**FAST RETAILING CO., LTD.**

迅 銷 有 限 公 司

# Year-end Report 2019/20

2019.9.1–2020.8.31

Stock Code: 6288

## Contents

## 1. Corporate Information

Board of Directors
Representative Director
Tadashi Yanai *(Chairman, President and CEO)*

Directors
Takeshi Okazaki
Kazumi Yanai
Koji Yanai

External Directors
Toru Hambayashi
Nobumichi Hattori
Masaaki Shintaku
Takashi Nawa
Naotake Ohno

Board of Statutory Auditors
Akira Tanaka
Masaaki Shinjo
Masumi Mizusawa
Keiko Kaneko (External)
Takao Kashitani (External)
Masakatsu Mori (External)

Company Secretary
Shea Yee Man

Independent Accountants
Deloitte Touche Tohmatsu LLC

Principal Banks
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters
10717-1 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, Mira Place Tower A
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

## 2. Financial Highlights

A. Consolidated Financial Summary

| Term | International Financial Reporting Standards ("IFRS") | | | | |
|---|---|---|---|---|---|
| | 55th Year | 56th Year | 57th Year | 58th Year | 59th Year |
| Accounting Period | Year ended 31 August 2016 | Year ended 31 August 2017 | Year ended 31 August 2018 | Year ended 31 August 2019 | Year ended 31 August 2020 |
| Revenue (Millions of yen) | 1,786,473 | 1,861,917 | 2,130,060 | 2,290,548 | 2,008,846 |
| Operating profit (Millions of yen) | 127,292 | 176,414 | 236,212 | 257,636 | 149,347 |
| Profit before income taxes (Millions of yen) | 90,237 | 193,398 | 242,678 | 252,447 | 152,868 |
| Profit attributable to owners of the Parent (Millions of yen) | 48,052 | 119,280 | 154,811 | 162,578 | 90,357 |
| Comprehensive income attributable to owners of the Parent (Millions of yen) | (141,345) | 190,566 | 165,378 | 140,900 | 110,134 |
| Equity attributable to owners of the Parent (Millions of yen) | 574,501 | 731,770 | 862,936 | 938,621 | 956,562 |
| Total assets (Millions of yen) | 1,238,119 | 1,388,486 | 1,953,466 | 2,010,558 | 2,411,990 |
| Equity per share attributable to owners of the Parent (Yen) | 5,634.35 | 7,175.35 | 8,458.52 | 9,196.61 | 9,368.83 |
| Basic earnings per share for the year (Yen) | 471.31 | 1,169.70 | 1,517.71 | 1,593.20 | 885.15 |
| Diluted earnings per share for the year (Yen) | 470.69 | 1,168.00 | 1,515.23 | 1,590.55 | 883.62 |
| Ratio of equity attributable to owners of the Parent to total assets (%) | 46.4 | 52.7 | 44.2 | 46.7 | 39.7 |
| Ratio of profit to equity attributable to owners of the Parent (%) | 7.3 | 18.3 | 19.4 | 18.0 | 9.5 |
| Price earnings ratio (times) | 77.1 | 26.9 | 34.1 | 39.1 | 71.5 |
| Net cash generated by operating activities (Millions of yen) | 98,755 | 212,168 | 176,403 | 300,505 | 264,868 |
| Net cash (used in) / generated by investing activities (Millions of yen) | (245,939) | 122,790 | (57,180) | (78,756) | (75,981) |
| Net cash (used in) / generated by financing activities (Millions of yen) | 201,428 | (50,836) | 198,217 | (102,429) | (183,268) |
| Cash and cash equivalents at end of year (Millions of yen) | 385,431 | 683,802 | 999,697 | 1,086,519 | 1,093,531 |
| Number of employees: | 43,639 | 44,424 | 52,839 | 56,523 | 57,727 |
| (Separate, average number of temporary employees) | (26,282) | (31,719) | (71,840) | (80,758) | (70,765) |

(Notes) 1. Revenue does not include consumption taxes, etc.

2. The Group started to prepare the consolidated financial statements in accordance with IFRS for the year ended 31 August 2014.
3. 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 until the 56th year, but from the 57th year, the average number of registered personnel for the year is stated.

B. Non-Consolidated Financial Summary

| Term | 55th Year | 56th Year | 57th Year | 58th Year | 59th Year |
|---|---|---|---|---|---|
| Accounting period | Year ended 31 August 2016 | Year ended 31 August 2017 | Year ended 31 August 2018 | Year ended 31 August 2019 | Year ended 31 August 2020 |
| Operating revenue (Millions of yen) | 99,289 | 139,871 | 193,044 | 184,910 | 156,356 |
| Ordinary profit (Millions of yen) | 9,270 | 115,488 | 139,660 | 106,000 | 78,211 |
| Net profit (Millions of yen) | 6,084 | 64,264 | 122,158 | 106,113 | 62,422 |
| 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) | 345,773 | 377,103 | 463,229 | 521,706 | 538,954 |
| Total assets (Millions of yen) | 631,086 | 670,111 | 993,413 | 1,054,758 | 1,063,356 |
| Equity per share (Yen) | 3,355.83 | 3,654.97 | 4,489.50 | 5,053.07 | 5,207.74 |
| Dividends per share<br>(Figures in parentheses indicate interim dividends) (Yen) | 350.00<br>(185.00) | 350.00<br>(175.00) | 440.00<br>(200.00) | 480.00<br>(240.00) | 480.00<br>(240.00) |
| Basic net profit per share (Yen) | 59.68 | 630.20 | 1,197.59 | 1,039.87 | 611.50 |
| Diluted net profit per share (Yen) | 59.60 | 629.28 | 1,195.63 | 1,038.14 | 610.44 |
| Equity ratio (%) | 54.2 | 55.6 | 46.1 | 48.9 | 50.0 |
| Earnings on equity (%) | 1.7 | 18.0 | 29.4 | 21.8 | 11.9 |
| Price earnings ratio (Times) | 608.9 | 49.9 | 43.3 | 59.5 | 103.5 |
| Dividend ratio (%) | 586.5 | 55.5 | 36.7 | 46.2 | 78.5 |
| Number of employees:<br>(Separate, average number of temporary employees) (Persons) | 1,131<br>(126) | 1,166<br>(140) | 1,345<br>(267) | 1,389<br>(11) | 1,589<br>(8) |
| Total shareholder return (%)<br>(Compared with TOPIX Total Return Index) | 74.5<br>(88.3) | 65.3<br>(109.8) | 107.5<br>(120.3) | 129.6<br>(107.4) | 132.7<br>(117.9) |
| Highest share price (Yen) | 50,700 | 44,370 | 54,510 | 70,230 | 70,180 |
| Lowest share price (Yen) | 25,305 | 30,460 | 30,000 | 47,040 | 39,910 |

(Notes) 1. Operating revenue does not include consumption taxes, etc.

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 calculated based on an eight-hour workday per person until the 56th year, but from the 57th year, the average number of registered personnel for the year is stated.
3. Up until the 57th year, contract employees and fixed-term employees were included in the average number of temporary employees, but from the 58th year, they are included in the number of employees.
4. The highest and lowest share prices are from the first section of the Tokyo Stock Exchange.

## 3. Corporate Profile

A. 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 its approach to business. |
| April 1992 | The main Ogori Shoji store, selling menswear, is converted to the UNIQLO Onda store (closed in 2001). All the stores are completely renovated as casual clothing stores 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 headquarters opens in Shibuya-ku, Tokyo. |
| October 2000 | Online store launches to open a new sales channel and make shopping easier for customers. |
| September 2001 | FAST RETAILING (U.K) LTD. opens first four UNIQLO stores in London. |
| September 2002 | Fast Retailing (Jiangsu) Apparel Co., Ltd. opens first two UNIQLO China stores in Shanghai. |
| January 2004 | FAST RETAILING CO., LTD. invests in LINK HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.), the developer of Theory brand business 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. |
| 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. (now PRINCESSE TAM. TAM 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. |
| 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. |
| March 2009 | LINK THEORY HOLDINGS CO., LTD. (now LINK THEORY JAPAN CO., LTD.) becomes a subsidiary through a takeover bid. |
| 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. |
| 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. |
| December 2012 | FAST RETAILING acquires a majority interest in U.S. J Brand Holdings, LLC 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. |
| 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. |

| Date | Summary |
|---|---|
| April 2016 | Construction completed on state-of-the-art distribution center in Ariake, Tokyo. |
| September 2016 | UNIQLO Orchard Road Store opens as the first UNIQLO global flagship store in Southeast Asia. |
| September 2016 | First UNIQLO Canada store opens in Toronto. |
| February 2017 | UNIQLO CITY TOKYO Ariake Office opens. UNIQLO product and commercial functions moved from Roppongi Office to Ariake Office. |
| September 2017 | First UNIQLO Spain store opens in Barcelona. |
| June 2018 | Issues ¥250 billion worth of unsecured straight bonds. |
| August 2018 | Sweden’s first UNIQLO store opens in Stockholm. |
| September 2018 | The Netherlands’ first UNIQLO store opens in Amsterdam. |
| October 2018 | UNIQLO Manila Store, UNIQLO’s global flagship store, opens in the Philippines. |
| October 2018 | Fast Retailing entered into a logistics-related strategic global partnership with Daifuku Co., Ltd. |
| April 2019 | Denmark’s first UNIQLO store opens in Copenhagen. |
| September 2019 | Italy’s first UNIQLO store opens in Milan. |
| September 2019 | Office functions of GU and PLST move to Ariake Office. |
| October 2019 | India’s first UNIQLO store opens in New Delhi. |
| November 2019 | Fast Retailing entered into a logistics-related strategic global partnership with MUJIN, Inc. and Exotec Solutions SAS. |
| December 2019 | First UNIQLO Vietnam store opens in Ho Chi Minh City. |
| April 2020 | Opening of UNIQLO PARK Yokohama Bayside Store, a large-scale store for families. |
| June 2020 | Opening of UNIQLO Harajuku Store, a state-of-the-art store combining the real and virtual. |
| June 2020 | Opening of UNIQLO TOKYO, Japan's largest global flagship store, in Ginza. |

B. Our Business

The Group consists of FAST RETAILING CO., LTD. (the "Company"), 134 consolidated subsidiaries, and 4 associates accounted for using the equity method.

Details of the Group's businesses as well as the positioning of the Company and its main associates 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 "9. Financial Information (6) Notes to the consolidated financial statements."

| Category | Company name | Reportable Segment |
|---|---|---|
| Holding company | FAST RETAILING CO., LTD. | Others |
| Main consolidated subsidiaries | UNIQLO CO., LTD. | UNIQLO Japan |
| | FAST RETAILING (CHINA) TRADING CO., LTD.* | UNIQLO International |
| | UNIQLO TRADING CO., LTD.* | UNIQLO International |
| | FAST RETAILING (SHANGHAI) TRADING CO., LTD.* | UNIQLO International |
| | FRL Korea Co., Ltd. | UNIQLO International |
| | FAST RETAILING (SINGAPORE) PTE. LTD. | Others |
| | UNIQLO (THAILAND) COMPANY LIMITED | UNIQLO International |
| | PT. FAST RETAILING INDONESIA | UNIQLO International |
| | UNIQLO AUSTRALIA PTY LTD | UNIQLO International |
| | Fast Retailing USA, Inc. | Others |
| | UNIQLO EUROPE LIMITED | UNIQLO International |
| | UNIQLO VIETNAM Co., Ltd | UNIQLO International |
| | UNIQLO INDIA PRIVATE LIMITED | UNIQLO International |
| | G.U. CO., LTD. | GU |
| | GU (Shanghai) Trading Co., Ltd.* | GU |
| | FAST RETAILING FRANCE S.A.S. | Others |
| | Theory LLC | Global Brands |
| | PLST CO., LTD. | Global Brands |
| | COMPTOIR DES COTONNIERS S.A.S. | Global Brands |
| | PRINCESSE TAM.TAM S.A.S. | Global Brands |
| | J Brand, Inc. | Global Brands |
| | Other consolidated subsidiaries (113 companies) | UNIQLO International / GU / Global Brands / Others |
| Associates accounted for using the equity method | Associates accounted for using the equity-method (4 companies) | 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. "GU" business means the retail business of GU brand casual apparel in Japan and overseas.

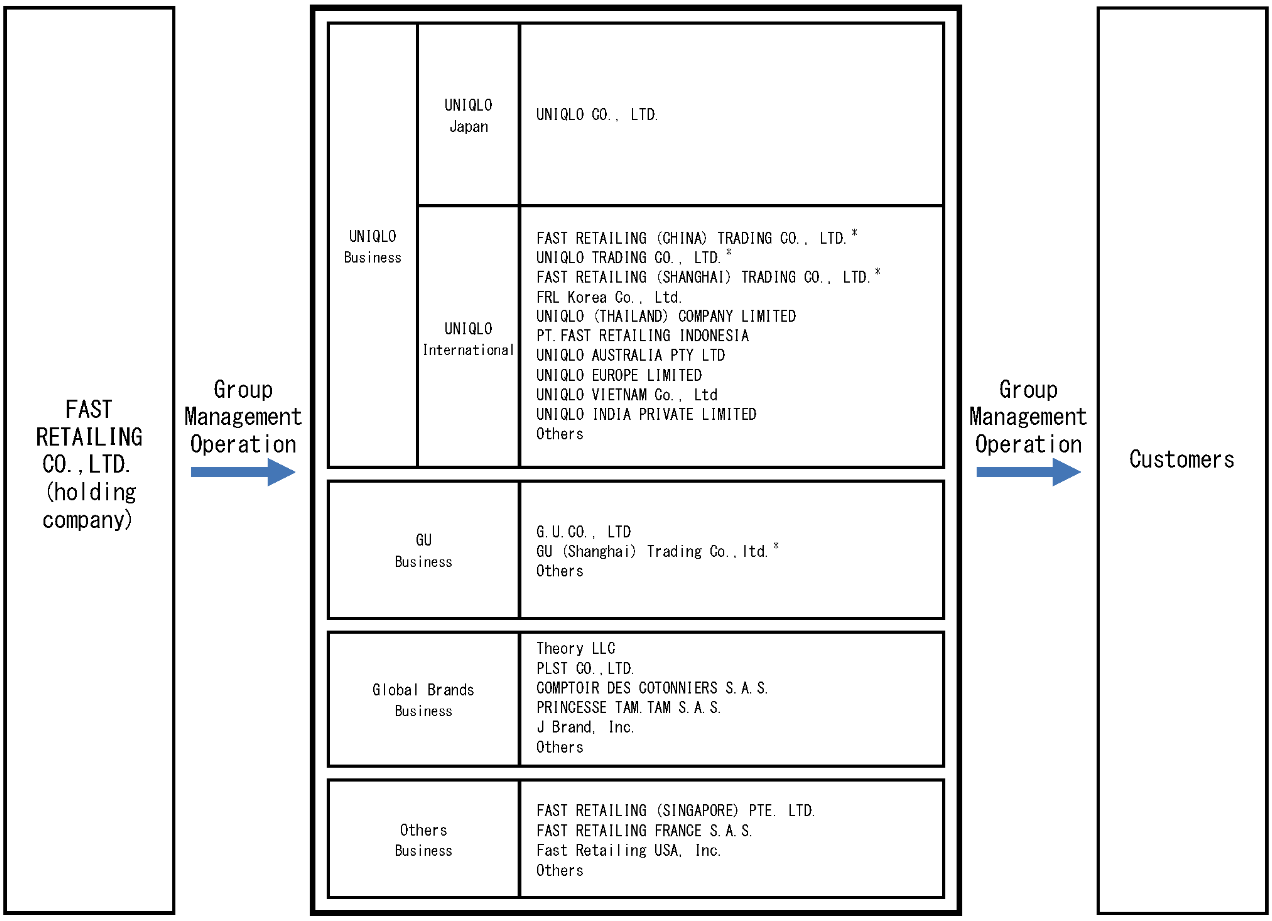
3. "Global Brands" business means the planning, retail, and manufacturing of apparel in Japan and overseas.

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.

The organizational structure is as follows:

**Business Structure**




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

C. Subsidiaries and Associates

| Name | Location | Nominal value of issued ordinary / registered share capital (Thousands) | Details of main businesses | Ownership ratio of voting rights | Relationship |
|---|---|---|---|---|---|
| (Consolidated subsidiaries)<br>UNIQLO CO., LTD. | Yamaguchi City, Yamaguchi Prefecture | JPY1,000,000 | UNIQLO Japan | 100.0% | - |
| FAST RETAILING (CHINA) TRADING CO., LTD.* | Shanghai, PRC | USD20,000 | UNIQLO International | 100.0% | - |
| UNIQLO TRADING CO., LTD.* | Shanghai, PRC | USD30,000 | UNIQLO International | 100.0% | - |
| FAST RETAILING (SHANGHAI) TRADING CO., LTD.* | Shanghai, PRC | USD35,000 | UNIQLO International | 100.0% | - |
| FRL Korea Co., Ltd. | Seoul, South Korea | KRW24,000,000 | UNIQLO International | 51.0% | - |
| FAST RETAILING (SINGAPORE) PTE. LTD. | Republic of Singapore | SGD86,000 | Others | 100.0% | - |
| UNIQLO (THAILAND) COMPANY LIMITED | Bangkok, Kingdom of Thailand | THB1,200,000 | 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 USA, Inc. | New York, United States of America | USD1,441,621 | Others | 100.0% | Loans<br>Loan guarantees |
| UNIQLO EUROPE LIMITED | London, United Kingdom | GBP40,000 | UNIQLO International | 100.0% | Loans<br>Loan guarantees |
| UNIQLO VIETNAM Co., Ltd | Ho Chi Minh, Vietnam | USD15,800 | UNIQLO International | 75.0% (75.0%) | - |
| UNIQLO INDIA PRIVATE LIMITED | New Delhi Republic of India | INR2,000,000 | UNIQLO International | 100.0% | Loans |
| G.U. CO., LTD. | Yamaguchi City, Yamaguchi Prefecture | JPY10,000 | GU | 100.0% | - |
| GU (Shanghai) Trading Co.,Ltd.* | Shanghai, PRC | USD20,000 | GU | 100.0% | Loans |
| FAST RETAILING FRANCE S.A.S. | Paris, France | EUR101,715 | Others | 100.0% | Loans<br>Loan guarantees |
| Theory LLC | New York, United States of America | USD116,275 | Global Brands | 100.0% (100.0%) | - |
| PLST CO., LTD. | Yamaguchi City, Yamaguchi Prefecture | JPY10,000 | Global Brands | 100.0% | Loans |
| COMPTOIR DES COTONNIERS S.A.S. | Paris, France | EUR24,593 | Global Brands | 100.0% (100.0%) | - |
| PRINCESSE TAM.TAM S.A.S. | Paris, France | EUR20,464 | Global Brands | 100.0% (100.0%) | - |
| J Brand, Inc. | California, United States of America | USD396,340 | Global Brands | 100.0% (100.0%) | - |
| Other consolidated subsidiaries (113 companies) | - | - | - | - | - |
| Associates accounted for using the equity method (4 companies) | - | - | - | - | - |

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

(Notes) 1. The information given in the “Details of main businesses” column is the name of the business segment.

