FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

(Incorporated in Japan with limited liability)

(Stock Code: 6288)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2018 AND RESUMPTION OF TRADING

The board of directors (the "Board") of FAST RETAILING CO., LTD. (the "Company" or "Parent") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 August 2018 together with the comparative figures for the year ended 31 August 2017.

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 11 October 2018, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 12 October 2018.

(Amounts are rounded down to the nearest million Japanese Yen unless otherwise stated.)

1. CONSOLIDATED FINANCIAL RESULTS

The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS").

(1) Consolidated Operating Results (1 September 2017 to 31 August 2018)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2018	2,130,060	14.4	236,212	33.9	242,678	25.5	169,373	31.4
Year ended 31 August 2017	1,861,917	4.2	176,414	38.6	193,398	114.3	128,910	138.4

	Profit attributable to owners of the Parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended 31 August 2018	154,811	29.8	180,858	(10.5)	1,517.71	1,515.23
Year ended 31 August 2017	119,280	148.2	202,059	—	1,169.70	1,168.00

	Ratio of profit to equity attributable to owners of the Parent	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended 31 August 2018	19.4	14.5	11.1
Year ended 31 August 2017	18.3	14.7	9.5

(Note) Share of profits and losses of associates Year ended 31 August 2018: 611 million yen
Year ended 31 August 2017: 625 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Parent	Ratio of equity attributable to owners of the Parent to total assets	Equity per share attributable to owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As at 31 August 2018	1,953,466	902,777	862,936	44.2	8,458.52
As at 31 August 2017	1,388,486	762,043	731,770	52.7	7,175.35

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash from/(used in) investing activities	Net cash from/(used in) financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 31 August 2018	176,403	(57,180)	198,217	999,697
Year ended 31 August 2017	212,168	122,790	(50,836)	683,802

2. DIVIDENDS

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the Parent (consolidated)
	First quarter period end	Second quarter period end	Third quarter period end	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended 31 August 2017	–	175.0	–	175.0	350.0	35,693	29.9	5.5
Year ended 31 August 2018	–	200.0	–	240.0	440.0	44,886	29.0	5.6
Year ending 31 August 2019 (forecast)	–	240.0	–	240.0	480.0		29.7	

3. CONSOLIDATED BUSINESS RESULTS PROJECTION FOR YEAR ENDING 31 AUGUST 2019 (1 SEPTEMBER 2018 TO 31 AUGUST 2019)

(% shows rate of increase/decrease from previous year)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the Parent		Basic earnings per share attributable to owners of the Parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending 31 August 2019	2,300,000	8.0	270,000	14.3	270,000	11.3	165,000	6.6	1,617.33

* Notes

(1) Changes in principal subsidiaries (i.e., changes in specified subsidiaries): None

(2) Changes in accounting policies and accounting estimates:

- (i) Changes in accounting policies to conform with IFRS: None
- (ii) Other changes in accounting policies: None
- (iii) Change in accounting estimates: None

(3) Total number of shares outstanding (common stock)

(i)	Number of shares outstanding (including treasury stock)	As at 31 August 2018	106,073,656 shares	As at 31 August 2017	106,073,656 shares
(ii)	Number of treasury stock shares	As at 31 August 2018	4,053,872 shares	As at 31 August 2017	4,089,664 shares
(iii)	Average number of shares outstanding	For the year ended 31 August 2018	102,002,997 shares	For the year ended 31 August 2017	101,975,416 shares

(REFERENCE INFORMATION)

NON-CONSOLIDATED FINANCIAL RESULTS

The non-consolidated financial results were prepared in accordance with generally accepted accounting principles in Japan.

(1) Non-consolidated Operating Results (1 September 2017 to 31 August 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 31 August 2018	193,044	38.0	136,519	45.3	139,660	20.9	122,158	90.1
Year ended 31 August 2017	139,871	40.9	93,934	68.8	115,488	—	64,264	956.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended 31 August 2018	1,197.59	1,195.63
Year ended 31 August 2017	630.20	629.28

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at 31 August 2018	993,413	463,229	46.1	4,489.50
As at 31 August 2017	670,111	377,103	55.6	3,654.97

(Notes) Shareholders' equity *As at 31 August 2018: 458,017 million yen*
As at 31 August 2017: 372,748 million yen

* This annual results announcement is not subject to auditing procedures pursuant to the Financial Instruments and Exchange Act of Japan.

* Explanation and other notes concerning proper use of consolidated business results projections:
Statements made in these materials pertaining to future matters, including business projections, are based on information currently available to the Company and certain assumptions determined to be reasonable. Actual business results may vary substantially depending on a variety of factors.

