. Valuation methods for securities

(a) Investments in subsidiaries and affiliates:

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

(b) Available-for-sale securities:

(i) Listed securities:

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

(ii) Unlisted securities:

Unlisted securities are stated at cost, which is determined by average method.

2. Depreciation method for non-current assets

(a) Property, plant and equipment (other than leased assets)

Depreciation of property, plant and equipment is calculated using the straight-line method. The principal ranges of estimated useful lives are as follows:

Buildings and structures	5–10 years
Tools, furniture and equipment	5 years

(b) Intangible assets (other than leased assets)

Amortization of intangible assets is calculated using the straight-line method. The principal range of estimated useful life is as follows:

Software for internal use	5 years
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(c) Leased assets

Assets held under capitalized finance leases are depreciated using the straight-line method over the lease terms at zero residual value.

3. Accounting for deferred assets

Issuance Expenses of corporate bonds

Issuance expenses of corporate bonds are expensed as incurred.

4. Provision basis for allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for bonuses

Bonuses to employees are accrued on the balance sheet date.

5. Other significant matter for the preparation of non-consolidated financial statements

(a) Accounting for consumption tax

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

(b) Application of the consolidated taxation system

From the current fiscal year, the Company will apply the consolidated taxation system.

(Notes to balance sheet)

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

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Trade accounts receivable	11,730	12,159
Deposits received	23,704	22,371

2. Contingent liabilities

(Millions of yen)

	As at 31 August 2015	As at 31 August 2016
Guarantees for office and retail store leases	94,814	83,793
Guarantees on loans payable to financial institutions	20,916	13,629

3. Accumulated depreciation includes accumulated impairment losses.

(Notes to statement of income)

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

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Ordinary revenue:		
Management income from operating companies	27,782	26,119
Dividends income from subsidiaries and affiliates	88,805	68,991

2. Breakdown of losses on retirement of non-current assets are as follows:

(Millions of yen)

	Year ended 31 August 2015	Year ended 31 August 2016
Software	9	0

(Marketable securities)

As at 31 August 2015

Fair value of the shares of subsidiaries (75,810 million yen on balance sheet) is not described as they do not have market price and the fair value is extremely difficult to determine.

As at 31 August 2016

Fair values of the shares of subsidiaries and associate (Subsidiaries 111,595 million yen and associate 13,000 million yen on balance sheet) are not described as they do not have market price and the fair value is extremely difficult to determine.

(Deferred taxes)

1. Breakdown of the causes of deferred tax assets and deferred tax liabilities are as follows:

	<i>(Millions of yen)</i>	
	As at 31 August 2015	As at 31 August 2016
Deferred tax assets:		
Allowance for bonuses	596	563
Depreciation	402	459
Write-down of shares in subsidiaries and affiliates	28,471	32,840
Impairment losses	2,158	—
Provision of allowance for doubtful accounts	0	57
Unrealized gains/(losses) on available-for-sale securities	—	427
Unused tax losses carried forward	641	3,544
Others	2,518	4,710
Subtotal	34,788	42,603
Valuation allowance	(31,694)	(39,088)
Total deferred tax assets	3,093	3,514
Deferred tax liabilities:		
Temporary differences on shares of subsidiaries	(1,994)	(1,893)
Others	(1,304)	(38)
Total deferred tax liabilities	(3,298)	(1,931)
Net deferred tax liabilities	(204)	1,582

2. The differences between the effective tax rate after applying tax effect and the statutory income tax rate is as follows:

	<i>(Percentage)</i>	
	As at 31 August 2015	As at 31 August 2016
Statutory income tax rate	35.6%	—
(adjustments)		
Non-taxable dividend income	(46.4)	—
Increase/(decrease) in valuation allowance	6.0	—
Foreign withholding tax	0.8	—
Others	0.4	—
Effective tax rates after applying tax effect accounting	(3.5)	—

(Note) For the fiscal year, notes are omitted due to recognize loss before income taxes.

3. Revision of amount of deferred tax assets and liabilities following amendment of the rate of corporation tax, etc.

In addition, following promulgation of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2008) and “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) on 29 March 2016, a reduction in the corporation tax rate was applied to the Company and its domestic subsidiaries from the fiscal year commencing 1 April 2016.

As a result, the statutory tax rate used in the calculation of deferred tax assets and liabilities has been revised from 32.2% to 30.8% with regard to temporary differences expected to be eliminated in the consolidated fiscal years commencing 1 September 2016 and 2017, and to 30.6% with regard to temporary differences expected to be eliminated in the consolidated fiscal year commencing 1 September 2018.

The impact of this tax rate amendment on the financial statements is slight.

(Business Combination)

Not applicable.

(Notes on Significant Subsequent Events)

Year ended 31 August 2016 (1 September 2015–31 August 2016)

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 13 October 2016, 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.

Please see "Stock Information and Dividend Policy 1. Stock Information (9) Stock Options Program" for details.