2. UNIQLO CO., LTD., FAST RETAILING (CHINA) TRADING CO., LTD., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD., FRL Korea Co., Ltd., FAST RETAILING (SINGAPORE) PTE. LTD., UNIQLO (THAILAND) COMPANY LIMITED, PT. FAST RETAILING INDONESIA, UNIQLO AUSTRALIA PTY LTD, Fast Retailing USA, Inc., UNIQLO EUROPE LIMITED, UNIQLO VIETNAM Co., Ltd., UNIQLO INDIA PRIVATE LIMITED, GU (Shanghai) Trading Co.,Ltd. , FAST RETAILING FRANCE S.A.S., COMPTOIR DES COTONNIERS S.A.S., PRINCESSE TAM. TAM S.A.S. and J Brand, Inc. are specified subsidiaries.

3. Figures in parentheses in the “Ownership ratio of voting rights” column indicate the ratio of voting rights held by a Group subsidiary.

4. Net sales (excluding internal sales between other member companies of the consolidated Group) of UNIQLO CO., LTD., FAST RETAILING (CHINA) TRADING CO., LTD., and G.U. CO., LTD., are greater than 10% of consolidated revenue. Key elements of profit / loss and financial position for the year ended 31 August 2020 are as below.

UNIQLO CO., LTD.

| | |
|---|---|
| (1) Revenue | 806,887 million yen |
| (2) Profit before income taxes | 104,648 million yen |
| (3) Profit for the year | 73,051 million yen |
| (4) Total equity | 204,318 million yen |
| (5) Total assets | 622,236 million yen |

FAST RETAILING (CHINA) TRADING CO., LTD

| | |
|---|---|
| (1) Revenue | 340,533 million yen |
| (2) Profit before income taxes | 51,861 million yen |
| (3) Profit for the year | 38,871 million yen |
| (4) Total equity | 137,445 million yen |
| (5) Total assets | 220,946 million yen |

G.U. CO., LTD.,

| | |
|---|---|
| (1) Revenue | 231,419 million yen |
| (2) Profit before income taxes | 24,379 million yen |
| (3) Profit for the year | 16,067 million yen |
| (4) Total equity | 23,115 million yen |
| (5) Total assets | 126,229 million yen |

D. Employees

(a) The Group

As at 31 August 2020

| Name of segment | Number of employees | |
|---|---|---|
| UNIQLO Japan | 13,259 | (29,562) |
| UNIQLO International | 32,630 | (26,264) |
| GU | 5,263 | (13,697) |
| Global Brands | 3,763 | (1,031) |
| Total for reportable segments | 54,915 | (70,554) |
| Others | 1,223 | (203) |
| All companies (shared) | 1,589 | (8) |
| Total | 57,727 | (70,765) |

(Notes) 1. The number of employees does not include operating officers, junior employees, part-time workers, or temporary staff seconded from other companies.
2. The average number of registered personnel for junior employees and part-time workers for the year are shown in brackets ( ).
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 2020.

(b) The Company

As at 31 August 2020

| Number of employees | | Average age | Average number of years with the Company | Average annual wages (thousands of yen) |
|---|---|---|---|---|
| 1,589 | (8) | 37 years and 10 months | 4 years and 3 months | 9,013 |

(Notes) 1. The number of employees does not include operating officers, junior employees, part-time workers or temporary staff seconded from other companies.
2. The average number of registered personnel for junior employees and part-time workers for the year are shown in brackets ( ).
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).”

(c) 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 special items to report.

## 4. Management Discussion and Analysis

A. Business Plan

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 2020).

The COVID-19 coronavirus wielded its fury throughout the world in FY2020. The impact of the pandemic on the world economy has been even worse than the 2008 global financial crisis and represents the biggest crisis in post-war history. We have made it our priority to protect the health and daily lives of customers, employees, business partners, and local communities, and attentively address demands from broader society. We are directing clothing support to help people in need and facing the crisis worldwide by donating medical masks, isolation gowns, and AIRism and HEATTECH products.

Having said that, it is precisely at times like these that we want to press ahead with making clothes that prize our LifeWear concept for ultimate quality everyday wear and deliver a great sense of satisfaction to customers. The ultimate LifeWear we seek to create is simple, quality clothing born of a desire to satisfy everyday needs and enrich all people's lives everywhere. We are developing LifeWear that fulfills different customers' daily needs not only at UNIQLO, but at GU and other Group brands as well. The way consumers select clothes is changing as COVID-19 changes the way we lead our lives. We are witnessing a growing need for clothing that fits comfortably and let people relax rather than dress up. The changes currently taking place worldwide are sparking deeper empathy for our LifeWear values among a greater number of people. We believe we can further expand our business by advancing LifeWear to suit customers' changing everyday needs.

While we will likely witness more uncertainty in the global economy going forward, Greater China and the whole area stretching from Southeast Asia through to India harbors have great potential as the center of future global economic growth. Our LifeWear clothing concept is already well established and supported by customers in Greater China and Southeast Asia. We have also enjoyed a strong reception in India, with many customers flocking to our first stores as soon as they opened in October 2019. We expect to see dramatic growth in middle-income populations in these regions as economies continue to develop. We have already built solid management platforms in Asian markets, which puts us in an advantageous position in terms of future growth potential.

Fast Retailing's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we focus our efforts on expanding UNIQLO International, as well as our GU brand and our global e-commerce operation. We continue to increase UNIQLO store numbers in all markets and areas in which we operate, and open global flagship stores and large-format stores in major cities around the world to instill deeper and more widespread empathy for UNIQLO's LifeWear concept. Greater China and Southeast Asian operations, which are both in their growth stages, serve as the key pillars of our UNIQLO International operation. GU is establishing a position as a brand offering fun fashion at low prices and currently expanding its operation primarily in Japan. The sale of e-commerce operation has been doubled over the past three years on the back of stronger efforts to link physical and online stores and an expansion in online services.

We intend to accelerate initiatives in the following areas to help us become the world's number one digital consumer retailing company for apparel.

(a) Initiatives to Combat COVID-19

We conduct operational activities in such a way as to prioritize and protect the health and daily living of customers, employees, business partners, and local communities. We have taken several measures to prevent the spread of COVID-19 in our stores and head office by introducing the wearing of masks, the measurement of body temperature, entry restrictions during congested periods, and working from home initiatives. We are helping partner factories provide working environments where factory employees can feel safe and comfortable. We are also donating medical masks, isolation gowns, AIRism and HEATTECH products to support people in need or facing crisis around the world, and we intend to continue doing whatever we can to help through our clothing business.

(b) Promote Global One Management Principles

We have been actively promoting Global One and Zen-in Keiei management principles to unify UNIQLO, GU, Theory and other Group brands worldwide, encouraging employees to use the best available global methods and pursue a self-motivated, united global approach to any challenge. Our deep-rooted management principles focus on introducing Groupwide, global business processes, while respecting local culture, values and history. Our FR Management Innovation Center (FR-MIC) is also working hard to nurture future managers and corporate leaders.

(c) Advancing our LifeWear Ultimate Everyday Clothing

We intend to continue creating world-class LifeWear to meet the everyday needs of customers of all ages worldwide. We not only incorporate fashion-related information collected worldwide into our R&D, but also seek to improve products and develop new products based on customer opinions voiced in our stores and via our e-commerce operations. We intend to exploit our ability to instantly develop the products that customers desire not only at UNIQLO, but at GU and other Group brands as well.

(d) Progressing our Transformative Ariake Project

In order to continue creating truly amazing LifeWear, we are pursuing a bold Groupwide transformation through our Ariake Project, which aims to understand exactly what customers want right now and instantly turn those desires into products for speedy delivery. We intend to achieve faster product development spurred by customer opinion, more accurate demand forecasting and inventory control, quicker lead times on additional production orders, sweeping distribution reform through the introduction of automated warehouses, initiatives that successfully merge our physical and e-commerce store networks, and more expansive services.

(e) Further Expansion of UNIQLO International

UNIQLO International is the key driver of Group growth. We intend to further expand operations by continuing to open large numbers of new stores particularly in the Greater China and Southeast Asia & Oceania regions. We aim to move our UNIQLO operation in the United States into the black at the earliest possible opportunity, open more large-format stores in major European cities in order to strengthen our brand power, and improve profitability by expanding e-commerce operations. We will work on brand-building measures to nurture a deeper empathy for UNIQLO’s LifeWear concept among customers worldwide.

(f) Further Growth for UNIQLO Japan

UNIQLO Japan has established a position for LifeWear and is approaching a new stage of growth. We aim to achieve further growth by developing products to match people’s changing everyday lifestyles, and creating new points of communication with customers by better melding our physical store and e-commerce operations. In addition to expanding e-commerce services, we will also be looking to deploy our scrap and build policy of replacing less profitable stores with larger ones so we can build a Japan store network that is better suited to today’s new ways of living. We also intend to deepen local store management with steadfast community roots so we can better develop product ranges and services that fully satisfy local demand.

(g) Growing GU

GU has a strong reputation in low-priced fun fashion, but, by proactively pursuing Ariake Project elements, GU can aim to polish its ability to develop products that perfectly capture mass fashion trends, improve the accuracy of product planning, and establish a production system that boasts shorter lead times. We are working to further strengthen GU ‘s development of even more competitive low-priced products by reforming the operation’s materials procurement and production processes. We plan to continue opening more GU stores in Japan and press ahead with store openings in Greater China and other international markets.

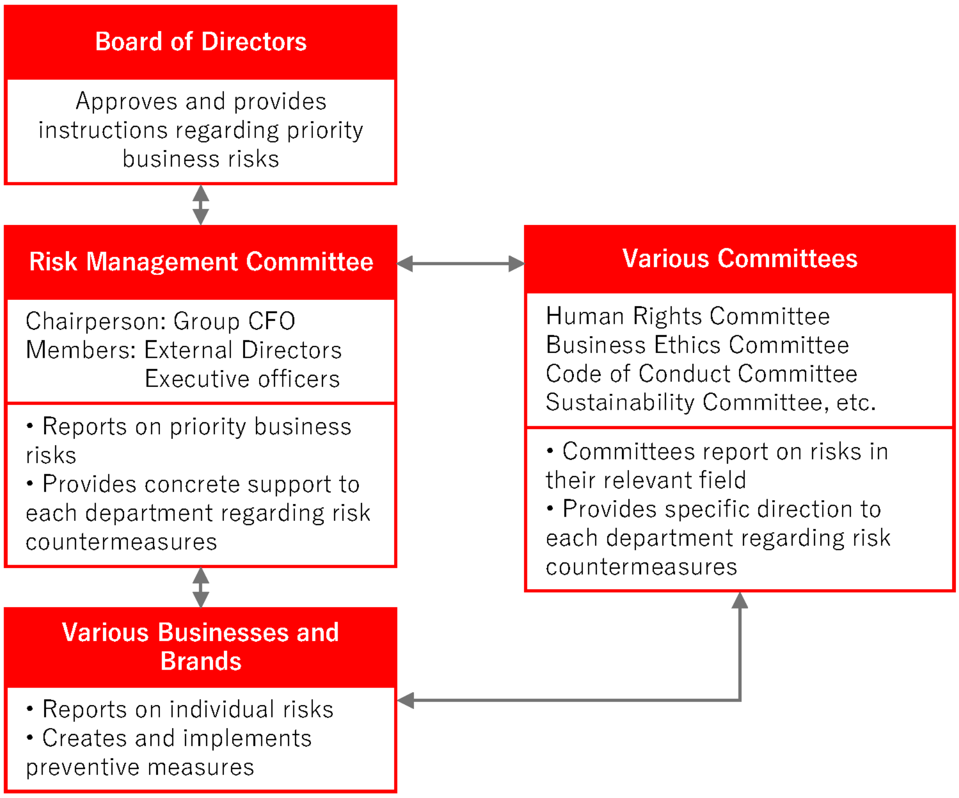
(h) Pursue initiatives to solve sustainability issues

Befitting our position as a leading global apparel brand, Fast Retailing strives to help solve environmental, social and corporate governance (ESG) issues in order to realize a sustainable society. We pursue multiple initiatives to help monitor and regulate the manufacture of clothing, including improving factory working environments, upholding human rights, protecting the environment, promoting diversity, and strengthening governance. We also work proactively to achieve concrete targets and commitments defined under our six specific materialities.

B. Risk

(1) Policy

The Group has established a Risk Management Committee directly under the Board of Directors to serve as an organization to regularly identify potential risks in business activities, pinpoint critical risks, and establish and strengthen its risk management structure. Chaired by the Group CFO, the Committee centrally manages risk for the entire company. The Committee analyzes and evaluates how much and how often a risk impacts business, and discusses countermeasures starting with the most significant risks. It aims to establish a system to keep risks in check before they occur, and achieve a rapid resolution to risks that have occurred. It also reports critical risks to the Board of Directors and provides concrete support to each department regarding risk countermeasures.



(2) Individual risks

Of the risks pertaining to the status of businesses and accounting as described in the year-end report, the following are the main risks that if recognized would have a particularly large impact on the Group's operating results and financial situation. Future risks discussed in the descriptions below are based on the Group's assessment as of the date of publication of this document. In addition, the following list of risks is not exhaustive and may be affected in the future by risks that are unforeseeable or not perceived to be critical as at the date of publication of this document. Furthermore, risks that are not indicated to have "already materialized" in the "Risk Description and Effects on the Group" column have not yet resulted in material risks, and both the likelihood and timing of their materialization remains uncertain.

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Risk of the large-scale, global spread of infectious diseases (including COVID-19) | The large-scale, global spread of infectious diseases such as COVID-19 may cause difficulties in the production and supply of products to stores due to infection among employees of the Group and its partners, as well as due to measures enacted to prevent the spread of the disease.<br>In particular, the global spread of COVID-19 has already materialized risks that have had negative effects on the entire Group, including the shutdown of production plants, logistical delays, restricted store hours, and more. | Led by the Company-wide Emergency Response Headquarters established by the Risk Management Committee, the Group develops medical evidence-based infection prevention measures aided by advice received from experts, and implements such measures at all Group offices and stores while ensuring all Group employees fully understand them. In addition to providing supplier factories with guidelines for improving their hygiene management to prevent infection at factories and for employee remuneration if factories are forced to shut down, we also have measures in place to support the financial stability of our production partners.<br>In order to ensure that all customers can shop with peace of mind, in our stores we take all possible measures to prevent infection, and further request that all customers entering stores comply with the Group's infection countermeasures. |
| Management personnel risk | Members of the Group's management team, led by Chairman, President and CEO Tadashi Yanai, play a major role in their respective areas of responsibility. If any officer becomes unable to fulfill his or her duties and the Group is unable to find any personnel who can take on those important responsibilities, this could have an adverse impact on business performance. | In each of the Group's businesses, we have established a team-based executive management structure to ensure that decision-making and execution of duties are not dependent on specific management personnel. In addition, in each business, the managers themselves personally train the management personnel who will be their successors in those positions.<br>We also actively recruit globally active management talent on an ongoing basis, and we have established dedicated educational institutions to educate and train our hired talent into managers. |

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Country risks and risks pertaining to international affairs | The majority of products sold through the Group's businesses are produced in China and other Asian countries. In addition, we are actively expanding Group businesses overseas, and overseas business groups account for a growing ratio of our net sales.<br>As a result, the Group's product production, supply, and sale infrastructure may be adversely impacted by events in countries and regions in which we manufacture products and conduct business, due to factors including changes in political or economic conditions, social disorder or deterioration of public safety due to terrorism or conflicts, changes in legal or tax systems, or the occurrence of large-scale natural disasters such as earthquakes, strong winds, or water disasters. For example, the boycotting of Japanese products in South Korea and the political instability in Hong Kong have had a significant impact on our performance in these countries and regions. | To prepare for such risks, the Group is moving forward with establishing a supply chain that can respond flexibly to changes in international conditions. This includes dispersing production sites across multiple countries and regions, as well establishing production management offices at our main production hubs to enable the timely monitoring of and quick response to local circumstances.<br>We also have accounting, tax, and legal specialists stationed at Group companies' offices to ensure that we can respond quickly and appropriately in the event that a risk materializes.<br>With respect to cross-border tensions and deteriorating racial relations in specific countries and regions, the Group as a global company aims to contribute to the resolution of social issues in countries and regions in which we operate, and to achieve a lasting peaceful co-existence and co-prosperity in the communities within each region and country. |
| Environmental risks | As regulations on greenhouse gas emissions and the transition to renewable energy sources are being implemented on a global scale in order to fight climate change, we may lose the public's trust in the Group if we are slow to respond.<br>There is also the risk that the increase in extreme weather due to climate change may adversely affect our product supply systems and our business as a whole.<br>Failure to properly reduce waste emissions, pursue recycling initiatives, and manage chemical substances may result in the public losing trust in the Group brand. | Led by the Sustainability Committee, we persist in continually implementing concrete and highly effective initiatives under our Environmental Policy, with which we must ensure medium to long-term compliance as a Group, in five priority areas: Addressing climate change, improving energy efficiency, managing water resources, improving waste management and resource efficiency, and managing chemical substances. |