1. Business Results

(1) Analysis of Business Results for the year ended 31 August 2018

The Fast Retailing Group achieved record levels of revenue and profit in fiscal 2018, or the twelve months from 1 September 2017 to 31 August 2018. Consolidated revenue totaled ¥2.1300 trillion (+14.4% year-on-year) and operating profit reached ¥236.2 billion (+33.9% year-on-year). This strong performance was due largely to a significant revenue and profit increase at UNIQLO International, and stable revenue and profit growth at UNIQLO Japan. The consolidated gross profit margin improved by 0.5 points year-on-year in fiscal 2018 and the selling, general and administrative expense ratio improved by 1.5 points. Under other expenses, the Group recorded ¥12.3 billion in impairment losses on France-based COMPTOIR DES COTONNIERS and other labels and on store revaluations. A gain of ¥6.4 billion was recorded under finance income/costs resulting from a balance of ¥4.3 billion in interest income net of interest expense. As a result, fiscal 2018 profit before income taxes expanded to ¥242.6 billion (+25.5% year-on-year) and profit attributable to owners of the Parent increased to ¥154.8 billion (+29.8% year-on-year). Capital expenditures increased by ¥9.6 billion year-on-year in fiscal 2018 to ¥69.3 billion (including finance leases). Breaking down that capital expenditure figure: ¥9.9 billion was invested at UNIQLO Japan, ¥26.3 billion at UNIQLO International, ¥4.5 billion at GU, ¥2.7 billion at Global Brands, and ¥25.8 billion in systems, etc. In addition to investing in new UNIQLO and GU stores, more funding was channeled into IT investment and warehouse automation, two key elements of the Groupwide Ariake Project.

The Group's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we are focusing our efforts on expanding UNIQLO International and our GU casual fashion brand. We continue to increase UNIQLO store numbers in each country where we operate, and open global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. Within the UNIQLO International segment, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are entering a new stage of growth as key drivers of operational growth for the Fast Retailing Group. In addition, UNIQLO USA was able to significantly reduce operating losses, and is working solidly towards turning a profit in fiscal 2019. In terms of the GU operation, we plan to open more GU stores in Japan, while expanding the brand's international presence, primarily in Greater China and South Korea.

Due to its growing impact on overall consolidated performance, the GU casual fashion brand, formerly a part of the Global Brands business segment, was separated into an independent business segment from the current consolidated fiscal year. Previous data have been adjusted to suit the new reporting segment structure and facilitate accurate year-on-year comparisons.

UNIQLO Japan

UNIQLO Japan reported significant rises in profit in fiscal 2018, with revenue totaling ¥864.7 billion (+6.7 % year-on-year) and operating profit totaling ¥119.0 billion (+24.1% year-on-year). Full-year same-store sales, including online sales, expanded by 6.2% year-on-year thanks to rising customer visits. In the first half of the from 1 September 2017 through 28 February 2018, same-store sales grew at an extremely fast rate of 8.4% year-on-year on the back of unseasonably cold winter weather and timely increases in production of stronger selling items. In the second half from 1 March to 31 August 2018, same-store sales expanded by 3.3% year-on-year on the back of strong sales of Summer items such as AIRism, UT and DRY T-shirts. Full-year online sales increased by 29.4% year-on-year to ¥63.0 billion, constituting 7.3% of total revenue. On the profit front, while the cost of sales continued to rise over the period due to a weakening in internal yen exchange rates, that negative impact was successfully offset by narrower discounting rates. As a result, the gross profit margin improved by 0.4 point year-on-year. Meanwhile, the selling, general and administrative expense ratio improved by 1.6 points year-on-year on the back of significant reductions in advertising and promotion expenses, distribution costs and personnel expenses.

UNIQLO International

UNIQLO International revenue and profit rose significantly in fiscal 2018, with revenue totaling ¥896.3 billion (+26.6% year-on-year) and operating profit increasing to ¥118.8 billion (+62.6% year-on-year). The gross profit margin improved by 1.1 points year-on-year on the back of favorable new store openings and consistently strong sales performances from all operations. The segment's concerted shift towards a business format that relies less heavily on discounting also contributed to the improved gross profit margin. The selling, general and administrative expense ratio improved 1.5 points on consistent cost-cutting efforts. It is worth noting that UNIQLO International revenue exceeded UNIQLO Japan revenue for the first time in fiscal 2018, and UNIQLO International's operating profit also expanded to a level approaching that of UNIQLO Japan.

Breaking down the strong UNIQLO International performance into individual markets: Same-store sales in the Greater China region continued to expand in fiscal 2018 as more and more consumers embraced the LifeWear concept, and regionally tailored product mixes proved a success. UNIQLO Greater China achieved buoyant double-digit growth in online sales, which constituted 15% of total revenue. A close correlation between marketing and stores helped temper discounting rates in South Korea, leading to a significant improvement in that operation's gross profit margin. UNIQLO Southeast Asia & Oceania achieved double-digit growth in same-store sales on the back of strong sales of UT and shorts. UNIQLO USA managed to halve its operating loss after reviewing a tailored product mix for consumers on the East and West Coasts, and achieving more accurate sales planning. UNIQLO Europe operating profit doubled on the back of strong performances from Russia, France and the United Kingdom. UNIQLO's newest national operations in Europe have gotten off to a strong start, with the first store in Spain opened in Barcelona in September 2017, the first store in Sweden opened in Stockholm in August 2018, and the first store in the Netherlands opened in Amsterdam in September 2018.