(iv) Associated details

Details of fixed asset

Types of assets	Balances as at 1 September 2015 (Millions of yen)	Increase (Millions of yen)	Decrease (Millions of yen)	Depreciation, amortization during the year (Millions of yen)	Balances as at 31 August 2016 (Millions of yen)	Accumulated depreciation or amortization as at 31 August 2016 (Millions of yen)
Property, plant and equipment						
Buildings	1,448	376	—	296	1,527	4,703
Structures	86	—	—	4	81	217
Tools, furniture and equipment	119	36	—	44	112	1,399
Land	1,158	—	—	—	1,158	—
Leased assets	2	52	—	2	52	0
Construction in progress	—	3,677	—	—	3,677	—
Total property, plant and equipment	2,815	4,143	—	348	6,609	6,321
Intangible assets						
Software	10,179	8,005	—	4,583	13,601	—
Software in progress	1,124	9,464	8,005	—	2,583	—
Leased assets	13	—	—	8	5	—
Others	58	—	—	0	58	—
Total intangible assets, total	11,377	17,469	8,005	4,592	16,249	—

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

Types of assets	Amount (Millions of yen)	Contents
Software	8,005	Construction cost for new system

2. The main factors listed as decrease during the year are as follows:

Types of assets	Amount (Millions of yen)	Contents
Software in progress	8,005	Construction cost for of new systems (transferred to software as the new system was launched)

3. In the “Decrease” column, the figures in parentheses are included, and are the recorded impairment loss amounts.

Details of provisions

(Millions of yen)

Categories	Balance as at 1 September 2015	Increase	Decrease (Intended purposes)	Decrease (Other purposes)	Balance as at 31 August 2016
Allowance for doubtful accounts	0	187	—	0	187
Allowance for bonuses	1,614	1,620	1,614	—	1,620

(Notes) Decrease (Other purposes) in “Allowance for doubtful accounts” is due to reversal of the allowances provided in previous years.

(2) Main details of assets and liabilities

Omitted because the consolidated financial statements are prepared.

(3) Others

Not applicable.

Independent Auditors' Report (Group)

Independent auditors' report

To the Board of Directors of FAST RETAILING CO., LTD.

We have audited the accompanying consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 August 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 August 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young ShinNihon LLC

25 November 2016

Independent Auditors' Report (Company)

Independent auditors' report

To the Board of Directors of FAST RETAILING CO., LTD.

We have audited the accompanying financial statements of FAST RETAILING CO., LTD. (the "Company"), which comprise the balance sheet as at 31 August 2016, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2016, and its financial performance for the year then ended in accordance with generally accepted accounting principles in Japan.

Ernst & Young ShinNihon LLC

25 November 2016

Internal Control Report

1. Basic framework of internal control in connection with financial reporting

Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki hold responsibility for the preparation and management of internal controls in connection with financial reporting for the Company and its consolidated subsidiaries (hereinafter, the "Group"). The preparation and management of internal controls in connection with financial reporting are conducted in accordance with the basic framework of internal controls described in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting — Council Opinions", published by the Business Accounting Council.

The basic elements of our internal controls are organically interconnected, and function as a single whole. Our aim is to achieve their purposes within a reasonable range. For this reason, these internal controls on financial reporting may not completely prevent or discover all misstatements in the financial reports.

2. Scope of evaluation, book-close dates, and evaluation procedures

The internal control evaluation of our financial reports was made on 31 August 2016, which was the last day of the fiscal year under review. This evaluation was made using generally accepted internal control evaluation standards for financial reports.

This evaluation was started with an evaluation of internal controls that have a significant influence on our consolidated financial reports as a whole (company-wide internal controls). The operational processes to be evaluated were selected on the basis of this evaluation. In the evaluation of these operational processes, the selected operational processes were analyzed, and the key points of internal controls that might have a significant influence on the credibility of financial reports were categorized. Then, the status of preparation and operation was evaluated in terms of these key points of internal controls to determine the effectiveness of the internal controls.

The scope of the evaluation of the internal controls on financial reporting is of great importance, both fiscally and qualitatively, for the credibility of the Group's financial reports. The methods and procedures employed are:

Based on the principle that the operational procedures for the entire Company's internal controls, accounts, and financial reports should best be evaluated from a company-wide perspective, these evaluations are performed for the Group as a whole. However, because some consolidated subsidiaries are very small, both fiscally and qualitatively, they are not included within the scope of the evaluation.

Regarding operational procedures, based on the results of the company-wide evaluation of internal controls, and as an indicator of sales (adjusted to exclude intra-group sales) for each of our businesses in the fiscal year under review, those businesses that make up roughly two-thirds of consolidated sales in the fiscal year under review are designated "important businesses." The selected important businesses are evaluated in terms of broad indicators such as sales, accounts receivable, inventories and other operational procedures. Next, the impact on the Group's financial reports is calculated. Those operational procedures that are of particular importance are added to the evaluation process.

3. Results of evaluation

Based on the evaluation results discussed above, it was determined that the Group's internal controls on financial reports were effective as of the end of the fiscal year under review.

4. Additional items

None

5. Special items

None

Confirmation Note

1. The Company's Chairman, President and CEO Tadashi Yanai and Chief Financial Officer Takeshi Okazaki have reviewed the contents of the financial reports for the Company's 55th fiscal year (September 1, 2015 – August 31, 2016), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items

None