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Large-scale disaster risks | Large-scale disasters such as earthquakes, typhoons, volcanic eruptions, fires, storms and floods, explosions, and collapsed buildings can adversely affect our product production, product supply systems, product sales systems, and also our management infrastructure in areas where there are head offices, retail stores, and production plants for products sold by the Group. | Led by the Risk Management Committee, we are committed to establishing an infrastructure by which, in the event of an actual or potential major earthquake or other major disaster, we have an emergency command system prepared, run by the Emergency Response Headquarters to: ensure the safety of customers, employees, and related personnel; mitigate damage to business resources; prevent secondary disasters; develop infrastructure for quickly restoring business; prepare crisis management manuals and promote the global implementation of those manuals. |
| Risks related to resource management and the procurement of raw materials | Disasters, climate change, and other factors may cause escalating prices or difficulty in procuring the raw materials (such as cotton, cashmere, down, etc.) used in the products sold by the Group's businesses. If these risks materialize, the Group's product supply systems and performance may be adversely affected. | We have entered into procurement agreements with multiple suppliers so that we are able to source reasonably priced raw materials, without having to rely on a specific supplier for a specific raw material. |
| Information security risks | In the course of our e-commerce and other businesses, the Group handles customer information (including personal information), trade secrets, and other confidential information. If such sensitive information were to be leaked or lost, we would need to respond by recovering the information and paying damages to customers. This may adversely affect our business performance and lead to loss of trust among our customers. In addition, if a government were to determine that we are in violation of legal regulations that restrict the transfer of personal information between countries and regions, such as the EU's General Data Protection Regulation (GDPR), we may lose customers' trust and be subject to significant fines that would negatively impact our business performance. | In order to ensure that confidential information held by the Group is properly managed, we have established an Information Security Office under the direction of a Chief Security Officer (CSO) who oversees the entire Group. Working in cooperation with the IT and legal departments of each country and region in which we operate, the Information Security Office builds and improves the infrastructure needed to properly manage sensitive information (especially customers' personal information) in anticipation of external attacks, internal fraud and various other incidents. This is done by putting in place infrastructure, evaluating our administrative processes and ours contractors, establishing and standardizing internal rules, and conducting regular educational and awareness activities in each business division. |

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Intellectual property risks | Intellectual property rights apply in relation to the Group's products and the latest technologies used in all kinds of areas, including product management, store operations, and e-commerce websites. These rights not being licensed to us by their owners would present difficulties in our use of these technologies or in supplying products. In addition, if these technologies or products were to infringe on the intellectual property rights of others, we may be liable to pay substantial damages or license fees that may adversely affect our business performance.<br>On the other hand, the Group is committed to investing significant resources in product development in order to meet the potential needs of our customers. If the Group's products were to be copied by third parties and sold at low prices, this may negatively impact our business performance. | In order to address these intellectual property risks, the Group has a dedicated department in place dealing with intellectual property. This department investigates infringements during product development and during the implementation of technologies, and in an effort to prevent infringements of intellectual property rights also runs educational and awareness activities for Group employees. In addition, we actively take steps to acquire the rights to new technologies that we develop. Furthermore, we monitor markets in the countries and regions in which we operate or plan to expand, and cooperate with local legal departments, local law firms, and government agencies to gather information about counterfeit products and other intellectual property infringements. In the event that infringement can be confirmed or if we fear such an infringement may have occurred, we work with local legal departments and local law firms to quickly consider our course of action, including a legal response. |
| Human rights risks | All of the Group's businesses operate an SPA business model which integrates all stages of the business process, from products being designed by each business, to them being directly procured from factories and then delivered to customers. The supply chain involved in this SPA business model includes many of our business partners' employees, as well as those of the Group.<br>Within the business system, deterioration in working environment or in health and safety, human rights violations such as harassment or discriminatory behavior, or other such acts that significantly infringe on the human rights of those affected may result in the Group losing the trust of our customers and suppliers, and consequently may negatively impact the supply and sale of our products. | Our supply chain policy is based on our view that our most important responsibility is to respect the basic human rights of all people working in the supply chain of Group businesses, whether they are employees of the Group or of our business partners, and to ensure those employees' physical and mental health, safety, and peace of mind. We have also developed human rights guidelines, provide code of conduct (COC) training, operate an employee hotline, and conduct regular reviews in order prevent human rights violations from occurring.<br>In addition, led by our Sustainability Department, we are committed to maintaining and improving suitable working environments through monitoring work environments at supplier factories, and operating hotlines for the employees of those factories.<br>In the event that a human rights violation does occur, in addition to the Human Rights Committee investigating and deliberating on the matter, we also have in place a framework for providing mental healthcare for the victim. |

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Risks originating from business partners | The Group conducts business with many suppliers and business partners, which presents a variety of risks associated with business partners involved in product planning, production, transportation, and sales.<br>These risks include the possibility that our partners may not share the values and principles of the Group, which may lead to a drop in business efficiency, or the possibility that a partners financial status may make it difficult for us to adequately collect on receivables. These possibilities can have an adverse effect on our business performance, and furthermore may result in our unintentionally engaging in business with anti-social organizations (e.g. criminal groups and individuals) or violations of laws on the part of our partners. If these risks were to materialize, they may lead to a loss of trust in the Group among our customers and society.<br>In addition, for example during the transportation of products by delivery operators or while products are being stored at a warehouse, products may be destroyed, damaged, or stolen as a result of a natural disaster or human behavior, or it may not be possible to complete a transaction due to a problem arising with our partner or with local laws and regulations. | In order to avoid entering into business relationships with inappropriate partners, all Group companies carry out credit checks as necessary when entering into a transaction with a new business partner. In addition, in order to build appropriate business relationships with all of our partners, the Group has established Business Partner Conduct Guidelines and conducts business only with those partners who agree to and comply with those guidelines.<br>For example, in response to the risks associated with dealing with delivery operators and warehouse operators, each of our businesses has logistics personnel in place who are in constant communication with our delivery and warehouse-operating business partners. These personnel are on-hand to promptly report any problems that arise in product shipping or storage to local management and the Global Logistics Headquarters, a system which enables them to promptly consider and action a response. |
| Impairment risks | As a general rule, the Group considers each store as a small unit that generates an independent cash flow. We apply impairment accounting on that basis to determine the likelihood of a return on investment in a timely manner.<br>If profitability decreases due to changes in the business environment, impairment losses may be recorded under property, plant, and equipment and right-of-use assets, among others. Due to the application of IFRS 16 from August 2020 onward, impairment losses when profitability decreases are now larger than before, due to increases in right-of-use assets on the balance sheet. | We apply impairment accounting to quickly identify signs of impairment, quickly identify unprofitable stores, and to ensure proper accounting. Furthermore, we strive to understand the underlying cause of a store's drop in profitability, and develop fundamental profitability improvement plans for them. |

| Risk Item | Risk Description and Effects on the Group | Main Group Initiatives |
|---|---|---|
| Foreign currency risks | Many of the products handled by each of the Group's businesses are imported from overseas production plants. Fluctuations in the currencies of settlement may have an adverse effect on our performance of each business. The Group as a whole has financial assets in a variety of currencies in line with where we operate our businesses. Fluctuations in exchange rates against yen, which is the Group's functional currency, can have a major impact on financial gains and losses. | In order to mitigate foreign exchange volatility in our international businesses, we have forward exchange contracts that extend several years into the future based on our procurement forecasts. In this process, the Group Board of Directors discusses and approves specific hedging policies such as hedge ratios, time periods, and other aspects, taking into account their contribution to our financial security. In addition, the Board of Directors discusses the viability of the currencies in which our financial assets are held. |
| Risks arising from changes in the business environment | In each country and region in which the Group's businesses operates, changes in the business environment, such as inclement weather and changes in consumption trends, may result in drops in product sales and the accumulation of excess inventory, negatively impacting our business performance. | We collect timely information on the products required by customers in the countries and regions in which the Group's businesses operate. We have the infrastructure in place to immediately commercialize those products as well as to produce and sell the quantity required, responding to changes in the business environment as flexibly as possible. |

C. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

**(1) Summary of Business Results**

(a) Business Results

The Fast Retailing Group's revenue and profit declined in fiscal 2020, or the twelve months from 1 September 2019 to 31 August 2020. Consolidated revenue totaled 2.0088 trillion yen (-12.3% year-on-year) and operating profit totaled 149.3 billion yen (-42.0% year-on-year). This weak performance was caused primarily by large falls in both revenue and profit in the second half from 1 March to 31 August 2020 due to COVID-19, which prompted us to temporarily close stores in markets worldwide over a period of a few months and knocked customer visits lower as people refrained from going out. This worsening in business performance also prompted the recording of impairment losses on stores and other assets of 23.0 billion yen for the full business year. The consolidated gross profit margin declined by 0.3 point year-on-year in fiscal 2020 and the selling, general and administrative expense ratio rose by 2.8 points year-on-year. We recorded a net 3.5 billion yen from foreign-exchange gains, finance income, and other items under finance income net of costs. As a result, profit before income taxes declined to 152.8 billion yen (-39.4% year-on-year) and profit attributable to owners of the Parent declined to 90.3 billion yen (-44.4% year-on-year) in the twelve months to 31 August 2020.

Capital expenditure declined by 2.4 billion yen year-on-year in fiscal 2020 to 82.7 billion yen. That figure can be broken down into 17.8 billion yen for UNIQLO Japan, 23.5 billion for UNIQLO International, 8.5 billion yen for GU, 2.4 billion yen for Global Brands, and 30.4 billion yen for systems, etc. While we increased our investment in IT systems and warehousing as part of our Groupwide transformative Ariake Project and invested more heavily in global flagship stores and large-format stores at UNIQLO Japan, the overall capital expenditure figure declined slightly year-on-year due to a reduction in new stores openings primarily at UNIQLO International.

**UNIQLO Japan**

UNIQLO Japan reported a decline in revenue but a rise in profit in fiscal 2020, with revenue declining to 806.8 billion yen (-7.6% year-on-year) and operating profit expanding to 104.6 billion yen (+2.2% year-on-year). Meanwhile, fiscal 2020 same-store sales (including e-commerce) declined 6.8% year-on-year. In the first half from 1 September 2019 through 29 February 2020, same-store sales declined 4.6% year-on-year after sales of warm clothing struggled during the warm winter weather. In the second half from 1 March through 31 August 2020, same-store sales declined by 9.6% year-on-year as the spread of COVID-19 prompted us to temporarily close a maximum of 311 stores during the period from late March through to early May 2020, and customer visits declined as people were encouraged to stay at home. However, same-store sales rebounded by an impressive 20.2% year-on-year in the fourth quarter from 1 June through 31 August 2020 after we reopened our stores thanks to strong sales of core Summer ranges, products designed to satisfy stay-at-home demand, and AIRism face masks.

Meanwhile, UNIQLO Japan e-commerce sales increased 29.3% year-on-year in fiscal 2020 to 107.6 billion yen, raising the proportion of online sales to total revenue from 9.5% to 13.3%. Of particular note in the second half, we successfully strengthened our ability to convey e-commerce information through digital advertising and TV commercials and significantly increased the number of new online customers by launching limited-period special prices for our registered app users. These elements helped generate an impressive 54.7% year-on-year increase in second-half e-commerce sales. The UNIQLO Japan gross profit margin rose 2.4 points year-on-year in fiscal 2020 as yen-based exchange rates on product purchasing continued to appreciate and we decided to restrict any excessive discounting of products to attract customers. UNIQLO Japan's selling, general and administrative expense ratio increased by 1.0 point year-on-year in fiscal 2020, but those expenses declined year-on-year in monetary terms. As a result of the above, UNIQLO Japan was able to record a slight increase in operating profit for the full business year.

**UNIQLO International**

UNIQLO International recorded significant declines in both revenue and profit in fiscal 2020, with revenue falling to 843.9 billion yen (-17.7% year-on-year) and operating profit contracting to 50.2 billion yen (-63.8% year-on-year). This weak performance was primarily due to large declines in revenue and profit in the second half on the back of COVID-19 and the recording of full-year impairment losses for the segment of 15.8 billion yen mainly on operations in South Korea and the United States. However, e-commerce sales increased by roughly 20% year-on-year as our online operations continue to expand favorably in all markets.

Breaking down the UNIQLO International performance into individual regions and markets, UNIQLO Greater China (Mainland China, Hong Kong, and Taiwan) reported a decline in revenue and a significant contraction in operating profit, with revenue for the year totaling 455.9 billion yen (-9.3% year-on-year) and operating profit totaling 65.6 billion yen (-26.3% year-on-year). However, Greater China performance improved at a faster pace than predicted from March onwards as local support for our LifeWear concept grew and customers increasingly recognized LifeWear products as essential items for daily living. Greater China e-commerce sales continued strong, expanding by approximately 20% year-on-year in fiscal 2020. Sales at UNIQLO South, Southeast Asia & Oceania (Southeast Asian nations, Australia, and India) declined by approximately 13% year-on-year to 150.0 billion yen and operating profit shrank by approximately 40% year-on-year in fiscal 2020. Having performed extremely well in the first half to generate double-digit growth in both revenue and profit, the region was heavily impacted by COVID-19 in the second half. While it will take some time for sales to recover in the Philippines and Indonesia, which were hit especially hard by COVID-19, sales in other parts of the region began recovering favorably from June onwards. In South Korea, same-store sales declined significantly and the operation posted an operating loss on the back of ongoing Japan-South Korea tensions and the impact of COVID-19. In North America (USA and Canada), nearly all our stores were closed from the middle of March through to the end of June. Changes in the social climate from June onwards and a resurgence in COVID-19 infections resulted in a large decline in revenue and a wider operating loss for the full year through 31 August 2020. UNIQLO Europe was also hit hard by COVID-19 with many stores being closed temporarily and a huge decline in tourist numbers knocking revenue lower and resulting in a slight operating loss for the full year.

Fast Retailing continued to aggressively enter new markets over the period with the first UNIQLO store opening in Milan, Italy in September 2019, the first store opening in New Delhi, India in October 2019, and the first store opening in Ho Chi Minh City, Vietnam in December 2019. While all those markets were impacted by COVID-19, UNIQLO Italy managed to post a full-year profit, and the Vietnam operation, which was only launched in December 2019, turned a profit in the second half.

**GU**

Our GU segment recorded an increase in revenue but a decline in profit in fiscal 2020, with revenue reaching 246.0 billion yen (+3.1% year-on-year) and operating profit totaling 21.8 billion yen (-22.5% year-on-year).

GU Japan same-store sales (excluding e-commerce sales) increased in the first half on the back of strong sales of knitwear that perfectly captured the mass fashion trend as well as lightweight outerwear. However, the impact of COVID-19 in the second half resulted in a 5.2% year-on-year decline in GU Japan same-store sales for the full year. That said, same-store sales did start to recover favorably in the fourth quarter, recording a 2.2% year-on-year increase for that quarter on the back of standout sales of products that captured mass fashion trends and products that fulfilled stay-at-home demand. Full-year e-commerce sales performed strongly, expanding by approximately 60% year-on-year on the back of fewer shortages of popular products and more powerful transmission of attractive product-related information. The GU gross profit margin declined 0.7 point year-on-year in fiscal 2020 compared to the extremely strong performance in the previous year and also due to our continued rundown of excess Spring Summer inventories. The GU selling, general and administrative expense ratio rose 1.8 points year-on-year in fiscal 2020 following a large decline in revenue in the second half.

**Global Brands**

The Global Brands segment reported large declines in both revenue and profit in fiscal 2020, with revenue totaling 109.6 billion yen (-26.9% year-on-year) and the segment reporting an operating loss of 12.7 billion yen compared to a 3.6 billion yen operating profit in the previous year. This weak performance was due primarily to the large impact of COVID-19 in the United States and Europe, which resulted in continued losses for our France-based COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM brands and our US-based J Brand label and also forced our Theory operation into the red. That new operating loss for Theory was generated by a significant decline in revenue resulting from temporary store closures and stay-at-home practices as well as strong discounting of stock. Our PLST brand also saw revenue decline due to COVID-19, resulting in a slight full-year operating loss. COMPTOIR DES COTONNIERS stores were temporarily closed for nearly two whole months resulting in a large decline in revenue and continued operating losses for the full business year.

**Sustainability**

We continue to promote sustainability activities globally through our clothing business under the motto "From the power of clothing to the power of society," focusing on six main areas (materialities). Our main activities for the current period are outlined
below.

■ Consideration for the environment: During 2020, we plan to reduce the use of plastic in shopping bags and product packaging by 85% (about 7,800 tons) across the entire Fast Retailing Group by decreasing the amount of plastic we use and switching to environmentally friendly materials such as recycled paper. In addition to our existing re-use initiatives for UNIQLO products, UNIQLO in Japan has been reclaiming old down and reusing the feathers in new down products since November 2019, as part of our goal to utilize raw materials more efficiently. UNIQLO also launched the high-performance, fast-drying "DRY-EX" line of polo shirts, developed in cooperation with Toray Industries, Inc. using recycled polyester from PET bottles, in the 2020 spring/summer season.

■ Respect for human rights and working conditions in the supply chain: To help keep our manufacturing partners and factory employees safe and secure from COVID-19 infection, we provide thorough guidance on preventing the spread of infection while working in factories. We have also established a help desk for wage compensation and other employment-related issues arising from the closure of our factories, to help support and compensate our employees fairly.

■ Community co-existence and mutual support: We have donated around 15 million masks to medical facilities around the world that are battling the virus, and about 1.2 million isolation gowns (a piece of protective equipment for use in medical settings) to healthcare organizations in Japan. We have also donated around 520,000 items of UNIQLO clothing (as at the end of July 2020), including AIRism and HEATTECH products and down jackets, to organizations supporting vulnerable members of society and medical institutions. In Japan, we provide support for those affected by various natural disasters. We have donated relief supplies, including disposable masks, UNIQLO products and sneakers, to around 20,000 people affected by the Kyushu floods in July 2020.

■ Employee satisfaction: In our stores, we are prioritizing the health of customers and employees by instituting policies such as health checks for staff members, mask-wearing and hand-sanitizing, to help prevent the spread of COVID-19. In order to make our locations a safe and secure place for our employees to work, we are providing masks and disinfectant, and increasing ventilation. We are also promoting working from home for relevant roles.

■ New value creation through products and sales: Masks have become an essential part of people's lives to help prevent the spread of COVID-19, so in June 2020 we launched the AIRism Mask in UNIQLO stores around the world. We are continuing to listen to customer feedback, and utilizing it to develop better masks.

■ Good management (governance): The Risk Management Committee is continually discussing and planning our response to issues such as COVID-19, the risk of major disasters such as an earthquake occurring in Tokyo, and information security risks. The Human Rights Committee is also in discussion over anti-harassment measures and the development of training programs.

(b) Cash Flow Information

Cash and cash equivalents as at 31 August 2020 increased by 7.0 billion yen from the end of the preceding fiscal year, to 1.0935 trillion yen.