GU

The GU business segment reported a rise in revenue but a fall in profit in fiscal 2018, with revenue climbing to ¥211.8 billion (+6.4% year-on-year) and operating profit declining to ¥11.7 billion (-13.1% year-on-year). Full-year same-store sales declined due to issues with product mixes and volume planning. In the first half, GU was unable to exploit actual demand due to an insufficient choice of cold-weather ranges. In the second half, ranges featured in GU campaigns underperformed, and the large increase in the number of product types resulted in shortages of stronger-selling items. Against this backdrop of sluggish sales, the full-year gross profit margin declined 0.1 point year-on-year and the business expenses to net sales ratio increased by 1.2 points year-on-year. As a result, GU operating profit declined by 13.1% year-on-year.

Global Brands

Global Brands revenue rose but profit fell in fiscal 2018. Revenue rose to ¥154.4 billion (+9.5% year-on-year), but the segment reported an operating loss of ¥4.1 billion (an operating profit of ¥0.5 billion in fiscal 2017), following the recording of ¥9.9 billion in impairment losses on COMPTOIR DES COTONNIERS and other labels. The Theory fashion operation reported a rise in both revenue and profit, thanks to stable growth for the Theory label in both the United States and Japan, and a favorable expansion in Theory's Japan-based PLST brand. COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand reported continued losses for the full business year.

Sustainability

As the business activities of the Fast Retailing Group expand worldwide, we will continue our efforts to achieve sustainability of the global environment and society through the clothing business in accordance with our statement to "Turn the power of clothing into the power of society." The initiatives of our group focus on six priority areas: new value creation through products and sales, respect for the human rights and work environment of our supply chain, consideration of the environment, coexistence and co-prosperity with the community, the happiness of employees, and ethical management. In all of these areas, we make efforts to protect human rights and the environment and to make social contributions.

In June 2018, we established the Fast Retailing Group Human Rights Policy ("Human Rights Policy") in accordance with international standards including the United Nations Guiding Principles on Business and Human Rights (UNGP). This policy applies to all employees of our group companies. Furthermore, we also continually encourage our production and business partners to adopt similar policies, and we promote respect for human rights in cooperation with them.

In July 2018, we established the Human Rights Committee based on our Human Rights Policy. This committee gives advice and oversees the company's fulfillment of its responsibilities in regard to respect for human rights and the appropriate execution of business under our Human Rights Policy. We also established a hotline to enable employees at our partner garment factories to report any issues directly to our company. If a report is received, the committee head will conduct an investigation, examine relief measures, and request the relevant department to take corrective action. If the matter is serious, it will be presented to the committee for deliberation. The committee will then make a decision on relief measures and will give guidance and recommendations to the relevant department.

We also actively promote social contribution initiatives in Japan and countries around the world. In Japan, for example, after heavy rains caused significant damage in Western Japan in July 2018, we commenced delivering clothing supplies to assist victims in Hiroshima, Okayama, Ehime, and Shimane prefectures. By the end of August, we had donated approximately 46,600 clothing items including underwear and socks for which there was a pressing need for everyday life. In July 2018, UNIQLO US received the Sapolin Accessibility Award for Employment from New York City in recognition of its commitment to supporting people with disabilities particularly in employment, an area where UNIQLO US has been promoting initiatives for the past four years. In the same month, UNIQLO US also received the Corporate Community Impact Award of the ESPN Sports Humanitarian Awards in recognition of its activities as an official apparel sponsor for Street Soccer USA. Street Soccer USA provides opportunities for homeless young people to come into contact with sports, and to date UNIQLO US has provided over 28,000 clothing items including Dry-EX wear.

(2) Financial Positions

Total assets as at 31 August 2018 were ¥1.9534 trillion, which was an increase of ¥564.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥315.8 billion in cash and cash equivalents, an increase of ¥175.1 billion in inventories, an increase of ¥29.2 billion in derivative financial assets, an increase of ¥11.0 billion in other current assets and an increase of ¥18.0 billion in property, plant and equipment.

Total liabilities as at 31 August 2018 were ¥1.0506 trillion, which was an increase of ¥424.2 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥10.5 billion in trade and other payables, an increase of ¥160.0 billion in other current financial liabilities, an increase of ¥17.8 billion in other current liabilities and an increase of ¥229.2 billion in non-current financial liabilities.

Total net assets as at 31 August 2018 were ¥902.7 billion, which was an increase of ¥140.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥116.5 billion in retained earnings and an increase of ¥10.5 billion in other components of equity.

(3) Cash Flows Information

Cash and cash equivalents as at 31 August 2018 increased by ¥315.8 billion from the end of the preceding consolidated fiscal year, to ¥999.6 billion.

(Operating Cash Flows)

Net cash generated by operating activities for the year ended 31 August 2018 was ¥176.4 billion, which was a decrease of ¥35.7 billion (-16.9 % year-on-year) from the year ended 31 August 2017.

The principal factors were ¥242.6 billion in profit before income taxes (an increase of ¥49.2 billion from the year ended 31 August 2017), an increase of ¥179.4 billion in inventories (a decrease of ¥173.5 billion from the year ended 31 August 2017), an increase of ¥142.2 billion in other liabilities (an increase of ¥135.7 billion from the year ended 31 August 2017), and ¥86.7 billion in income taxes paid (a decrease of ¥39.0 billion from the year ended 31 August 2017).

(Investing Cash Flows)

Net cash used in investing activities for the year ended 31 August 2018 was ¥57.1 billion, which was an increase of ¥179.9 billion from the year ended 31 August 2017. The principal factors were an increase of ¥4.3 billion in bank deposits with original maturity over three months (an increase of ¥172.6 billion from the year ended 31 August 2017).

(Financing Cash Flows)

Net cash generated from financing activities for the year ended 31 August 2018 was ¥198.2 billion, which was an increase of ¥249.0 billion from the year ended 31 August 2017. The principal factor was an increase of ¥249.3 billion in proceeds from issuance of corporate bonds (an increase of ¥249.3 billion from the year ended 31 August 2017).

(4) Outlook for the Coming Year

In fiscal 2019, Fast Retailing expects to achieve consolidated revenue of ¥2.3 trillion (+8.0% year-on-year), operating profit of ¥270.0 billion (+14.3% year-on-year), profit before income taxes of ¥270.0 billion (+11.3% year-on-year) and profit attributable to owners of the parent of ¥165.0 billion (+6.6% year-on-year).

All four Fast Retailing business segments are expected to generate increases in both revenue and profit in fiscal 2019. We forecast the overall Fast Retailing Group network will expand to a total of 3,677 stores by the end of August 2019: 827 stores (including franchise stores) at UNIQLO Japan, 1,412 stores at UNIQLO International, 423 stores at GU and 1,015 stores at Global Brands.

2. Basic Concept Regarding Selection of Accounting Standards

The Group has adopted IFRS for the Group’s consolidated financial statements since the year ended 31 August 2014.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As at 31 August 2017	As at 31 August 2018
ASSETS			
Current assets			
Cash and cash equivalents		683,802	999,697
Trade and other receivables		48,598	52,677
Other financial assets		30,426	35,359
Inventories		289,675	464,788
Derivative financial assets		6,269	35,519
Income taxes receivable		1,518	1,702
Other assets	5	17,307	28,353
Total current assets		1,077,598	1,618,097
Non-current assets			
Property, plant and equipment	5	136,979	155,077
Goodwill	5	15,885	8,092
Intangible assets	5	36,895	46,002
Financial assets		77,608	79,476
Investments in associates accounted for using the equity method		13,473	14,649
Deferred tax assets		25,303	26,378
Other assets	5	4,742	5,691
Total non-current assets		310,888	335,368
Total assets		1,388,486	1,953,466
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		204,008	214,542
Other financial liabilities		11,844	171,854
Derivative financial liabilities		6,083	6,917
Current tax liabilities		25,864	21,503
Provisions		8,780	11,868
Other liabilities		54,840	72,722
Total current liabilities		311,421	499,410
Non-current liabilities			
Financial liabilities		273,467	502,671
Provisions		15,409	18,912
Deferred tax liabilities		10,000	13,003
Other liabilities		16,144	16,690
Total non-current liabilities		315,022	551,277
Total liabilities		626,443	1,050,688
EQUITY			
Capital stock		10,273	10,273
Capital surplus		14,373	18,275
Retained earnings		698,584	815,146
Treasury stock, at cost		(15,563)	(15,429)
Other components of equity		24,102	34,669
Equity attributable to owners of the Parent		731,770	862,936
Non-controlling interests		30,272	39,841
Total equity		762,043	902,777
Total liabilities and equity		1,388,486	1,953,466

(2) 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 2017	Year ended 31 August 2018
Revenue		1,861,917	2,130,060
Cost of sales		(952,667)	(1,080,123)
Gross profit		909,249	1,049,936
Selling, general and administrative expenses	2	(725,215)	(797,476)
Other income	3	6,321	3,385
Other expenses	3,5	(14,567)	(20,244)
Share of profit and loss of associates accounted for using the equity method		625	611
Operating profit/(loss)		176,414	236,212
Finance income	4	19,917	9,693
Finance costs	4	(2,932)	(3,228)
Profit/(loss) before income taxes		193,398	242,678
Income taxes		(64,488)	(73,304)
Profit for the year		128,910	169,373
Profit/(loss) for the year attributable to:			
Owners of the Parent		119,280	154,811
Non-controlling interests		9,630	14,562
		128,910	169,373
Earnings per share			
Basic (yen per share)	6	1,169.70	1,517.71
Diluted (yen per share)	6	1,168.00	1,515.23