(Operating Cash Flows)

Net cash generated by operating activities for the year ended 31 August 2020 was 264.8 billion yen, which was a decrease of 35.6 billion yen (-11.9 % year-on-year) from the year ended 31 August 2019. The principal factors were 177.8 billion yen in depreciation and amortization (an increase of 129.3 billion yen from the year ended 31 August 2019), 152.8 billion yen in profit before income taxes (a decrease of 99.5 billion yen from the year ended 31 August 2019), a decrease of 44.5 billion yen in other liabilities (a decrease of 81.4 billion yen from the year ended 31 August 2019), an increase of 2.6 billion yen in inventories (a decrease of 40.8 billion yen from the year ended 31 August 2019) and an increase of 18.6 billion yen in trade and other payables (an increase of 35.0 billion yen from the year ended 31 August 2019).

(Investing Cash Flows)

Net cash used in investing activities for the year ended 31 August 2020 was 75.9 billion yen, which was a decrease of 2.7 billion yen (-3.5 % year-on-year) from the year ended 31 August 2019. The principal factors were a net increase of 5.2 billion yen in bank deposits with original maturity over three months (a decrease of 6.1 billion yen from the year ended 31 August 2019), 46.5 billion yen in payments for property, plant and equipment (an increase of 4.9 billion yen from the year ended 31 August 2019), and 21.0 billion yen in payments for intangible assets (a decrease of 3.1 billion yen from the year ended 31 August 2019).

(Financing Cash Flows)

Net cash used in financing activities for the year ended 31 August 2020 was 183.2 billion yen, which was an increase of 80.8 billion yen (+78.9 % year-on-year) from the year ended 31 August 2019. The principal factors were 141.2 billion yen in repayments of lease liabilities (an increase of 141.2 billion yen from the year ended 31 August 2019), 30.0 billion yen in repayment of redemption of bonds in last fiscal year (a decrease of 30.0 billion yen from the year ended 31 August 2019), and 35.0 billion yen in proceeds from short-term loans payable (a decrease of 17.8 billion yen from the year ended 31 August 2019).

**(2) Summary of Revenue and Purchasing**

(a) Revenue by division

| Division | Year ended 31 August 2019 (From 1 September 2018 to 31 August 2019) | | Year ended 31 August 2020 (From 1 September 2019 to 31 August 2020) | |
|---|---|---|---|---|
| | Revenue (Millions of yen) | Percentage of total (%) | Revenue (Millions of yen) | Percentage of total (%) |
| Men's clothing | 343,243 | 15.0 | 319,985 | 15.9 |
| Women's clothing | 409,105 | 17.9 | 359,753 | 17.9 |
| Children's & babies' clothing | 66,303 | 2.9 | 60,804 | 3.0 |
| Goods and other items | 22,947 | 1.0 | 35,391 | 1.8 |
| Total sales of UNIQLO Japan | 841,600 | 36.7 | 775,934 | 38.6 |
| Franchise-related income & alteration charges | 31,357 | 1.4 | 30,952 | 1.5 |
| Total UNIQLO Japan operations | 872,957 | 38.1 | 806,887 | 40.2 |
| UNIQLO International operations | 1,026,032 | 44.8 | 843,937 | 42.0 |
| Total UNIQLO operations | 1,898,990 | 82.9 | 1,650,825 | 82.2 |
| GU operations | 238,741 | 10.4 | 246,091 | 12.3 |
| Global Brands operations | 149,939 | 6.5 | 109,633 | 5.5 |
| Other operations | 2,877 | 0.1 | 2,295 | 0.1 |
| Total | 2,290,548 | 100.0 | 2,008,846 | 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 the length of pants.
2. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.
3. "GU operations" covers the selling of GU brand casual clothing.
4. "Global Brands operations" consists of Theory operations (selling of the Theory and other brands clothing), PLST operations (selling of the PLST and other brands clothing), COMPTOIR DES COTONNIERS operations (selling of the COMPTOIR DES COTONNIERS and other brands clothing), PRINCESSE TAM. TAM operations (selling of the PRINCESSE TAM. TAM and other brands clothing), and J Brand operations (selling of the J Brand and other brands clothing).
5. "Other operations" includes the real estate leasing business, etc.
6. E-commerce revenue from UNIQLO Japan
Fiscal year ended 31 August 2019: 83,228 million yen;
Fiscal year ended 31 August 2020: 107,616 million yen.
7. The above amounts do not include consumption taxes, etc.

(b) Sales per unit

| Summary | | Year ended 31 August 2020 (From 1 September 2019 to 31 August 2020) | Year-on-year change (%) |
|---|---|---|---|
| Revenue | | 1,512,255 million yen | 84.7 |
| Sales per $m^2$ | Sales floor area (average) | 2,446,706 $m^2$ | 105.4 |
| | Sales per $m^2$ (yearly) | 618 thousand yen | 80.4 |
| Sales per employee | Number of employees (average) | 106,276 persons | 98.2 |
| | Sales per employee (yearly) | 14,229 thousand yen | 86.3 |

(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 operating officers. The number of junior employees and part-time workers is stated at the average number of registered personnel.
5. The above figures do not include consumption tax, etc.

(c) Purchases

| By product category | Year ended 31 August 2020 (From 1 September 2019 to 31 August 2020) | | |
|---|---|---|---|
| | Purchases (Millions of yen) | Year-on-year change (%) | Percentage of total (%) |
| Men's clothing | 181,687 | 95.8 | 17.5 |
| Women's clothing | 196,950 | 88.2 | 18.9 |
| Children's & babies' clothing | 32,392 | 95.0 | 3.1 |
| Goods and other items | 21,892 | 178.6 | 2.1 |
| Total UNIQLO Japan operations | 432,922 | 94.3 | 41.6 |
| UNIQLO International operations | 433,892 | 90.1 | 41.7 |
| Total UNIQLO operations | 866,814 | 92.1 | 83.3 |
| GU operations | 127,536 | 107.1 | 12.3 |
| Global Brands operations | 45,652 | 80.7 | 4.4 |
| Total | 1,040,003 | 93.1 | 100.0 |

(Notes) 1. "UNIQLO operations" covers the selling of UNIQLO brand casual clothing.

2. "GU operations" covers the selling of GU brand casual clothing.
3. "Global Brands operations" consists of Theory operations (selling of the Theory and other brands clothing), PLST operations (selling of the PLST and other brands clothing), COMPTOIR DES COTONNIERS operations (selling of the COMPTOIR DES COTONNIERS and other brands clothing), PRINCESSE TAM. TAM operations (selling of the PRINCESSE TAM. TAM and other brands clothing), and J Brand operations (selling of the J Brand and other bands clothing).
4. There are businesses other than the above, mainly real estate leasing, but they do not involve purchasing due to the nature of the activity.
5. The above figures do not include consumption tax.

**(3) Consideration of Performance Conditions on Management's Perspective**

(a) Significant accounting policies and estimations

The Group's consolidated financial statements were prepared in accordance with IFRS. Accounting estimates are necessary for the preparation of consolidated financial statements, so when judging the recoverability of impaired non-financial assets or deferred tax assets, etc., estimates are either made based on past performance, or based on assumptions that are judged to be reasonable under the circumstances.

Please see "9. Financial Information (6) Notes to the consolidated financial statements" for details.

(b) Analysis of management performance for the year ended 31 August 2020

Please see "C. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows (1) Summary of Business Results" for analysis of management performance.

(c) Sources of funding and analysis of fund liquidity

(i) Basic Approach to Financial Strategy

For the Group, the guiding principle behind the financial strategy is to maximize free cash flow through the Group's business activities while maintaining a strong financial standing, and also to ensure investment capital for growth, and on-hand liquidity, while preserving a certain level of shareholder returns for each fiscal year.

In order to maintain a strong financial standing, we will ensure adequate on-hand liquidity to enable us to withstand the unexpected, such as inclement weather and COVID-19, while continuing to adhere to the principle of funding investment capital through our operating cash flows. In addition, we will also ensure stable external funding.

(ii) Cash Flow and Liquidity Information

As a feature of apparel retailing industry, the Group is committed to ensuring on-hand liquidity of three to five months' worth of sales in order to prepare for unexpected circumstances on working capital or inclement weather. Cash and cash equivalents amount to 1.0935 trillion yen at the end of the consolidated fiscal year under review, against revenue of 2.0088 trillion yen for the consolidated fiscal year under review. However, we believe the current on-hand liquidity of 4 months' worth of sales at 1 trillion yen is adequate against our plan to exceed 3 trillion yen in revenue throughout all of the Group's businesses in the near future.

(iii) Key Details of Funding Needs

In terms of capital expenditure used in operating activities, the Group's funding needs include stock, logistics, advertising and promotion, rental expenses (rent for stores, etc.), and labor costs.

In addition, capital expenditure for investment activities includes investing in logistics warehouses and IT investments (self-checkouts in-store, investments in e-commerce and supply-chain-related systems) to promote the Ariake Project, in addition to store-related investments (opening new stores and renovating existing stores). For the fiscal year ending August 2021, across the whole Group we plan to invest 30 billion yen in launching new stores, and 60.2 billion yen of capital investment in other investments such as warehousing and IT (detailed in "(1) Important new facilities," in "C. Plans for new facility construction, old facility removal" under "5. Capital Expenditures").

(iv) Funding

In order to stably and swiftly secure the funds required to maintain and expand the Group's businesses, we are striving to maximize free cash flow through our business activities while also making effective use of internal and external funds.

To maintain a strong financial standing, we are funding investment capital through our operating cash flow in principle. However, we also plan to diversify our funding and improve capital efficiency, and also make use of some corporate bonds to raise capital. In June 2018, we raised 250 billion yen using corporate bonds, which is being invested in expanding our overseas business and promoting the Ariake Project, as well as being allocated for corporate bond redemptions.

Recognizing that sustaining and improving stable external funding is an important management issue, the Group has obtained S&P (Standard & Poor's) and JCR (Japan Credit Rating Agency) ratings. At the time of publishing, our S&P rating is "A" (stable) and our JCR rating is "AA" (stable). We also maintain good business relationships with key financial institutions.

Although sales and profits have decreased this consolidated fiscal year due to the impact of the COVID-19 pandemic, we have been able to ensure sufficient liquidity without the need for additional external funding, thanks to the tremendous support from our business partners, the continuation of our sales activities after improving infection-prevention measures, and reduction of our costs and use of inventories.

Going forward, we will continue to maintain a strong financial standing and endeavor to sustain and improve stable external funding, while remaining vigilant to changes in the business environment that may arise due to COVID-19.

D. Major Contracts

Not applicable.

E. Research and Development

Not applicable.

## 5. Capital Expenditures

A. Capital Expenditures

UNIQLO Japan opened 32 new stores. UNIQLO International opened 76 stores in the Greater China, 6 in South Korea, 3 in Malaysia, 2 in Thailand, 3 in the Philippines, 9 in Indonesia, 3 in Australia, 4 in Vietnam, 3 in India, 2 in the USA, 1 in Canada, 2 in England, 1 in France, 6 in Russia, 2 in Spain, 1 in Sweden and 1 in Italy. GU opened 35 new stores. In addition, Global Brands opened 34 new stores.

As a result, the Group's capital expenditure declined by 2.4 billion yen year-on-year in fiscal 2020 to 82.7 billion yen. That figure can be broken down into 17.8 billion yen for UNIQLO Japan, 23.5 billion for UNIQLO International, 8.5 billion yen for GU, 2.4 billion yen for Global Brands, and 30.4 billion yen for systems, etc. While we increased our investment in IT system and warehousing as part of our Groupwide transformative Ariake Project and invested more heavily in global flagship stores and large-format stores at UNIQLO Japan, the overall capital expenditure figure declined slightly year-on-year due to a reduction in new stores openings primarily at UNIQLO International.

The above figures do not include consumption tax, etc.

B. Important Facilities

As at 31 August 2020, 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Land | Land | Buildings | Right-of-use assets | Deposits / Guarantees | Others | Total | |
| FAST RETAILING CO., LTD. | Head office | Yamaguchi City, Yamaguchi Prefecture | 95,255.83 | 1,047 | 741 | - | - | 157 | 1,947 | 61 |
| | Commercial establishments | Chuo-ku, Fukuoka City, etc. | - | - | 36 | 2,242 | 1,309 | 3,070 | 6,659 | - |
| | Others | | 29,308.87 | 76 | 12,150 | 105,254 | 4,991 | 5,649 | 128,121 | 1,528 |

(2) Subsidiaries in Japan

| Company name | Type of facility | Location | Area ($m^2$) | Capital expenditure (Millions of yen) | | | | | | Number of employees |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Land | Land | Buildings | Right-of-use assets | Deposits / Guarantees | Others | Total | |
| UNIQLO CO., LTD. | Stores in Japan, etc. | Yamaguchi City, Yamaguchi Prefecture etc. | 2,591.06 | 450 | 16,038 | 80,080 | 28,630 | 968 | 126,169 | 9,861 |
| | UNIQLO Japan, other | | 19,960.76 | 353 | 1,053 | 17,346 | 1,745 | 3,037 | 23,537 | 3,398 |
| | Total for UNIQLO Japan | | 22,551.82 | 803 | 17,092 | 97,427 | 30,376 | 4,006 | 149,706 | 13,259 |
| G.U. CO., LTD. | Stores in Japan, etc. | Yamaguchi City, Yamaguchi Prefecture, etc. | - | - | 11,600 | 23,279 | 8,096 | 459 | 43,435 | 4,774 |
| LINK THEORY JAPAN CO., LTD. | Stores in Japan, etc. | Yamaguchi City, Yamaguchi Prefecture, etc. | - | - | 229 | 591 | 302 | 7 | 1,131 | 925 |
| PLST CO., LTD. | Stores in Japan, etc. | Yamaguchi City, Yamaguchi Prefecture, etc. | - | - | 762 | 2,048 | 1,016 | 73 | 3,901 | 807 |

(3) Overseas subsidiaries

| Company name | Type of facility | Location | Area ($m^2$) | Capital expenditure (Millions of yen) | | | | | | Number of employees |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Land | Land | Buildings | Right-of-use assets | Deposits / Guarantees | Others | Total | |
| FAST RETAILING (CHINA) TRADING CO., LTD | UNIQLO International store | Shanghai, PRC | - | - | 17,789 | 6,385 | 3,612 | 5,684 | 33,471 | 13,533 |
| UNIQLO TRADING CO., LTD. | UNIQLO International store | Shanghai, PRC | - | - | 993 | 3,210 | 314 | 239 | 4,758 | 873 |
| FAST RETAILING (Shanghai) TRADING CO., LTD | UNIQLO International store | Shanghai, PRC | - | - | 1,213 | 2,893 | 214 | 272 | 4,594 | 374 |
| FRL Korea Co., Ltd. | UNIQLO International store | Seoul, South Korea | - | - | 2,618 | 2,724 | 4,147 | 1,345 | 10,836 | 1,806 |
| FAST RETAILING (SINGAPORE) PTE. Ltd. | Office | Republic of Singapore | - | - | 0 | 20 | 14 | 1 | 37 | 12 |
| UNIQLO (THAILAND) COMPANY LIMITED | UNIQLO International store | Bangkok, Kingdom of Thailand | - | - | 1,188 | 1,611 | 974 | 860 | 4,635 | 1,385 |
| PT. Fast Retailing Indonesia | UNIQLO International store | Jakarta, Indonesia | - | - | 1,559 | 1,084 | 229 | 840 | 3,714 | 1,507 |
| UNIQLO Australia Pty Ltd. | UNIQLO International store | Melbourne, Australia | - | - | 2,130 | 12,222 | 7 | 987 | 15,347 | 570 |
| Fast Retailing USA, Inc. | Office | New York, U.S.A. | - | - | 4,407 | 62,997 | 394 | 1,917 | 69,717 | 2,321 |
| UNIQLO EUROPE LIMITED | UNIQLO International store | London, United Kingdom | - | - | 12,272 | 28,356 | 492 | 3,234 | 44,356 | 2,216 |
| UNIQLO VIETNAM CO., LTD | UNIQLO International store | Ho Chi Minh, Vietnam | - | - | 1,142 | 960 | 64 | 664 | 2,831 | 595 |
| UNIQLO INDIA PRIVATE LIMITED | UNIQLO International store | New Delhi, Republic of India | - | - | 1,005 | 686 | 114 | 275 | 2,081 | 435 |
| GU (Shanghai) Trading Co., Ltd. | International store, etc. | Shanghai, PRC | - | - | 407 | 449 | 110 | 155 | 1,122 | 144 |
| Fast Retailing France S.A.S. | Office | Paris, France | - | - | - | - | 28 | 38 | 67 | 306 |
| COMPTOIR DES COTONNIERS S.A.S. | International store, etc. | Paris, France | - | - | 293 | 1,846 | 422 | 226 | 2,788 | 490 |
| PRINCESSE TAM.TAM S.A.S. | International store, etc. | Paris, France | - | - | 239 | 797 | 181 | 137 | 1,355 | 251 |
| J Brand, Inc. | International Stores, etc. | California, U.S.A. | - | - | 88 | 822 | 1 | 252 | 1,164 | 70 |

(Notes) 1. When facilities are subleased within The Group, the accompanying documentation is included in the documentation disclosed to the sublessor.

2. Most items in the “Others” category for the reporting entity are Ariake head office (Koto-ku, Tokyo), Roppongi head office (Minato-ku, Tokyo), the old head office (Ube City, Yamaguchi), lands and buildings for store use subleased to UNIQLO CO., LTD. and G.U. CO., LTD. by the sublessor company (Chuo-ku, Tokyo and Yokohama City, Kanagawa) and logistics warehouses (Ibaraki City, Osaka).

3. Monetary amounts are given at book value. Also, the figures do not include consumption tax, etc.

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

5. Assets are not expressed as allocated among business segments.

C. Plans for new facility construction, old facility removal

The following are the important new facility construction and / or facility removal projects planned as at 31 August 2020.

(1) Important new facilities

The capital investment plans (new facility construction, expansion) for each segment in the year ending 31 August 2021 (1 September 2020 – 31 August 2021) are as follows.

| Segment | Capital investment (Millions of yen) | Details of investment |
|---|---|---|
| UNIQLO Japan | 13,439 | New store openings, warehouses, etc. (approx. 30 stores) |
| UNIQLO International | 38,902 | New store openings, warehouses, etc. (approx. 154 stores) |
| GU | 3,315 | New store openings, etc. (approx. 18 stores) |
| Global Brand Business | 2,024 | New store openings, etc. (approx. 29 stores) |
| Others | 32,528 | IT-related investments, warehouses, etc. |
| Total | 90,210 | |

(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 facility plans included in the plans described above are as follows.

| Company name | Type of facility | Name of business | Location | Amount of planned investment | | Construction commence | Construction completion | Planned sales floor area ($m^2$) | Reference |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total (Millions of yen) | Amount already disbursed (Millions of yen) | | | | |
| UNIQLO EUROPE LIMITED | UNIQLO International store | UNIQLO Hamburg Alter Wall | Germany Hamburg | 853 | 697 | January 2020 | October 2020 | 1,751 | Lease Hold |
| UNIQLO CANADA INC. | UNIQLO International store | UNIQLO Montreal Eaton Centre | Canada Montreal | 609 | 474 | May 2020 | October 2020 | 3,805 | Lease Hold |

(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 2020.