Consolidated statement of comprehensive income

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Profit for the year	128,910	169,373
Other comprehensive income/(loss), net of income/(loss)		
Items that will not be reclassified subsequently to profit or loss	—	—
Items that may be reclassified subsequently to profit or loss		
Net fair value gain/(loss) on available-for-sales financial assets during the year	(245)	34
Exchange differences on translation of foreign operations	26,285	(6,285)
Cash flow hedges	47,109	17,735
Other comprehensive income/(loss), net of taxes	73,148	11,484
Total comprehensive income/(loss) for the year	202,059	180,858
Attributable to:		
Owners of the Parent	190,566	165,378
Non-controlling interests	11,493	15,480
Total comprehensive income/(loss) for the year	202,059	180,858

(3) Consolidated Statement of Changes in Equity

For the year ended 31 August 2017

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2016	10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the year											
Comprehensive income/(loss)											
Profit/(loss) for the year	—	—	119,280	—	—	—	—	—	119,280	9,630	128,910
Other comprehensive income/(loss)	—	—	—	—	(245)	24,618	46,913	71,285	71,285	1,862	73,148
Total comprehensive income/(loss)	—	—	119,280	—	(245)	24,618	46,913	71,285	190,566	11,493	202,059
Transactions with the owners of the Parent											
Acquisition of treasury stock	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	—	642	—	75	—	—	—	—	718	—	718
Dividends	—	—	(34,670)	—	—	—	—	—	(34,670)	(3,994)	(38,664)
Share-based payments	—	754	—	—	—	—	—	—	754	—	754
Others	—	(94)	—	—	—	—	—	—	(94)	(385)	(480)
Total transactions with the owners of the Parent	—	1,303	(34,670)	69	—	—	—	—	(33,297)	(4,379)	(37,677)
Total net changes during the year	—	1,303	84,610	69	(245)	24,618	46,913	71,285	157,268	7,113	164,381
As at 31 August 2017	10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043

For the year ended 31 August 2018

(Millions of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2017	10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043
Net changes during the year											
Comprehensive income/(loss)											
Profit/(loss) for the year	—	—	154,811	—	—	—	—	—	154,811	14,562	169,373
Other comprehensive income/(loss)	—	—	—	—	34	(6,376)	16,909	10,567	10,567	917	11,484
Total comprehensive income/(loss)	—	—	154,811	—	34	(6,376)	16,909	10,567	165,378	15,480	180,858
Transactions with the owners of the Parent											
Acquisition of treasury stock	—	—	—	(1)	—	—	—	—	(1)	—	(1)
Disposal of treasury stock	—	1,169	—	136	—	—	—	—	1,306	—	1,306
Dividends	—	—	(38,248)	—	—	—	—	—	(38,248)	(7,840)	(46,088)
Share-based payments	—	857	—	—	—	—	—	—	857	—	857
Increase in equity due to capital increase by consolidated subsidiary	—	—	—	—	—	—	—	—	—	173	173
Capital contributions from non-controlling interests	—	1,874	—	—	—	—	—	—	1,874	1,754	3,629
Total transactions with the owners of the Parent	—	3,901	(38,248)	134	—	—	—	—	(34,212)	(5,911)	(40,124)
Total net changes during the year	—	3,901	116,562	134	34	(6,376)	16,909	10,567	131,165	9,568	140,734
As at 31 August 2018	10,273	18,275	815,146	(15,429)	37	15,429	19,202	34,669	862,936	39,841	902,777

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Year ended 31 August 2017	Year ended 31 August 2018
Cash flows from operating activities			
Profit/(loss) before income taxes		193,398	242,678
Depreciation and amortisation		39,688	45,055
Impairment losses	5	9,324	12,376
Increase/(decrease) in provisions		1,674	4,654
Interest and dividends income		(6,124)	(7,560)
Interest expenses		2,932	3,169
Net foreign exchange (gain)/loss		(13,318)	(2,132)
Share of profit and loss of associates accounted for using the equity method		(625)	(611)
Losses on disposal of property, plant and equipment		1,915	1,176
Decrease/(increase) in trade and other receivables		(1,442)	(2,852)
Decrease/(increase) in inventories		(5,955)	(179,469)
Increase/(decrease) in trade and other payables		9,949	9,758
Decrease/(increase) in other assets		(290)	(13,053)
Increase/(decrease) in other liabilities		6,417	142,212
Others, net		(1,682)	1,819
Cash generated from operations		235,861	257,220
Interest and dividends income received		6,124	7,409
Interest paid		(2,966)	(2,393)
Income taxes paid		(47,691)	(86,725)
Income taxes refund		20,840	892
Net cash generated by operating activities		212,168	176,403
Cash flows from investing activities			
Amounts deposited into bank deposits with original maturities of 3 months or longer		(114,330)	(63,490)
Amounts withdrawn from bank deposits with original maturities of 3 months or longer		282,667	59,185
Payments for property, plant and equipment		(33,600)	(31,962)
Payments for intangible assets		(12,266)	(16,532)
Payments for lease and guarantee deposits		(3,211)	(4,773)
Proceeds from collection of lease and guarantee deposits		1,789	3,064
Payments for construction assistance fund		(1,045)	(1,261)
Returns of construction assistance fund		1,713	2,057
Others, net		1,072	(3,467)
Net cash generated from/(used in) investing activities		122,790	(57,180)

(continued)

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Cash flows from financing activities		
Proceeds from short-term loans payable	7,091	1,767
Repayment of short-term loans payable	(10,314)	(1,596)
Repayment of long-term loans payable	(2,915)	(3,308)
Proceeds from issuance of corporate bonds	—	249,319
Dividends paid to owners of the Parent	(34,671)	(38,244)
Capital contributions from non-controlling interests	—	3,803
Dividends paid to non-controlling interests	(3,965)	(7,827)
Repayments of lease obligations	(6,052)	(5,918)
Others, net	(8)	224
Net cash (used in)/generated from financing activities	(50,836)	198,217
Effect of exchange rate changes on the balance of cash held in foreign currencies	14,248	(1,545)
Net increase in cash and cash equivalents	298,371	315,894
Cash and cash equivalents at the beginning of year	385,431	683,802
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	683,802	999,697

(5) Notes regarding Going Concern Assumptions

Not applicable.

(6) Notes to the Consolidated Financial Statements

1. 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.

From the current consolidated fiscal year, the operations of GU, which were previously included as a part of the Global Brand segment, have been included in the GU segment (newly created segment). The Group now discloses the GU reportable segment as a result of the Board's increased focus as its scale of operation expands.

The Group's main retail clothing business is divided into four reportable operating segments: UNIQLO Japan, UNIQLO International, GU 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
GU : GU brand clothing business in Japan and overseas
Global Brands : Theory, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand clothing operations

(2) Segment revenue and results
Year ended 31 August 2017

(Millions of yen)

	Reportable segments				Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	810,734	708,171	199,139	141,003	1,859,048	2,868	—	1,861,917
Operating profit/(losses)	95,914	73,143	13,542	500	183,101	285	(6,972)	176,414
Segment income/(losses) (i.e., profit before income taxes)	97,868	72,814	13,583	340	184,608	285	8,504	193,398
Other disclosures: Depreciation and amortisation	8,966	17,214	3,776	2,701	32,659	153	6,875	39,688
Impairment losses	284	1,603	5	3,848	5,741	—	3,583	9,324

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

(Note 2) "Adjustments" mainly includes revenue and corporate expenses which are not allocated to individual reportable segments. Please refer to "5. Impairment losses" for details of impairment loss on IT system investments, which is allocated to "Adjustments."

Year ended 31 August 2018

(Millions of yen)

	Reportable segments				Total	Others (Note1)	Adjustments (Note2)	Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	864,778	896,321	211,831	154,464	2,127,395	2,664	―	2,130,060
Operating profit/ (losses)	119,040	118,897	11,774	(4,115)	245,596	240	(9,624)	236,212
Segment income/ (losses)(i.e., profit before income taxes)	119,685	119,172	11,572	(4,248)	246,182	250	(3,755)	242,678
Other disclosures:								
Depreciation and amortisation	9,448	18,693	5,463	3,137	36,744	12	8,298	45,055
Impairment losses	415	944	268	9,962	11,590	―	785	12,376

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

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

2. Selling, general and administrative expenses

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Selling, general and administrative expenses		
Advertising and promotions	70,937	70,310
Rental expenses	174,034	191,813
Depreciation and amortisation	39,688	45,055
Outsourcing	33,244	41,005
Salaries	252,520	285,105
Others	154,790	164,186
Total	725,215	797,476

3. Other income and other expenses

The breakdowns of other income and other expenses for each year are as follows:

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Other income		
Foreign exchange gains*	2,137	―
Reversal of impairment losses	695	―
Others	3,488	3,385
Total	6,321	3,385

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Other expenses		
Foreign exchange losses*	―	1,450
Losses on retirement of property, plant and equipment	1,915	1,176
Impairment losses	9,324	12,376
Others	3,327	5,241
Total	14,567	20,244

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

4. Finance income and finance costs

The breakdowns of finance income and finance costs for each year are as follows:

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Finance income		
Foreign exchange gains*	13,318	2,132
Interest income	6,110	7,545
Others	488	15
Total	19,917	9,693

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Finance costs		
Interest expenses	2,932	3,169
Others	—	58
Total	2,932	3,228

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

5. Impairment losses

During the year ended 31 August 2018, the Group recognized impairment losses on certain store assets and goodwill etc., due to reductions in profitability of the respective cash-generating units.

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

(Millions of yen)

	Year ended 31 August 2017	Year ended 31 August 2018
Buildings and structures	1,491	2,029
Furniture and equipment	571	205
Land	34	—
Leased assets (Note 1)	55	99
Subtotal impairment losses on property, plant and equipment	2,153	2,335
Software	2,912	174
Goodwill	2,196	7,792
Trademark (Note 2)	772	1,657
Other intangible assets	681	415
Subtotal impairment losses on goodwill and other intangible assets	6,562	10,039
Other current assets (short-term prepayments)	608	0
Other non-current assets (long-term prepayments)	—	0
Total impairment losses	9,324	12,376

(Note 1) Leased assets include furniture and equipment.

(Note 2) 1,657 million yen represented impairment losses on the trademark of the Helmut Lang brand.