## 6. Stock Information and Dividend Policy

A. Stock Information

(1) Number of Shares

(a) Total number of shares

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

(b) Shares issued

| Type | Shares issued as at 31 August 2020 | Number of shares issued as at submission date (27 November 2020) | 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 Depositary Receipts (“HDRs”) are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

(a) Details of the Stock Option Program

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan. Matters stated below are details of the program current as at the final day of the current fiscal year (31 August 2020). Details of changes made during the period from the final day of the current fiscal year until the end of the previous month (31 October 2020) on the submission date are shown in brackets [ ]. Details of the 11th share subscription rights on the submission date are stated.

(i) Share subscription rights A type

| | 2nd | 3rd | 4th |
|---|---|---|---|
| Resolution date | 12 October 2011 | 11 October 2012 | 10 October 2013 |
| Class and number of recipients | Employees of the Company: 14<br>Employees of the Group subsidiaries: 4 | Employees of the Company: 18<br>Employees of the Group subsidiaries: 8 | Employees of the Company: 19<br>Employees of the Group subsidiaries: 11 |
| Number of stock options (Shares) | 2,389 [2,389] | 3,157 [3,157] | 2,446 [2,446] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 2,389 [2,389] | 3,157 [3,157] | 2,446 [2,446] |
| 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 | Same as left |
| Exercise period of share subscription rights | From 15 November 2014<br>to 14 November 2021 | From 13 November 2015<br>to 12 November 2022 | From 3 December 2016<br>to 2 December 2023 |
| 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<br>Paid-in capital: 6,250 | Issue price: 15,222<br>Paid-in capital: 7,611 | Issue price: 37,110<br>Paid-in capital: 18,555 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 5th | 6th | 7th |
|---|---|---|---|
| Resolution date | 9 October 2014 | 8 October 2015 | 13 October 2016 |
| Class and number of recipients | Employees of the Company: 36<br>Employees of the Group subsidiaries: 16 | Employees of the Company: 15<br>Employees of the Group subsidiaries: 19 | Employees of the Company: 16<br>Employees of the Group subsidiaries: 23 |
| Number of stock options (Shares) | 8,807 [8,657] | 1,094 [1,011] | 1,719 [1,444] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Common stock |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 8,807 [8,657] | 1,094 [1,011] | 1,719 [1,444] |
| 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 | Same as left |
| Exercise period of share subscription rights | From 14 November 2017<br>to 13 November 2024 | From 13 November 2018<br>to 12 November 2025 | From 11 November 2019<br>to 10 November 2026 |
| 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<br>Paid-in capital: 21,188 | Issue price: 45,658<br>Paid-in capital: 22,829 | Issue price: 34,684<br>Paid-in capital: 17,342 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 8th | 9th | 10th |
|---|---|---|---|
| Resolution date | 12 October 2017 | 11 October 2018 | 10 October 2019 |
| Class and number of recipients | Employees of the Company: 19<br>Employees of the Group subsidiaries: 27 | Employees of the Company: 17<br>Employees of the Group subsidiaries: 32 | Employees of the Company: 11<br>Employees of the Group subsidiaries: 46 |
| Number of stock options (Shares) | 4,720 [4,720] | 3,853 [3,853] | 3,406 [3,406] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 4,720 [4,720] | 3,853 [3,853] | 3,406 [3,406] |
| 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 | Same as left. |
| Exercise period of share subscription rights | From 10 November 2020<br>to 9 November 2027 | From 9 November 2021<br>to 8 November 2028 | From 8 November 2022<br>to 7 November 2029 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 37,648<br>Paid-in capital: 18,824 | Issue price: 58,276<br>Paid-in capital: 29,138 | Issue price: 66,059<br>Paid-in capital: 33,030 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 11th |
|---|---|
| Resolution date | 15 October 2020 |
| Class and number of recipients | Employees of the Company: 18<br>Employees of the Group subsidiaries: 47 |
| Number of stock options (Shares) | 2,175 |
| Type of shares to be issued upon exercise of share subscription rights | Common stock |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 2,175 |
| 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 13 November 2020<br>to 12 November 2030 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 77,560<br>Paid-in capital: 38,780 |
| 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 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 right 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) Share subscription rights B type

| | 1st | 2nd | 3rd |
|---|---|---|---|
| Resolution date | 8 October 2010 | 12 October 2011 | 11 October 2012 |
| Class and number of recipients | Employees of the Company: 266<br>Employees of the Group subsidiaries: 413 | Employees of the Company: 139<br>Employees of the Group subsidiaries: 584 | Employees of the Company: 136<br>Employees of the Group subsidiaries: 615 |
| Number of stock options (Shares) | 3,624 [182] | 5,896 [5,557] | 6,562 [6,355] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 3,624 [182] | 5,896 [5,557] | 6,562 [6,355] |
| 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 | Same as left |
| Exercise period of share subscription rights | From 8 December 2010<br>to 7 November 2020 | From 15 December 2011<br>to 14 November 2021 | From 13 December 2012<br>to 12 November 2022 |
| 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<br>Paid-in capital: 5,463 | Issue price: 12,742<br>Paid-in capital: 6,371 | Issue price: 15,569<br>Paid-in capital: 7,785 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 4th | 5th | 6th |
|---|---|---|---|
| Resolution date | 10 October 2013 | 9 October 2014 | 8 October 2015 |
| Class and number of recipients | Employees of the Company: 180<br>Employees of the Group subsidiaries: 706 | Employees of the Company: 223<br>Employees of the Group subsidiaries: 785 | Employees of the Company: 274<br>Employees of the Group subsidiaries: 921 |
| Number of stock options (Shares) | 6,561 [6,321] | 9,889 [9,582] | 9,810 [9,564] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 6,561 [6,321] | 9,889 [9,582] | 9,810 [9,564] |
| 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 | Same as left |
| Exercise period of share subscription rights | From 3 January 2014<br>to 2 December 2023 | From 14 December 2014<br>to 13 November 2024 | From 13 December 2015<br>to 12 November 2025 |
| 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<br>Paid-in capital: 18,757 | Issue price: 42,799<br>Paid-in capital: 21,399 | Issue price: 46,148<br>Paid-in capital: 23,074 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 7th | 8th | 9th |
|---|---|---|---|
| Resolution date | 13 October 2016 | 12 October 2017 | 11 October 2018 |
| Class and number of recipients | Employees of the Company: 339<br>Employees of the Group subsidiaries: 1,096 | Employees of the Company: 395<br>Employees of the Group subsidiaries: 1,152 | Employees of the Company: 419<br>Employees of the Group subsidiaries: 1,267 |
| Number of stock options (Shares) | 13,597 [13,143] | 23,752 [23,312] | 21,459 [21,226] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 13,597 [13,143] | 23,752 [23,312] | 21,459 [21,226] |
| 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 | Same as left |
| Exercise period of share subscription rights | From 11 December 2016<br>to 10 November 2026 | From 10 December 2017<br>to 9 November 2027 | From 9 December 2018<br>to 8 November 2028 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 35,168<br>Paid-in capital: 17,584 | Issue price: 38,133<br>Paid-in capital: 19,066 | Issue price: 58,892<br>Paid-in capital: 29,446 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 10th | 11th |
|---|---|---|
| Resolution date | 10 October 2019 | 15 October 2020 |
| Class and number of recipients | Employees of the Company: 528<br>Employees of the Group subsidiaries: 1,389 | Employees of the Company: 694<br>Employees of the Group subsidiaries: 1,435 |
| Number of stock options (Shares) | 27,688 [26,799] | 22,306 |
| 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) | 27,688 [26,799] | 22,306 |
| 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 2019<br>to 7 November 2029 | From 13 December 2020<br>to 12 November 2030 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 66,733<br>Paid-in capital: 33,367 | Issue price: 78,237<br>Paid-in capital: 39,119 |
| 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 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 right 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) Share subscription rights C type

| | 8th | 9th | 10th |
|---|---|---|---|
| Resolution date | 12 October 2017 | 11 October 2018 | 10 October 2019 |
| Class and number of recipients | Employees of the Company: 29 | Employees of the Company: 40 | Employees of the Company: 40 |
| Number of stock options (Shares) | 4,963 [4,963] | 4,151 [4,151] | 3,468 [3,468] |
| Type of shares to be issued upon exercise of share subscription rights | Common stock | Same as left | Same as left |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 4,963 [4,963] | 4,151 [4,151] | 3,468 [3,468] |
| 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 | Same as left |
| Exercise period of share subscription rights | 10 November 2020 | 9 November 2021 | 8 November 2022 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 38,823<br>Paid-in capital: 19,411 | Issue price: 59,764<br>Paid-in capital: 29,882 | Issue price: 67,685<br>Paid-in capital: 33,843 |
| 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 | 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 | Same as left |
| Matters pertaining to issuing of share subscription rights in conjunction with reorganization | (Note) | Same as left | Same as left |

| | 11th |
|---|---|
| Resolution date | 15 October 2020 |
| Class and number of recipients | Employees of the Company: 41 |
| Number of stock options (Shares) | 3,777 |
| Type of shares to be issued upon exercise of share subscription rights | Common stock |
| Number of shares to be issued upon exercise of share subscription rights (Shares) | 3,777 |
| 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 | 13 November 2023 |
| Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen) | Issue price: 79,193<br>Paid-in capital: 39,597 |
| 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 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 right that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(b) Content of Rights Plan
Not applicable.

(c) Other Share Subscription Rights
Not applicable.

(3) Exercise of convertible bonds with conditional permission for adjustment of exercise price

Not applicable.

(4) Change in Total Number of Shares Issued, Capital Stock

| 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 at a special meeting of the Board of Directors on 30 August 2004.

(5) Status by Type of Holder

As at 31 August 2020

| 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) | - | 67 | 36 | 129 | 788 | 10 | 5,413 | 6,443 | - |
| Number of shares held (Trading units) | - | 359,654 | 30,706 | 84,832 | 192,240 | 11 | 392,570 | 1,060,013 | 72,356 |
| Percentage of shares held(%) | - | 33.93 | 2.90 | 8.00 | 18.14 | 0.00 | 37.03 | 100.00 | - |

(Notes) 1. The 3,973,113 shares of treasury stock include 39,731 units of shares held by individuals and others and 13 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.

(6) Major Shareholders

As at 31 August 2020

| Name or trade name | Address | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|---|---|---|---|
| Tadashi Yanai | Shibuya-ku, Tokyo | 22,037 | 21.58 |
| The Master Trust Bank of Japan, Ltd. | 2-11-3 Hamamatsu-cho, Minato-ku, Tokyo | 20,785 | 20.36 |
| Custody Bank of Japan, Ltd. | 1-8-11 Harumi, Chuo-ku, Tokyo | 14,202 | 13.91 |
| TTY Management B.V. | De Entree 99, 1101HE Amsterdam, The Netherlands | 5,310 | 5.20 |
| Kazumi Yanai | New York, U.S.A. | 4,781 | 4.68 |
| Koji Yanai | Shibuya-ku, Tokyo | 4,780 | 4.68 |
| Fight & Step Co., Ltd. | 1-4-3 Mita, Meguro-ku, Tokyo | 4,750 | 4.65 |
| MASTERMIND, LLC | 1-4-3 Mita, Meguro-ku, Tokyo | 3,610 | 3.54 |
| Teruyo Yanai | Shibuya-ku, Tokyo | 2,327 | 2.28 |
| JP Morgan Chase Bank (Standing proxy Mizuho Bank, Ltd.) | 5JP E14, 25 Bank Street, Canary Wharf, London, England (2-15-1, Konan, Minato-ku, Tokyo) | 2,142 | 2.10 |
| Total | - | 84,728 | 82.99 |

(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. and Custody Bank of Japan, Ltd. are all held in conjunction with trust business.

3. According to the report of large shareholdings (report of change of composition) submitted on 20 April 2020 by Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Trust and Banking Corporation, MUFG Securities EMEA plc, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and MUFG Securities (Canada), Ltd., which are all as joint holders, each party was holding the shares stated below as at 13 April 2020. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2020, of the end of the term, these shareholdings have not been included in the statement of principal shareholders above.

| Name or trade name | Address | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|---|---|---|---|
| Mitsubishi UFJ Trust and Banking Corporation | 1-4-5 Marunouchi, Chiyoda-ku, Tokyo | 750 | 0.71 |
| MUFG Securities EMEA plc | Ropemaker Place,25 Ropemaker Street,London EC2Y 9AJ, United Kingdom | 43 | 0.04 |
| Mitsubishi UFJ Kokusai Asset Management Co., Ltd. | 1-12-1 Yurakucho, Chiyoda-ku, Tokyo | 3,063 | 2.89 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 2-5-2 Marunouchi, Chiyoda-ku, Tokyo | 424 | 0.40 |
| MUFG Securities (Canada), Ltd. | Royal Bank Plaza, South Tower, Suite 2940, 200 Bay Street, Toronto, Ontario M5J 2J1, Canada | 266 | 0.25 |

4. According to the report of large shareholdings (report of change of composition) submitted on 11 May 2020 by Daiwa Asset Management Co. Ltd., each party was holding the shares stated below as at 30 April 2020. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2020, of the end of the term, these shareholdings have not been included in the statement of principal shareholders above.

| Name or trade name | Address | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|---|---|---|---|
| Daiwa Asset Management Co. Ltd. | 1-9-1 Marunouchi, Chiyoda-ku, Tokyo | 5,315 | 5.01 |

5. According to the report of large shareholdings (report of change of composition) submitted on 14 August 2020 by Nomura Securities Co.,Ltd. and NOMURA INTERNATIONAL PLC, and Nomura Asset Management Co., Ltd., which are all as joint holders, each party was holding the shares stated below as at 7 August 2020. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2020, of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

| Name or trade name | Address | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|---|---|---|---|
| Nomura Securities Co.,Ltd. | 1-9-1 Nihonbashi, Chuo-ku, Tokyo | 95 | 0.09 |
| NOMURA INTERNATIONAL PLC | 1 Angel Lane, London EC4R 3AB, United Kingdom | 82 | 0.08 |
| Nomura Asset Management Co., Ltd. | 2-2-1 Toyosu, Koto-ku, Tokyo | 11,867 | 11.19 |

6. According to the report of large shareholdings (report of change of composition) submitted on 4 September 2020 by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., which are all as joint holders, each party was holding the shares stated below as at 31 August 2020. However, since the Company has not been able to confirm the number of shares actually held as at 31 August 2020, of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

| Name or trade name | Address | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|---|---|---|---|
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 1-1-1 Shibakoen, Minato-ku, Tokyo | 1,155 | 1.09 |
| Nikko Asset management Co., Ltd. | Midtown Tower 9-7-1 Akasaka, Minato-ku. Tokyo | 5,802 | 5.47 |

7. In addition to the above, 3,973,113 shares of treasury stock are held by the Company (3.75% of the total number of authorized shares).

(7) Voting Rights

(a) Shares issued

As at 31 August 2020

| 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 3,973,100 | - | - |
| Shares with full voting rights (others) | Common stock 102,028,200 | 1,020,282 | (Note 1) |
| Shares less than one unit | Common stock 72,356 | - | (Notes 1, 2) |
| Total number of shares issued | 106,073,656 | - | - |
| Total number of voting rights of all shareholders | - | 1,020,282 | - |

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

2. Common stock in the "Shares less than one unit" column includes 13 shares of treasury stock held by the Company.

(b) Treasury Stock

As at 31 August 2020

| 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 (%) |
|---|---|---|---|---|---|
| FAST RETAILING CO., LTD. | 717-1 Sayama, Yamaguchi-City, Yamaguchi | 3,973,100 | - | 3,973,100 | 3.75 |
| Total | - | 3,973,100 | - | 3,973,100 | 3.75 |

(Note) Effective on 20 September 2020, the Company has changed its head office location to Sayama 10717-1, Yamaguchi, Yamaguchi Prefecture.

B. Treasury Stock Information

Type 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 2020 | 83 | 5,402 |
| Purchases of Treasury stock from 1 September 2020 to the submission date | 36 | 2,639 |

(Note) Treasury stock purchased in the current year does not include shares of less than one unit purchased between 1 November 2020 and the submission date of this report.

(4) Status of treasury stock purchased

| Class | Fiscal year ended 31 August 2020 | | From 1 September 2020 to the submission date | |
|---|---|---|---|---|
| | 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 cancelled after purchase | - | - | - | - |
| Treasury stock transferred due to mergers, share exchange, or company split | - | - | - | - |
| Other (Note) | 38,891 | 148,090 | 7,222 | 27,503 |
| Number of Treasury shares held | 3,973,113 | - | 3,965,927 | - |

(Note) The breakdown of figures for the year ended 31 August 2020 reflects the exercise of 38,891 share subscription rights, a share disposal value of 148,090 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 2020 and the submission date of this report.

C. Dividend Policy

The Company regards the distribution of profits to all shareholders as one of its most important management issues, and our basic policy is to constantly improve performance and to continually distribute profits in an appropriate manner based on performance. Our policy is to pay high dividends based on performance after taking into consideration (i) demand for funds needed to expand business and improve revenues of the Group and (ii) the financial health of the Group. Our basic policy for 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.

The year-end dividend was 240 yen per share and the interim dividend was 240 yen per share, so the annual dividend was 480 yen per share, the same amount as for the previous fiscal year. We intend to effectively utilize internal reserves and free cash flow for financial investment and loans to strengthen the operational base of the Group companies, and we will endeavor to achieve continual and stable growth.

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 current fiscal year are as follows:

| Resolution date | Total dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Board of Directors resolution made at the meeting held on 9 April 2020 | 24,499 | 240 |
| Board of Directors resolution made at the meeting held on 4 November 2020 | 24,504 | 240 |

D. 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 2020.

## 7. Corporate Governance Report

A. Basic Thinking on Corporate Governance

True to its corporate statement: Changing clothes. Changing conventional wisdom. Change the world. Fast Retailing seeks to expand its operations to become the world's number one digital consumer retailing company. The Group also seeks to help create a better society by pursuing sustainability activities in tandem with our clothing business.