The Group’s impairment losses during the year ended 31 August 2018 amounted to 12,376 million yen, compared with 9,324 million yen during the year ended 31 August 2017, and are included in “other expenses” on the consolidated statement of profit or loss.

Year ended 31 August 2017

(1) Property, plant and equipment

Out of total impairment losses amounting to 9,324 million yen, 2,153 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, mainly due to a reduction in profitability of certain stores, including flagship stores.

The grouping of assets is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual cash-generating unit and recoverable amounts thereof are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 14.6%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

The main cash-generating units for which impairment losses were recorded are 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
Global Brands	PRINCESSE TAM.TAM S.A.S etc. stores	Buildings and structures

(2) Goodwill and intangible assets, etc.

(i) Impairment losses related to the J Brand business

Out of the total impairment losses amounting to 9,324 million yen, 3,650 million yen represented impairment losses on goodwill, trademarks, and customer relationships of the J Brand business. The carrying amounts of cash-generating units related to the J Brand business after recognition of the impairment losses were written down to zero yen of goodwill and customer relationships, and 1,388 million yen of trademarks.

The recoverable amounts from goodwill and intangible assets relating to trademarks and customer relationships, related to the J Brand business were 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 plus the 10-year discounted cash flow projections were based on plans approved by management. The fair value measurement is calculated based on the post-tax discount rate. The post-tax discount rate is calculated at 20.5% 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 primarily reflected in the discount rate. Furthermore, the cash flows beyond the 10-year period are extrapolated using a 3% growth rate taking into account the long-term average market growth 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 flows or a higher discount rate would cause further impairment losses to be recognized.

(ii) Impairment losses related to IT system investment

Out of total impairment losses amounting to 9,324 million yen, 3,521 million yen is related to IT system investments for luxury brands. 3,521 million yen is comprised of impairment losses for software assets which amounted to 2,912 million yen and impairment losses for IT system assets, which are included in other current assets, which amounted to 608 million yen.

These impairment losses represented write downs of the carrying amounts of the aforementioned assets to the recoverable amounts in order to reflect the decreased profitability that resulted from replacing the system. The Company allocates the software, as corporate assets, to each luxury brand, whereby representing individual cash-generating units.

The recoverable amounts of each cash-generating unit, related to the luxury brands, are calculated based on their value in use. As a result, the carrying amounts of software after recognition of impairment losses were written down to zero yen.

(3) Reversal of impairment losses

Since recovery in profitability was identified in certain stores in the UNIQLO Japan business where impairment losses were recorded in the past (mainly buildings and structures), the total reversal of impairment losses amounting to 695 million yen was included in “Other income” in the consolidated statement of profit or loss. The recoverable amounts are based on value in use.

The calculation basis for value in use is cash flow projections based on estimates and growth rates compiled by management at discount rates ranging from 16.3% to 19.3%. Theoretically, the projected cash flows are based on the remaining estimated useful lives of the respective property, plant and equipment, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

Year ended 31 August 2018

(1) Property, plant and equipment

Out of total impairment losses amounting to 12,376 million yen, 1,725 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, mainly due to a reduction in profitability of certain stores, including flagship stores.

The grouping of assets is based on the smallest cash-generating unit that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual cash-generating unit and recoverable amounts thereof are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 7.5%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital.

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

Operating segment	Cash-generating unit	Type
UNIQLO Japan	UNIQLO CO., LTD. stores	Buildings and structures
UNIQLO International	UNIQLO EUROPE LTD. etc., stores	Buildings and structures
GU	G.U. CO., LTD. etc., stores	Buildings and structures
Global Brands	COMPTOIR DES COTONNIERS S.A.S., etc stores	Buildings and structures

(2) Goodwill

(i) Impairment losses related to the COMPTOIR DES COTONNIERS business

Out of the total impairment losses amounting to 12,376 million yen, 7,792 million yen represented impairment losses on goodwill, of the COMPTOIR DES COTONNIERS business. The carrying amounts of cash-generating units related to the COMPTOIR DES COTONNIERS business after recognition of the impairment losses were written down to zero yen of goodwill.

The recoverable amounts from goodwill related to the COMPTOIR DES COTONNIERS business were 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:

The terminal value of the business plus the three year discounted cash flow projections were based on plans approved by management. The fair value measurement is calculated based on post-tax discount rate. The post-tax discount rate is calculated at 13.6% 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 primarily reflected in the discount rate. Furthermore, the cash flows beyond the 10-year period are extrapolated using a 1% growth rate taking into account the long-term average market growth rate.

6. Earnings per share

Year ended 31 August 2017		Year ended 31 August 2018	
Equity per share attributable to owners of the Parent (Yen)	7,175.35	Equity per share attributable to owners of the Parent (Yen)	8,458.52
Basic earnings per share for the year (Yen)	1,169.70	Basic earnings per share for the year (Yen)	1,517.71
Diluted earnings per share for the year (Yen)	1,168.00	Diluted earnings per share for the year (Yen)	1,515.23

(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 2017	Year ended 31 August 2018
Basic earnings per share for the year		
Profit attributable to owners of the Parent for the year (Millions of yen)	119,280	154,811
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	119,280	154,811
Average number of common stock outstanding during the year (Shares)	101,975,416	102,002,997
Diluted earnings per share for the year		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	148,207	167,434
(Number of share subscription rights included in the increase)	(148,207)	(167,434)

7. Subsequent Events

At the Board meeting of the Company held on 11 October 2018, the Board resolved to issue share subscription rights as share-based compensation stock options to some employees of the Company and its subsidiaries based on Articles 236, 238 and 240 of the Companies Act of Japan.

Please refer to “Notice of FAST RETAILING CO., LTD. related to the issuance of share-based compensation stock option (share subscription rights)” which the Company announced on 11 October 2018 for the details of this issuance.

4. Supplementary Information

Sales breakdown by product category/operation

Division	Year ended 31 August 2017		Year ended 31 August 2018	
	Revenue (Millions of yen)	Percent of Total (%)	Revenue (Millions of yen)	Percent of Total (%)
Men's clothing	316,601	17.0	341,392	16.0
Women's clothing	386,075	20.7	403,407	18.9
Children's & Baby's clothing	60,497	3.2	67,202	3.2
Goods and other items	21,145	1.2	22,938	1.1
Total sales of UNIQLO Japan	784,320	42.1	834,941	39.2
Franchise-related income & alteration charges	26,413	1.4	29,836	1.4
Total UNIQLO Japan Operations	810,734	43.5	864,778	40.6
UNIQLO International Operations	708,171	38.0	896,321	42.1
Total UNIQLO Operations	1,518,905	81.5	1,761,099	82.7
GU Operations	199,139	10.7	211,831	9.9
Global Brands Operations	141,003	7.6	154,464	7.3
Other Operations	2,868	0.2	2,664	0.1
Total	1,861,917	100.0	2,130,060	100.0

(Notes) 1. Franchise-related income refers to the proceeds from garment sales to franchise stores, plus royalty income. Alteration charges refers to income generated from embroidery prints and alterations to pants length.

2. UNIQLO operations cover the selling of UNIQLO brand casual clothing.

3. GU Operations cover the selling of GU brand casual clothing.

4. Global Brands Operations consist of Theory operations (selling of Theory and PLST brand clothing), COMPTOIR DES COTONNIERS operations (selling of COMPTOIR DES COTONNIERS brand clothing), PRINCESSE TAM.TAM operations (selling of PRINCESSE TAM.TAM brand clothing) and J Brand operations (selling of J BRAND brand clothing).

5. Other operations include the real estate leasing business.

6. E-commerce revenue from UNIQLO Japan
Fiscal year ended 31 August 2017: 48,753 million yen;
Fiscal year ended 31 August 2018: 63,063 million yen.

7. The above amounts do not include consumption taxes, etc.

5. Others

Changes in Officers

(1) Change in representative

Not applicable.

(2) Other changes in executives scheduled for 29 November 2018

Changes in directors assume approval by the General meeting of Shareholders for the 57th fiscal term, scheduled to be held on 29 November 2018.

(i) Candidates for new appointment as directors

Director Naotake Ohno
Director Takeshi Okazaki
Director Kazumi Yanai
Director Koji Yanai

(Note) Naotake Ohno is an External Director as stipulated in Article 2–15 of the Companies Act.

(ii) Candidates for reappointment as directors

Director Tadashi Yanai (current Chairman, President and CEO)
Director Toru Hambayashi (current Director)
Director Nobumichi Hattori (current Director)
Director Masaaki Shintaku (current Director)
Director Takashi Nawa (current Director)

(Note) Tadashi Yanai is expected to be reappointed Chairman, President and CEO after re-election by the General Meeting of Shareholders scheduled for 29 November 2018.

Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku and Takashi Nawa are External Directors as stipulated in Article 2–15 of the Companies Act.

(iii) Candidates for new appointment as statutory auditors

Statutory Auditor Takao Kashitani

(Note) Takao Kashitani is an External Statutory Auditor as stipulated in Article 2-16 of the Companies Act.

(ii) Candidates for reappointment as statutory auditors

Statutory Auditor Akira Tanaka (current Statutory Auditor)

6. Resumption of Trading

At the request of the Company, trading in its Hong Kong depositary receipts on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 11 October 2018 pending the release of this announcement. An application will be made by the Company to the Stock Exchange for resumption of trading in the Hong Kong depositary receipts with effect from 9:00 a.m. on Friday, 12 October 2018.

On Behalf of the Board
FAST RETAILING CO., LTD.
Tadashi Yanai
Chairman, President and Chief Executive Officer

Japan, 11 October 2018

As at the date of this announcement, the Executive Director is Mr. Tadashi Yanai, the Independent Non-executive Directors are Mr. Toru Hambayashi, Mr. Nobumichi Hattori, Mr. Masaaki Shintaku and Mr. Takashi Nawa, and the Non-executive Director is Mr. Toru Murayama.