B. Details of Company organization and internal control systems

(1) Details of company organization

The Company has built a corporate governance system consisting of a Board of Directors, a Board of Statutory 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.

Five of the nine members of the Board of 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.

As at November 27, 2020, the Board of Statutory Auditors consists of six auditors, including three external auditors, with a full-time corporate auditor acting as chairman. The Standing Statutory Auditor presides. The External Statutory 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 Statutory 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 Statutory 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 independent auditors.

The various committees complement the work of the Board of Directors. The External Directors and External Statutory Auditors also serve as members of these committees. The name, purpose, authority, details of activities, and status of activities of each of the committees are shown below.

Human Resources Committee

The Human Resources Committee, chaired by external director, discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board of Directors. The committee met five times during FY2020.

Sustainability Committee

The Sustainability Committee discusses and determines Fast Retailing's overall sustainability strategy, environmental protection, social responsibility, response to human rights issues, diversity, and other considerations. The head of the Sustainability Department chairs the committee and committee members are made up of outside experts, statutory auditors, and executive officers. The committee met three times during FY2020.

Disclosure Committee

The Disclosure Committee, chaired by the Company official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is tasked with boosting management transparency by "disclosing information that is timely, accurate, fair, and easy to understand. " The Committee is responsible for both timely and voluntary disclosures to the TSE and the Stock Exchange of Hong Kong regarding matters that may materially impact investor and shareholder investment decisions. The committee met 12 times during FY2020.

IT Investment Committee

The IT Investment Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and reviewing whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The IT Investment Committee is chaired by the President, and the members and observers include outside experts, external directors, and executives. The committee met five times during FY2020.

Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct, and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the head of the Legal Department, and committee members include Statutory Auditors (including External Statutory Auditors) and executive officers. The committee met 13 times during FY2020.

Business Ethics Committee

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee is chaired by the head of the Sustainability Department, and includes Statutory Auditors (including External Statutory Auditors) and executive officers. The committee met 11 times during FY2020.

Risk Management Committee

In order to identify latent risks in business activities on a regular basis and to strengthen systems for detecting and managing material risks, this committee analyzes and assesses the impact and frequency of risks on business, and discusses countermeasures for high-risk business areas to prevent any risk before it occurs or ensure a swift response if a risk does materialize. The committee is chaired by the Group CFO and committee members include outside directors and executive officers. The committee met nine times during FY2020.

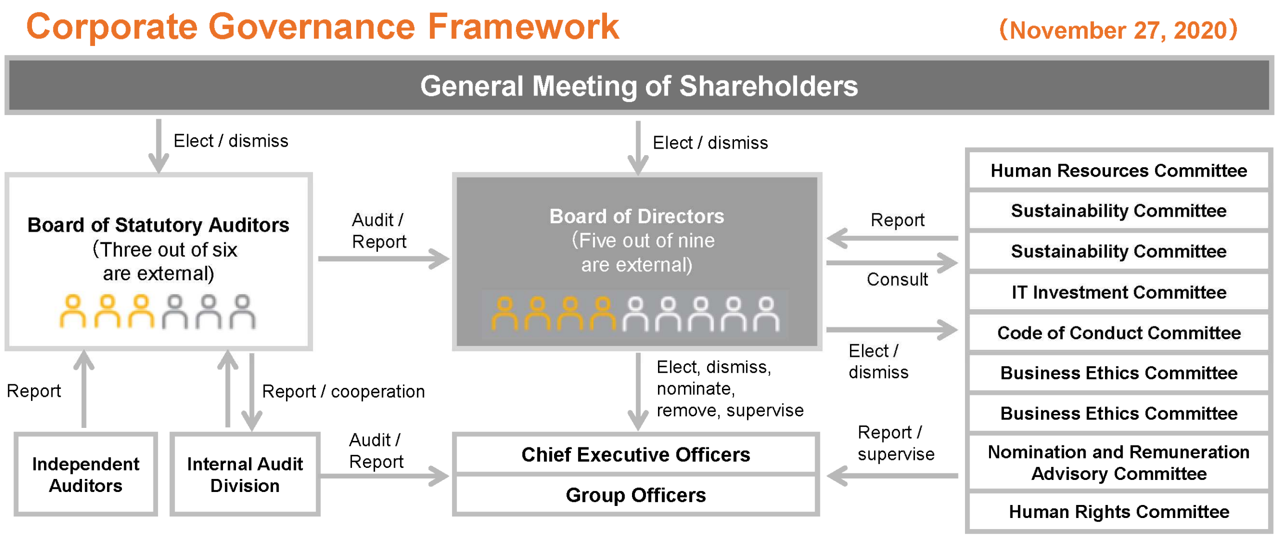
Nomination and Remuneration Advisory Committee

With the aim of strengthening Fast Retailing governance, the committee discusses and advises the Board of Directors on important items relating to Fast Retailing corporate governance, such as the requirements and nomination policy regarding candidates for director and auditor positions, the policy for determining director remuneration, requirements relating to the company’s chief executive officer, and smooth management succession planning. The committee is chaired by a director nominated by the Board of Directors, and the majority of committee members are independent external executives (both external directors and external statutory auditors). The committee met twice during FY2020.

Human Rights Committee

Chaired by an outside expert, this committee deliberates and advises on the execution of human rights due diligence. The committee also provides counselling and conducts education and awareness-raising activities for departments involved in the execution of business to ensure that we fulfil our obligations to respect human rights under the Fast Retailing Group Human Rights Policy established in 2018, and conduct business operations appropriately. In addition, the committee is responsible for providing recommendations and supervision as well as conducting investigations and taking remedial measures when a human rights violation occurs. The committee met six times during FY2020.

Below is a diagram of our corporate governance system.



The members and chairs of the Board of Directors, Board of Statutory Auditors and other committees are as follows:

| **Title** | **Name** | **Board of Directors** | **Board of Statutory Auditors** | **Human Resources Committee** | **Sustainability Committee** | **Disclosure Committee** | **IT Investment Committee** | **Code of Conduct Committee** | **Business Ethics Committee** | **Risk Management Committee** | **Nomination and Remuneration Advisory Committee** | **Human Rights Committee** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | Tadashi Yanai | Chairman | | ○ | ○ | ○ | Chair | | | | Chair | |
| | Takeshi Okazaki | ○ | | △ | ○ | Chair | ○ | | | Chair | | ○ |
| | Kazumi Yanai | ○ | | | ○ | | | | | | | |
| | Koji Yanai | ○ | | | ○ | | | | | | | |
| External Directors | Toru Hambayashi | ○ | | Chair | | | | | | | ○ | |
| | Nobumichi Hattori | ○ | | | | | | | | | | |
| | Masaaki Shintaku | ○ | | | | | △ | | | | | |
| | Takashi Nawa | ○ | | ○ | ○ | | | | | ○ | | ○ |
| | Naotake Ohno | ○ | | | | | | | | | ○ | |
| Statutory Auditors | Akira Tanaka | △ | Chair | ○ | ○ | | | ○ | △ | | ○ | ○ |
| | Masaaki Shinjo | △ | ○ | | | △ | △ | | ○ | | | |
| | Masumi Mizusawa | △ | ○ | | ○ | △ | | | | △ | | ○ |
| External Statutory Auditors | Keiko Kaneko | △ | ○ | ○ | | | | ○ | | | | ○ |
| | Takao Kashitani | △ | ○ | | | | | | ○ | | ○ | |
| | Masakatsu Mori | △ | ○ | | | | | | △ | | | |
| Senior Executive Directors | John C Jay | | | △ | ○ | | | | | | | |
| | Noriaki Koyama | △ | | ○ | ○ | | | ○ | | ○ | | ○ |
| | Shuichi Nakajima | | | | ○ | | | | ○ | ○ | | |
| | Takahiro Wakabayashi | | | | ○ | | | | | | | |
| Executive Directors | Maki Akaida | | | | | | | | | ○ | | ○ |
| | Hidetsugu Asada | | | | | | | | | ○ | | ○ |
| | Makoto Hoketsu | | | | | | ○ | | | ○ | | |
| | Yukihiro Nitta | | | | Chair | | | ○ | Chair | ○ | | ○ |
| | Shimpei Otani | | | | | | ○ | | | | | |
| | Takahiro Tambara | | | | | | ○ | | | | | |
| | Dai Tanaka | | | | | | ○ | | | | | |
| | Yasuyuki Terashi | | | | | | | ○ | | | | |
| | Xiaozhou Wang | | | | | | | | | ○ | | |
| | Miyuki Isozaki | | | | | | | | ○ | | | |
| | Hiroyuki Uchida | | | | | | | | ○ | | | |

| Title | Name | Board of Directors | Board of Statutory Auditors | Human Resources Committee | Sustainability Committee | Disclosure Committee | IT Investment Committee | Code of Conduct Committee | Business Ethics Committee | Risk Management Committee | Nomination and Remuneration Advisory Committee | Human Rights Committee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary Auditors | Toshiharu Ura | | | | | | | ○ | | | | |
| | Kiyomi Iwamura | | | | | | | | ○ | | | |
| Legal Dept. Manager | Daisuke Watanabe | | | | | ○ | | Chair | ○ | ○ | | ○ |
| Chairpersons of Internal Committee | General Manager of Public Relations Division | | | | | ○ | | | | | | |
| | General Manager of Production Division (Uniqlo) | | | | | | | | △ | | | |
| | General Manager of Production Division (GU) | | | | | | | | △ | | | |
| | General Manager of President's Office | | | | | | | | | △ | | |
| | IR Leader | | | | | ○ | | | | | | |
| | Legal Manager | | | | | | | | △ | | | |
| External Experts | Kenji Shiratsuchi | | | | △ | | | | | | | |
| | Toru Murayama | | | | | | △ | | | | | |
| | Yoshinori Tomita | | | | | | | | | | | Chair |

(Note) ○: Member △: Non-member attendee (including observers)

(2) Outline of External Director's limited liability agreements

The Company has entered into agreements with the External Directors, External Statutory Auditors, and Independent Auditor, 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 Deloitte Touche Tohmatsu LLC, the limit of liabilities for 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 Independent Auditor.

(3) 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 covers the entire Fast Retailing Group (FR Group) and which adheres strictly to the Group's policies and rules, including the Group's management principles, the Fast Retailing Way (FR Way), and the Fast Retailing Group Code of Conduct (FR Code of Conduct).

(a) Ensuring FR Group Directors' Duties Comply with Laws, Regulations, and Articles of Incorporation

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

2. The Company appoints either the Group officer overseeing the Legal Department or the head of the Legal Department as the 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 of Directors 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 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 the 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 made 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 the Independence and Effectiveness of Statutory Auditors' Instructions to 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 Independent Auditor, the Internal Audit Department, and Statutory Auditors at Group companies through regular meetings and information exchange.

(j) Policy on Prepayment or Reimbursement of Expenses for Statutory Auditors

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

(k) Other Matters Ensuring Efficient Audits by Statutory Auditors

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

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

(l) Eliminating Anti-social Forces

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

1. The Company adopts a firm stance 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.

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

(a) Number of directors

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

(b) Election criteria for directors

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

(c) 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 stipulate 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.

(d) 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.

(e) 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.

(f) 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 stipulate 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.

## 8. Board of Directors

A. Board of Directors

Male: 13 persons Female: 2 persons (13.3% 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 | 7 February 1949 | August 1972 | Joined FAST RETAILING CO., LTD. | Note 4 | 22,037 |
| | | | | September 1972 | Director, FAST RETAILING CO., LTD. | | |
| | | | | August 1973 | Senior Managing Director, FAST RETAILING CO., LTD. | | |
| | | | | September 1984 | President & CEO, FAST RETAILING CO., LTD. | | |
| | | | | June 2001 | External Director, Softbank Corp. (currently SOFTBANK GROUP CORP.) | | |
| | | | | November 2002 | Chairman and CEO, FAST RETAILING CO., LTD. | | |
| | | | | September 2005 | Chairman, President, and CEO, FAST RETAILING CO., LTD. (current) | | |
| | | | | November 2005 | Chairman, President, and CEO, UNIQLO CO., LTD. (current) | | |
| | | | | September 2008 | Director and Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (current) | | |
| | | | | June 2009 | External Director, Nippon Venture Capital Co., Ltd. (current) | | |
| | | | | November 2011 | Director, LINK THEORY JAPAN CO., LTD. (current) | | |
| Director | | Toru Hambayashi | 7 January 1937 | April 1959 | Joined Nichimen Company Limited (currently Sojitz Corporation) | Note 4 | - |
| | | | | October 2000 | President, Nichimen Corporation (currently Sojitz Corporation) | | |
| | | | | April 2003 | Chairman and Representative Director, Sojitz Holdings Corporation (currently Sojitz Corporation) | | |
| | | | | June 2004 | External Auditor, UNITIKA LTD. | | |
| | | | | November 2005 | External Director, FAST RETAILING CO., LTD. (current) | | |
| | | | | June 2007 | External Director, MAEDA ORPORATION | | |
| | | | | April 2009 | Advisor, The Association for the Promotion of International Trade, Japan (current) | | |
| | | | | June 2011 | External Director, DAIKYO INCORPORATED | | |
| | | | | June 2015 | External Director, UNITIKA LTD. | | |
| | | | | June 2017 | Advisor, Maeda Corporation | | |

| Position | Responsibilities | Name | Date of birth | Brief biography | | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|---|
| Director | | Nobumichi Hattori | 25 December 1957 | April 1981 | Joined NISSAN MOTOR CO.,LTD. | Note 4 | - |
| | | | | June 1989 | Joined Goldman Sachs and Company, Headquarters (New York) | | |
| | | | | November 1998 | Managing Director of Goldman Sachs and Company, Headquarters (New York), and M&A Advisory of Goldman Sachs Japan Co., Ltd. | | |
| | | | | October 2003 | Visiting Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University | | |
| | | | | June 2005 | External Director, Miraca Holdings Inc. (currently H.U. Group Holdings, Inc.) | | |
| | | | | November 2005 | External Director, FAST RETAILING CO., LTD. (current) | | |
| | | | | October 2006 | Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University | | |
| | | | | April 2009 | Visiting Professor, Waseda Graduate School of Finance, Accounting and Law (current) | | |
| | | | | March 2015 | External Auditor, Frontier Management Inc. (current) | | |
| | | | | June 2015 | External Director, Hakuhodo DY Holdings Inc. (current) | | |
| | | | | July 2016 | Visiting Professor, Graduate School of Business Administration, Keio University (current) | | |

| Position | Responsibilities | Name | Date of birth | Brief biography | | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|---|
| Director | | Masaaki Shintaku | 10 September 1954 | April 1978<br>December 1991<br>August 2000<br>January 2001<br>April 2008<br>June 2008<br>May 2009<br>November 2009<br>July 2011<br>December 2015<br>March 2019<br>June 2020 | Joined IBM Japan, Ltd.<br>Joined Oracle Corporation Japan<br>President & CEO, Oracle Corporation Japan<br>Executive Vice President, Oracle Corporation<br>Vice Chairman, Special Olympics Nippon (currently Special Olympics Nippon Foundation)<br>Chairman, Oracle Corporation Japan<br>Advisory Board Member, NTT DOCOMO, INC.<br>External Director, FAST RETAILING CO., LTD. (current)<br>External Director, COOKPAD Inc.<br>External Director, Works Applications CO., LTD.<br>Counselor, Special Olympics Nippon Foundation (current)<br>External Director, NTT DOCOMO, INC. (current) | Note 4 | - |
| Director | | Takashi Nawa | 8 June 1957 | April 1980<br>April 1991<br>June 2010<br>June 2010<br>September 2010<br>June 2011<br>November 2012<br>June 2014<br>June 2015<br>June 2020 | Joined Mitsubishi Corporation<br>Joined McKinsey & Company<br>Professor, The Graduate School of International Corporate Strategy, Hitotsubashi University (current)<br>President, Genesys Partners (current)<br>Senior Advisor, Boston Consulting Group<br>External Director, NEC Capital Solutions (current)<br>External Director, FAST RETAILING CO., LTD. (current)<br>External Director, DENSO CORPORATION<br>External Director, Ajinomoto Co., Inc. (current)<br>External Director, Sompo Holdings, Inc. (current) | Note 4 | - |

| Position | Responsibilities | Name | Date of birth | Brief biography | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|
| Director | | Naotake Ohno | 28 October 1948 | April 1971 Joined Daiwa House Industry Co., Ltd.<br>June 2000 Director, Daiwa House Industry Co., Ltd .<br>April 2004 Senior Managing Director, Deputy Director, Sales Division, Daiwa House Industry Co., Ltd.<br>April 2007 Representative Director and Vice President, Director, Sales Division, Daiwa House Industry Co., Ltd.<br>April 2011 Representative Director and President, Daiwa House Industry Co., Ltd.<br>November 2017 Special Consultant, Daiwa House Industry Co., Ltd. (current)<br>November 2018 External Director, FAST RETAILING CO., LTD. (current) | Note 4 | - |
| Director | CFO | Takeshi Okazaki | 9 July 1965 | April 1988 Joined Long Term Credit Bank of Japan, Limited<br>July 1998 Joined McKinsey & Company<br>January 2005 Partner, McKinsey & Company<br>August 2011 Joined FAST RETAILING Co., Ltd.<br>August 2011 Group Executive Officer & CFO, Group Senior<br>September 2012 Executive Officer & CFO, FAST RETAILING Co., Ltd. (current)<br>November 2018 Director, FAST RETAILING CO., LTD. (current) | Note 4 | 0 |
| Director | | Kazumi Yanai | 23 April 1974 | September 1997 Joined Goldman Sachs and Company<br>July 2004 Joined Link Theory Holdings (US) Inc. (currently Theory LLC), Headquarters (New York)<br>September 2009 Joined FAST RETAILING Co., Ltd.<br>January 2012 Chairman, Theory LLC (current)<br>November 2012 Group Executive Director, FAST RETAILING Co., Ltd.<br>November 2013 UNIQLO USA LLC COO<br>November 2015 Chairman, UNIQLO USA LLC (current)<br>July 2017 CEO, Chairman and President, J BRAND HOLDINGS, LLC (current)<br>November 2018 Director, FAST RETAILING CO., LTD (current)<br>June 2020 Executive Officer, FAST RETAILING CO., LTD (current) | Note 4 | 4,781 |

| Position | Responsibilities | Name | Date of birth | Brief biography | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|
| Director | | Koji Yanai | 19 May 1977 | April 2001 Joined Mitsubishi Corporation<br>April 2009 Seconded to Princes Limited (food business subsidiary in Great Britain)<br>September 2012 Joined FAST RETAILING Co., Ltd., responsible for UNIQLO Sports Marketing<br>May 2013 Director, UNIQLO Global Marketing<br>September 2013 Group Executive Officer, FAST RETAILING Co., Ltd.<br>November 2018 Director, FAST RETAILING CO., LTD (current)<br>June 2020 Executive Officer, FAST RETAILING CO., LTD (current) | Note 4 | 4,780 |
| Standing Statutory Auditor | | Akira Tanaka | 26 June 1942 | April 1966 Joined The Taisei Fire and Marine Insurance Company Limited (currently Sompo Holdings, Inc.)<br>September 1972 Joined McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)<br>March 1993 Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)<br>April 1997 Deputy President and Director, McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan), Ltd.)<br>August 2003 Advisor, FAST RETAILING CO., LTD.<br>November 2003 Managing Director, FAST RETAILING CO., LTD.<br>March 2006 Senior Vice President, FAST RETAILING CO., LTD.<br>November 2006 Statutory Auditor, FAST RETAILING CO., LTD. (current)<br>October 2011 Council member, Special Olympics Japan (current)<br>May 2013 Representative Director of FR Health Insurance Organization (current) | Note 5 | 3 |

| Position | Responsibilities | Name | Date of birth | Brief biography | | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|---|
| Standing Statutory Auditor | | Masaaki Shinjo | 28 January 1956 | April 1983<br>February 1994<br>September 1998<br>September 2005<br>January 2008<br>March 2009<br>September 2009<br>March 2011<br>November 2012 | Joined ASAHIPEN CORPORATION<br>Joined FAST RETAILING CO., LTD.<br>Entrusted operating officer, manager of administration, FAST RETAILING CO., LTD.<br>General Manager, Group Auditing, FAST RETAILING CO., LTD.<br>Director, Onezone Corp (currently G.U. CO., LTD.)<br>General Manager, Corporate Administration, FAST RETAILING CO., LTD.<br>Statutory Auditor, GOV Retailing Co., Ltd. (currently G.U. CO., LTD.)<br>General Manager, Corporate Planning & Management, FAST RETAILING CO., LTD.<br>Statutory Auditor, FAST RETAILING CO., LTD. (current) | Note 6 | - |
| Standing Statutory Auditor | | Masumi Mizusawa | 22 July 1959 | November 1981<br>March 1988<br>October 2001<br>February 2004<br>November 2019 | Joined the International Department of Yamaichi Securities Co., Ltd.<br>Joined the Research Department of Kleinwort Benson Securities (the Tokyo branch of Dresdner Kleinwort Wasserstein (Japan) Ltd.)<br>Joined the Investor Relations Department of FAST RETAILING CO., LTD.<br>General Manager, Global Corporate Management and Control Investor Relations Division, FAST RETAILING CO., LTD.<br>Statutory Auditor, FAST RETAILING CO., LTD. (current) | Note 7 | 0 |

| Position | Responsibilities | Name | Date of birth | Brief biography | | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|---|
| Statutory Auditor | | Keiko Kaneko | 11 November 1967 | April 1991<br>April 1999<br><br><br>April 1999<br><br>January 2007<br>April 2007<br><br><br>November 2012<br><br><br>November 2012<br><br>June 2013<br><br><br>June 2019 | Joined Mitsubishi Corporation<br>Registered as a member of Japan Federation of Bar Associations<br>Joined Anderson, Mori & Tomotsune (AM&T) law firm<br>Partner, AM&T (current)<br>Guest associate professor, Tokyo University Graduate School of Law<br>External Statutory Auditor, FAST RETAILING CO., LTD. (current)<br>External Statutory Auditor, UNIQLO CO., LTD. (current)<br>External Statutory Auditor, The Asahi Shimbun Company (current)<br>External Director, Daifuku Co., Ltd. (current) | Note 6 | - |

| Position | Responsibilities | Name | Date of birth | Brief biography | | Term of office | Number of shares held (Thousand shares) |
|---|---|---|---|---|---|---|---|
| Statutory Auditor | | Takao Kashitani | 7 November 1948 | February 1975 | Kashitani Public Accountant Office (current) | Note 5 | - |
| | | | | January 1986 | Representative, CENTURY Audit Corporation (currently Ernst & Young ShinNihon LLC) | | |
| | | | | April 1986 | Representative Director & CEO, Brain Core Co., Ltd. (current) | | |
| | | | | March 1989 | Representative Director & CEO, F P Brain Co., Ltd. (current) | | |
| | | | | April 2002 | Specially appointed professor, Chuo University Graduate School of International Accounting Department of Research (professional graduate school) | | |
| | | | | June 2012 | External Director, Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings) | | |
| | | | | June 2012 | External Director, Japan Freight Railway Company (current) | | |
| | | | | November 2018 | External Statutory Auditor, FAST RETAILING CO., LTD. (current) | | |
| Statutory Auditor | | Masakatsu Mori | 22 January 1947 | May 1972 | Acquired qualification as a certified public accountant | Note 6 | - |
| | | | | Feb. 1989 | Japan Country Manager, Anderson Consulting (currently Accenture) | | |
| | | | | Dec 1995 | President, Anderson Consulting (currently Accenture) | | |
| | | | | Apr. 2003 | Chairman, Accenture | | |
| | | | | Sep. 2007 | Senior Advisor, Accenture | | |
| | | | | Oct. 2009 | President, International University of Japan (IUJ) | | |
| | | | | Jun. 2010 | External Director, Stanley Electric Co., Ltd. (current) | | |
| | | | | Jun. 2013 | External Director, YAMATO HOLDINGS CO., LTD. (current) | | |
| | | | | Nov. 2013 | Deputy Vice President, IUJ | | |
| | | | | Apr. 2018 | Special Advisor, IUJ (current) | | |
| | | | | Mar. 2019 | External Director, Kirin Holdings Company, Limited (current) | | |
| | | | | Nov. 2020 | External Statutory Auditor, FAST RETAILING CO., LTD. (current) | | |
| Total | | | | | | | 31,603 |

(Notes) 1. Directors Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku, Takashi Nawa and Naotake Ohno are External Directors as provided for in Article 2, Paragraph 15 of the Companies Act.

2. Directors Kazumi Yanai and Koji Yanai are relatives in the second degree of Tadashi Yanai, Representative Director, Chairman and President.

3. Auditors Keiko Kaneko, Takao Kashitani and Masakatsu Mori are External Statutory Auditors as provided for in Article 2, Paragraph 16 of the Companies Act.
4. For a one-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 26 November 2020.
5. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 29 November 2018.
6. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 26 November 2020.
7. For a four-year term beginning at the conclusion of the Ordinary General Meeting of Shareholders on 28 November 2019.

B. External Statutory Auditors

(1) Functions, roles and selection of External Directors and External Statutory Auditors

The Company has five External Directors and three 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.

Director Naotake Ohno serves as a special consultant to Daiwa House Industry Co., Ltd., and we are currently engaged in business negotiations concerning an office lease agreement with that company.

Statutory Auditor Keiko Kaneko serves as an external director of Daifuku Co., Ltd., a company with which Fast Retailing and its group subsidiaries engage in business in regard to warehouse automation equipment.

Statutory Auditor Masakatsu Mori also serves as an outside director for YAMATO HOLDINGS CO., LTD., a company with which Fast Retailing Co., Ltd. and Group subsidiaries conduct business relating to the delivery of e-commerce products.

Shares of the Company held by External Statutory Auditors are stated in the "Number of shares held" column under the section "Board of Directors."

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 the Internal Audit Department and Independent Auditors, as detailed in (iii) Internal audits and audits by Statutory 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' views in the audits of our business activities, we value both the independence and the diversity of our External Statutory Auditors in various fields.

(2) Independent Directors

Five of the nine members of the Fast Retailing Board are external directors, and all 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 officers, including External Directors: A person shall not qualify as an Independent Director of Fast Retailing, if:

(a) 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;

(b) 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;

(c) 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

(d) 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.

(3) Supervision or auditing by External Directors or External Statutory Auditors; mutual cooperation between internal auditing, Statutory Auditor auditing, and accounting audits; and relationship with the Internal Control Department

At meetings of the Board of Directors, the Board of Statutory Auditors, and various committees, etc., external directors and External Statutory Auditor receive reports about the operating status of internal auditing and internal control systems, the results of Statutory Auditors audit and accounting audits, and other important matters, and they offer remarks and suggestions based on their respective areas of expertise, experience, and knowledge.

At meetings of the Board of Directors, the Board of Statutory Auditors, various committees, etc., Statutory Auditors cooperate with external directors and External Statutory Auditors in a timely manner and exchange opinions as well as share information necessary for the supervision and auditing of management.

For details regarding mutual cooperation between the External Statutory Auditors, the Internal Audit Department, and the accounting auditors and the relationship with the Internal Control Department, please refer to (1) Status of Auditor's Audit under C. Status of Auditing.

C. Status of Auditing

(1) Status of Statutory Auditor’s Audit

Statutory Auditors always attend Board of Directors meetings and audit the status of the execution of management. The Board of Statutory Auditors consists of three internal full-time Statutory Auditors and three external Statutory Auditors, and after receiving reports about important matters related to auditing on a regular and on-demand basis from the Internal Audit Department and accounting auditors, the Board of Statutory Auditors discusses those important matters and always maintains a state of cooperation. Both Statutory Auditor Takao Kashitani and Statutory Auditor Masakatsu Mori hold the qualification of certified public accountant and have substantial knowledge related to finance and accounting.

During the fiscal year ended August 2020, we held 12 meetings of the Board of Auditors. The attendance record for each Auditor is as follows.

| Name | Number of meetings held | Attendance |
|---|---|---|
| Akira Tanaka | 12 | 12 |
| Masaaki Shinjo | 12 | 12 |
| Masumi Mizusawa | 10 | 10 |
| Takaharu Yasumoto | 12 | 12 |
| Keiko Kaneko | 12 | 12 |
| Takao Kashitani | 12 | 12 |
| Masakatsu Mori | - | - |

Key matters discussed by the Board of Auditors include the global accounting system, the present situation and issues facing the global e-commerce business, and the present situation and issues facing the UNIQLO Japan business.

In addition, the role of full-time Auditors includes the timely on-site auditing of key companies' new and existing stores, attending domestic and international store audit briefing sessions, and attending regular and extraordinary Board of Directors meetings and other employee meetings.

(2) Status of internal auditing

The Company has an Internal Audit Department that is independent from the executive departments, and, as at 31 August 2020, seven dedicated staff members regularly verify the appropriateness and effectiveness of internal control systems and audit the status of the execution of business.

(3) Accounting audits

(a) Name of audit firm

Deloitte Touche Tohmatsu LLC

(b) Continuous auditing period

3 years

(c) Name of Certified Public Accountants

Koichi Okubo, Hirofumi Otani, Yohei Masuda

(d) Group of assistants to the independent auditors

Based on the audit plan formulated by Deloitte Touche Tohmatsu LLC, the group of assistants to the independent auditors consists of 13 CPAs, 4 successful Certified Public Accountant applicants and 27 others.

(e) Policy and reasons for selecting audit corporation

Based on the “Practical Guidelines for Auditors, etc. Concerning the Formulation of Evaluation and Selection Standards for Accounting Auditors” (Japan Audit & Supervisory Board Members Association; 13 October, 2017), the Board of Statutory Auditors selected Deloitte Touche Tohmatsu LLC to be the accounting auditor after comprehensively examining their quality control systems, audit team independence, communication systems, group audit systems, handling of fraud risks, and the like in accordance with the prescribed selection standards and evaluation standards for accounting auditors. Regarding the policy for determining the dismissal or non-reappointment of an accounting auditor, in the event that it is acknowledged that an item prescribed in an item under Article 340-1 of the Companies Act is applicable, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will dismiss the accounting auditor based on the consent of all Statutory Auditors, and in the event that it is acknowledged that it is difficult for the accounting auditor to perform an appropriate audit due to an event arising that otherwise impairs the accounting auditor's competence or independence, the Board of Statutory Auditors will pass a resolution to the effect that the Board of Statutory Auditors will make a proposal to the General Meeting of Shareholders to dismiss or not reappoint the accounting auditor.

(f) Evaluation of the accounting auditor by Statutory Auditors and the Board of Statutory Auditors

In addition to auditing and examining the independence, quality-control status, suitability of the system for performing duties, and status of implementing accounting audits in the current fiscal year of the accounting auditor, the Board of Statutory Auditors conducts evaluations by receiving reports from the accounting auditor on the status of performing its duties and requesting explanations when necessary.

D. Details of Independent Auditors' remuneration

(1) Details of remuneration for Independent Auditor

| Class | Year ended 31 August 2019 | | Year ended 31 August 2020 | |
|---|---|---|---|---|
| | Remuneration for audit and certification duties (Millions of yen) | Remuneration for duties other than auditing duties (Millions of yen) | Remuneration for audit and certification duties (Millions of yen) | Remuneration for duties other than audit (Millions of yen) |
| Reporting Entity | 248 | 7 | 239 | - |
| Consolidated subsidiaries | 56 | - | 40 | - |
| Total | 305 | 7 | 279 | - |

The non-assurance services provided by the Independent Auditor are advisory concerning the application of IFRS, and others.

(2) Details of remuneration for member firms of the Deloitte global network (except(1))

| Class | Year ended 31 August 2019 | | Year ended 31 August 2020 | |
|---|---|---|---|---|
| | Remuneration for audit and certification duties (Millions of yen) | Remuneration for duties other than auditing duties (Millions of yen) | Remuneration for audit and certification duties (Millions of yen) | Remuneration for duties other than audit (Millions of yen) |
| Reporting Entity | - | 378 | - | 463 |
| Consolidated subsidiaries | 277 | 72 | 266 | 100 |
| Total | 277 | 450 | 266 | 563 |

Year ended 31 August 2019 (1 September 2018 - 31 August 2019)

The non-audit services paid for by the Company and the Company's subsidiaries to organizations belonging to the same network as audit-certified public accountants, etc., comprise advisory services related to the e-commerce platform.

Year ended 31 August 2020 (1 September 2019 - 31 August 2020)

The non-audit services paid for by The Company and The Company's subsidiaries to organizations belonging to the same network as audit-certified public accountants, etc., comprise advisory services related to the e-commerce platform.

(3) Other important details regarding remuneration for audit and certification duties

Not applicable.

(4) Policies for determination of accounting audit remuneration

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

(5) Board of Statutory Auditors Agree Independent Auditors Remuneration

The Board of Statutory Auditors agreed to the remuneration of the independent auditors as stipulated in Article 399, Item 1 of the Companies Act, after checking auditing estimates versus actual performance in previous business years, including itemized auditing hours and remuneration, and investigating whether the estimates for the year ended 31 August 2020 were reasonable, based on the practical guidelines relating to independent auditors published by the Japan Audit & Supervisory Board Members Association.

E. Directors' Remuneration

(1) Policies and process for determination of directors' remuneration

With respect to directors' remuneration and the like, at the 58th Ordinary General Meeting of Shareholders, which was held on 28 November 2019 resolution was passed to set the upper limit for directors at 2 billion yen per year (the maximum number of directors stipulated in the Company's Articles of Incorporation is 10); and, at the 42nd Ordinary General Meeting of Shareholders, which was held on 26 November, 2003, a resolution was passed to set the upper limit for Statutory Auditors at 100 million yen per annum (the maximum number of Statutory Auditors stipulated in the Company's Articles of Incorporation was 7).

Remuneration for internal directors (this refers to a director who is not an external director; the same applies below) consists of basic remuneration and performance-linked remuneration, as stated below.

Basic remuneration is calculated based on each person's stipulated grade in accordance with various factors, including each internal director's duties, responsibilities, track record and degree of contribution to the Company, in line with the prescribed Remuneration Table. Internal directors' grades are determined by the Board of Directors based on discussions held by the Nomination and Remuneration Advisory Committee, whose members predominantly consist of external directors and External Statutory Auditors.

Performance-linked remuneration is calculated within the total remuneration limit approved at the general meeting of shareholders, based on an evaluation of each internal director's performance. Based on discussions held by the Nomination and Remuneration Advisory Committee, the evaluations are determined by Representative Director Tadashi Yanai, who is entrusted with determining individual remuneration amounts for directors by the Board of Directors.

During the business year, the Nomination and Remuneration Advisory Committee held two meetings, and discussed issues such as the format of the grades and remuneration of internal directors.

The remuneration for External Directors is fixed at 10 million yen per year. This fixed amount is determined by Representative Director Tadashi Yanai, who is entrusted with determining individual remuneration amounts for directors by the Board of Directors.

The remuneration for Statutory Auditors is determined through discussions by the Board of Statutory Auditors.

The compensation of the Company's internal directors, who are mainly officers in the Company's consolidated subsidiaries, is paid by the relevant consolidated subsidiaries.

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

| Executive category | Entity category | Total amount of remuneration (Millions of yen) | Total amount of remuneration, by type (Millions of yen) | | | Number of executives (Persons) |
|---|---|---|---|---|---|---|
| | | | Basic Compensation | Short-term performance-linked remuneration | Long-term performance-linked remuneration | |
| Directors (excluding external directors) | the Company | 584 | 360 | 218 | 5 | 4 |
| | the subsidiaries | 165 | 131 | 25 | 8 | |
| External directors | the Company | 50 | 50 | - | - | 5 |
| Statutory Auditors (excluding External Statutory Auditors) | the Company | 47 | 47 | - | - | 3 |
| External Statutory Auditors | the Company | 27 | 27 | - | - | 3 |
| | the subsidiaries | 11 | 11 | - | - | |

(a) Performance-linked remuneration is recorded as amounts expensed for reserves before taking into account performance evaluations for the fiscal period ended August 2020. The actual amount paid is determined by calculations based on the performance evaluation, etc., of the individual director.

(b) Total amount of consolidated remuneration, etc., for each officer: note that this is to be more than 100 million yen

| Name | Total amount of remuneration (Millions of yen) | Total amount of remuneration, by type (Millions of yen) | | |
|---|---|---|---|---|
| | | Basic Compensation | Short-term performance-linked remuneration | Long-term performance-linked remuneration |
| Executive Director Tadashi Yanai | 400 | 240 | 160 | - |
| Director Takeshi Okazaki | 185 | 120 | 60 | 5 |

(Note) As stated below, short-term performance-linked compensation will be calculated based on performance evaluations from the previous fiscal year.

(3) Salaries for key personnel serving concurrently as an employee and an officer
Not applicable.

(4) Details of policies related to determining the amount of an officer's remuneration, etc.

(a) The amount of remuneration, etc., for corporate auditors is calculated within the limit approved at the General Meeting of Shareholders as mentioned above, and it is determined through discussions by the Board of Statutory Auditors.

(b) The amount of remuneration, etc., for external directors is calculated within the limit approved at the General Meeting of Shareholders as mentioned above, and it is calculated as a fixed value for a one-year period.

(c) Remuneration for internal directors is composed of three elements (basic remuneration; short-term performance-linked remuneration; and long-term performance-linked remuneration), and the details and calculation method for each are as stated below. Each element is determined within the limit for director remuneration, etc., approved at the General Meeting of Shareholders as mentioned above.

<Basic remuneration>

This is calculated based on the grade of each internal director, in line with the prescribed Remuneration Table.

<Short-term performance-linked remuneration>

The target amount for short-term performance-linked remuneration is stipulated in accordance with the table showing short-term performance-linked remuneration for each grade. A target-management system sets performance targets, group targets, and individual targets at the start of the fiscal year. Based on this system, performance for the year is assessed using five grades, and the actual amount paid is calculated based on the Payment Criteria Table shown below.

| Grade | Definition | Percentage of Target Achieved |
|---|---|---|
| A | Targets greatly surpassed and many superb courses of action are evident | 200% |
| AB | Targets achieved and superb courses of action are evident | 150% |
| B | Targets achieved, or superb courses of action adequate for achieving target are evident | 100% |
| BC | Targets not achieved, but it is acknowledged that efforts have been made that may lead to future developments | 75% |
| C | Targets not achieved and the anticipated course of action was lacking | 50% |

<Long-term performance-linked remuneration>

The target amount for long-term performance-linked remuneration is stipulated in accordance with the table showing long-term performance-linked remuneration for each grade.

A) A portion equivalent to 1/3 of the long-term performance-linked remuneration amount is granted as phantom stock in order to provide a link with the corporate value of the Fast Retailing Group. The phantom stock is cash-settled remuneration that is linked to the Company's share value, and it is exercised automatically three years after the date on which it was granted, when a corresponding cash amount based on the Company's share value on the exercise date is paid. Incidentally, neither dividends nor an amount equivalent to dividends is paid.

B) A portion equivalent to 2/3 of the long-term performance-linked remuneration amount is paid in cash in order to improve the strategy and performances of the business unit(s) managed by the officer in question. This portion is paid based on a performance evaluation of the business operations managed by the officer in the three-year period after the target is set.

B-1) 50% of the cash-allowance portion is determined based on quantitative targets. An evaluation is carried out based on the rate at which operating income budget targets are met and on operating margins for the brands and countries managed by the officer over the three year (cumulative) period, and the amount paid is calculated based on the prescribed Criteria Table.

B-2) The remaining 50% of the cash-allowance portion is determined based on qualitative targets. An evaluation is carried out of the degree to which medium-term (three year) budget targets have been met; targets that are set in the year in which the long-term performance-linked remuneration is assigned. The amount paid is then calculated based on the Payment Criteria Table shown below.

| Grade | Definition | Percentage of Target Achieved |
|---|---|---|
| A | Targets greatly surpassed and many superb courses of action are evident | 200% |
| AB | Targets achieved and superb courses of action are evident | 150% |
| B | Targets achieved, or superb courses of action adequate for achieving target are evident | 100% |
| BC | Targets not achieved, but it is acknowledged that efforts have been made that may lead to future developments | 75% |
| C | Targets not achieved and the anticipated course of action was lacking | 50% |

F. Status of share holdings

(1) Criteria and approach to “investment share” categories

The Company categorizes share holdings that are deemed to contribute to improving medium-to-long-term corporate value as “investment shares with a purpose other than net investment” and other shares as “investment shares for the purpose of net investment.”

(2) Investment shares for which the investment purpose is a purpose other than net investment

(a) In principle, the Group has a policy of not having any cross-holdings; however, on occasion these holdings may occur - but only in the minimum number of shares required. Each year, the Board of Directors verifies the economic rationality, etc., for any cross-holdings; this is done for each individual stock and includes any medium-to-long term trading relationships. The Board then makes a comprehensive judgment on the significance of the holdings. The specific contents of the verifications are not disclosed due to the trading relationships with the corporation(s) in which shares are held.

(b) Number of stocks and amounts included in the balance sheet

| | Number of stocks | Amounts included in the balance sheet (Millions of yen) |
|---|---|---|
| Unlisted shares | 3 | 212 |
| Shares other than unlisted shares | 2 | 1,158 |

(Stock for which the number of shares increased in the current business year)

No applicable matters

(Stocks for which the number of shares decreased in the current business year)

No applicable matters

(c) Information on the number of shares and balance sheet difficulties for "specified investment shares" and "deemed shares" - by individual stock

Specified Investment Shares:

| Stock | Current business year<br>Number of shares<br>Balance sheet amount (Millions of yen) | Previous business year<br>Number of shares<br>Balance sheet amount (Millions of yen) | Holding purpose, quantitative holding effect, and reason for increase in number of shares | Holding the Company's shares |
|---|---|---|---|---|
| Matsuoka Corporation | 286,500 | 286,500 | These shares are held to try to strengthen ties in the medium-term, as a strategic partner. Moreover, each year the Board of Directors verifies the economic rationality, etc., for each individual stock, which includes any medium-to-long term trading relationships; the Board then makes a comprehensive judgment on the significance of the holding. The specific contents of the verification are not disclosed due to the trading relationships with the corporation in which shares are held. | No |
| | 566 | 587 | | |
| Crystal International Group Ltd. | 20,815,000 | 20,815,000 | These shares are held to try to strengthen ties in the medium-term, as a strategic partner. Moreover, each year the Board of Directors verifies the economic rationality, etc., for each individual stock, which includes any medium-to-long term trading relationships; the Board then makes a comprehensive judgment on the significance of the holding. The specific contents of the verification are not disclosed due to the trading relationships with the corporation in which shares are held. | No |
| | 591 | 884 | | |

Deemed Shares: Not applicable.

(3) Investment shares held for the investment purpose

Not applicable.

## 9. Financial Information

A. 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 28, 1976) (hereinafter referred to as the "Rules on Consolidated Financial Statements"), the consolidated financial statements of the Group were prepared in accordance with IFRS pursuant to Article 93 of the Rules on 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 59, 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 yen.

B. Audit and certification

The Company's consolidated and non-consolidated financial statements for the fiscal year from 1 September 2019 - 31 August 2020 have been audited by Deloitte Touche Tohmatsu LLC in accordance with auditing standards generally accepted in Japan pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act. Deloitte Touche Tohmatsu LLC also conducted the audit of consolidated financial statements of the Company in accordance with International Standards on Auditing (ISA).

C. 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 made efforts to build 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 ("IASB"), study the latest standards and their potential impact on our Company, and update our Group guidelines for accounting practices accordingly.

D. Consolidated Financial Statements

(1) Consolidated statement of financial position

(Millions of yen)

| | Notes | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8,30 | 1,086,519 | 1,093,531 |
| Trade and other receivables | 9,30 | 60,398 | 67,069 |
| Other financial assets | 11,30 | 44,473 | 49,890 |
| Inventories | 10 | 410,526 | 417,529 |
| Derivative financial assets | 30 | 14,787 | 14,413 |
| Income taxes receivable | | 1,492 | 2,126 |
| Other assets | 12 | 19,975 | 10,629 |
| Total current assets | | 1,638,174 | 1,655,191 |
| Non-current assets | | | |
| Property, plant and equipment | 13,15 | 162,092 | 136,123 |
| Right-of-use assets | 15,17 | - | 399,944 |
| Goodwill | 14 | 8,092 | 8,092 |
| Intangible assets | 14,15 | 60,117 | 66,833 |
| Financial assets | 11,30 | 77,026 | 67,770 |
| Investments in associates accounted for using the equity method | 16 | 14,587 | 14,221 |
| Deferred tax assets | 18 | 33,163 | 45,447 |
| Derivative financial assets | 30 | 9,442 | 10,983 |
| Other assets | 12 | 7,861 | 7,383 |
| Total non-current assets | | 372,384 | 756,799 |
| Total assets | | 2,010,558 | 2,411,990 |
| | | | |
| Liabilities and equity | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19,30 | 191,769 | 210,747 |
| Other financial liabilities | 11,17,28,30 | 159,006 | 213,301 |
| Derivative financial liabilities | 30 | 2,985 | 2,763 |
| Lease liabilities | 17,30 | - | 114,652 |
| Current tax liabilities | | 27,451 | 22,602 |
| Provisions | 20 | 13,340 | 752 |
| Other liabilities | 12 | 82,103 | 82,636 |
| Total current liabilities | | 476,658 | 647,455 |
| Non-current liabilities | | | |
| Financial liabilities | 11,17,28,30 | 499,948 | 370,780 |
| Lease liabilities | 17,30 | - | 351,526 |
| Provisions | 20 | 20,474 | 32,658 |
| Deferred tax liabilities | 18 | 8,822 | 7,760 |
| Derivative financial liabilities | 30 | 3,838 | 3,205 |
| Other liabilities | 12 | 17,281 | 2,524 |
| Total non-current liabilities | | 550,365 | 768,455 |
| Total liabilities | | 1,027,024 | 1,415,910 |

***(continued)***

(Millions of yen)

| | Notes | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|---|
| EQUITY | | | |
| Capital stock | 21 | 10,273 | 10,273 |
| Capital surplus | 21 | 20,603 | 23,365 |
| Retained earnings | 21 | 928,748 | 933,303 |
| Treasury stock, at cost | 21 | (15,271) | (15,129) |
| Other components of equity | 21 | (5,732) | 4,749 |
| Equity attributable to owners of the Parent | | 938,621 | 956,562 |
| Non-controlling interests | | 44,913 | 39,516 |
| Total equity | | 983,534 | 996,079 |
| Total liabilities and equity | | 2,010,558 | 2,411,990 |

(2) Consolidated statement of profit or loss

(Millions of yen)

| | Notes | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|---|
| Revenue | 22 | 2,290,548 | 2,008,846 |
| Cost of sales | | (1,170,987) | (1,033,000) |
| Gross profit | | 1,119,561 | 975,845 |
| Selling, general and administrative expenses | 23 | (854,394) | (805,821) |
| Other income | 24 | 4,533 | 7,954 |
| Other expenses | 15,24 | (12,626) | (28,952) |
| Share of profit and loss of associates accounted for using the equity method | 16 | 562 | 321 |
| Operating profit | | 257,636 | 149,347 |
| Finance income | 25 | 12,293 | 11,228 |
| Finance costs | 25 | (17,481) | (7,707) |
| Profit before income taxes | | 252,447 | 152,868 |
| Income taxes | 18 | (74,400) | (62,470) |
| Profit for the year | | 178,046 | 90,398 |
| | | | |
| Profit for the year attributable to: | | | |
| Owners of the Parent | | 162,578 | 90,357 |
| Non-controlling interests | | 15,467 | 40 |
| Total | | 178,046 | 90,398 |
| | | | |
| Earnings per share | | | |
| Basic (Yen) | 27 | 1,593.20 | 885.15 |
| Diluted (Yen) | 27 | 1,590.55 | 883.62 |

(3) Consolidated statement of comprehensive income

(Millions of yen)

| | Notes | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|---|
| Profit for the year | | 178,046 | 90,398 |
| Other comprehensive income / (loss), net of income taxes | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Financial assets measured at fair value through other comprehensive income / (loss) | 26 | (734) | (630) |
| Total items that will not be reclassified subsequently to profit or loss | | (734) | (630) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | 26 | (33,649) | 5,227 |
| Cash flow hedges | 26 | 11,398 | 14,130 |
| Share of other comprehensive income of associates | 26 | (11) | (39) |
| Total items that may be reclassified subsequently to profit or loss | | (22,262) | 19,318 |
| Other comprehensive income / (loss), net of Income tax | | (22,997) | 18,687 |
| Total comprehensive income for the year | | 155,049 | 109,085 |
| Attributable to: | | | |
| Owners of the Parent | | 140,900 | 110,134 |
| Non-controlling interests | | 14,148 | (1,049) |
| Total comprehensive income for the year | | 155,049 | 109,085 |

## (4) Consolidated statement of changes in equity

For the year ended 31 August 2019

(Millions of yen)

| | Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Other components of equity | | | | | Equity attributable to owners of the Parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Financial assets measured at fair value through other comprehensive income / (loss) | Foreign currency translation reserve | Cash-flow hedge reserve | Share of other comprehensive income of associates | Total | | | |
| As at 1 September 2018 | | 10,273 | 18,275 | 815,146 | (15,429) | 37 | 15,429 | 19,202 | - | 34,669 | 862,936 | 39,841 | 902,777 |
| Net changes during the year | | | | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | | | | |
| Profit for the year | | - | - | 162,578 | - | - | - | - | - | - | 162,578 | 15,467 | 178,046 |
| Other comprehensive income / (loss) | 26 | - | - | - | - | (734) | (29,359) | 8,427 | (11) | (21,678) | (21,678) | (1,318) | (22,997) |
| Total comprehensive income | | - | - | 162,578 | - | (734) | (29,359) | 8,427 | (11) | (21,678) | 140,900 | 14,148 | 155,049 |
| Transactions with the owners of the Parent | | | | | | | | | | | | | |
| Acquisition of treasury stock | 21 | - | - | - | (2) | - | - | - | - | - | (2) | - | (2) |
| Disposal of treasury stock | 21 | - | 1,558 | - | 159 | - | - | - | - | - | 1,718 | - | 1,718 |
| Dividends | 21 | - | - | (48,976) | - | - | - | - | - | - | (48,976) | (9,218) | (58,195) |
| Share-based payments | 21 | - | 769 | - | - | - | - | - | - | - | 769 | - | 769 |
| Incorporation of a new subsidiary | | - | - | - | - | - | - | - | - | - | - | 239 | 239 |
| Changes in ownership interests in subsidiaries without losing control | | - | - | - | - | - | - | - | - | - | - | 353 | 353 |
| Transfer to non-financial assets | | - | - | - | - | - | - | (18,723) | - | (18,723) | (18,723) | (451) | (19,175) |
| Total transactions with the owners of the Parent | | - | 2,328 | (48,976) | 157 | - | - | (18,723) | - | (18,723) | (65,215) | (9,076) | (74,292) |
| Total net changes during the year | | - | 2,328 | 113,602 | 157 | (734) | (29,359) | (10,296) | (11) | (40,402) | 75,685 | 5,071 | 80,757 |
| As at 31 August 2019 | | 10,273 | 20,603 | 928,748 | (15,271) | (697) | (13,929) | 8,906 | (11) | (5,732) | 938,621 | 44,913 | 983,534 |

For the year ended 31 August 2020

(Millions of yen)

| | Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Other components of equity | | | | | Equity attributable to owners of the Parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Financial assets measured at fair value through other comprehensive income / (loss) | Foreign currency translation reserve | Cash-flow hedge reserve | Share of other comprehensive income of associates | Total | | | |
| As at 1 September 2019 | | 10,273 | 20,603 | 928,748 | (15,271) | (697) | (13,929) | 8,906 | (11) | (5,732) | 938,621 | 44,913 | 983,534 |
| Effect of change in accounting policy | 4 | - | - | (35,094) | - | - | - | - | - | - | (35,094) | (1,331) | (36,426) |
| Balance after adjustment | | 10,273 | 20,603 | 893,653 | (15,271) | (697) | (13,929) | 8,906 | (11) | (5,732) | 903,526 | 43,581 | 947,108 |
| Net changes during the year | | | | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | | | | |
| Profit for the year | | - | - | 90,357 | - | - | - | - | - | - | 90,357 | 40 | 90,398 |
| Other comprehensive income / (loss) | 26 | - | - | - | - | (630) | 5,440 | 15,007 | (39) | 19,776 | 19,776 | (1,089) | 18,687 |
| Total comprehensive income | | - | - | 90,357 | - | (630) | 5,440 | 15,007 | (39) | 19,776 | 110,134 | (1,049) | 109,085 |
| Transactions with the owners of the Parent | | | | | | | | | | | | | |
| Acquisition of treasury stock | 21 | - | - | - | (5) | - | - | - | - | - | (5) | - | (5) |
| Disposal of treasury stock | 21 | - | 1,496 | - | 148 | - | - | - | - | - | 1,644 | - | 1,644 |
| Dividends | 21 | - | - | (48,994) | - | - | - | - | - | - | (48,994) | (2,038) | (51,032) |
| Share-based payments | 21 | - | 1,265 | - | - | - | - | - | - | - | 1,265 | - | 1,265 |
| Transfer to non-financial assets | | - | - | - | - | - | - | (11,008) | - | (11,008) | (11,008) | (976) | (11,985) |
| Transfer to retained earnings | | - | - | (1,713) | - | 1,713 | - | - | - | 1,713 | - | - | - |
| Total transactions with the owners of the Parent | | - | 2,761 | (50,708) | 142 | 1,713 | - | (11,008) | - | (9,294) | (57,098) | (3,015) | (60,113) |
| Total net changes during the year | | - | 2,761 | 39,649 | 142 | 1,082 | 5,440 | 3,998 | (39) | 10,482 | 53,036 | (4,064) | 48,971 |
| As at 31 August 2020 | | 10,273 | 23,365 | 933,303 | (15,129) | 385 | (8,489) | 12,905 | (51) | 4,749 | 956,562 | 39,516 | 996,079 |

(5) Consolidated statement of cash flows

(Millions of yen)

| | Notes | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income taxes | | 252,447 | 152,868 |
| Depreciation and amortization | | 48,476 | 177,848 |
| Impairment losses | 15 | 3,444 | 23,074 |
| Interest and dividend income | | (12,293) | (9,724) |
| Interest expenses | | 4,369 | 7,706 |
| Foreign exchange losses / (gains) | | 13,107 | (1,503) |
| Share of profit and loss of associates accounted for using the equity method | | (562) | (321) |
| Losses on disposal of property, plant and equipment | | 650 | 1,125 |
| (Increase) / Decrease in trade and other receivables | | (6,302) | (4,164) |
| (Increase) / Decrease in inventories | | 38,145 | (2,665) |
| Increase / (Decrease) in trade and other payables | | (16,426) | 18,600 |
| (Increase) / Decrease in other assets | | 2,932 | 10,686 |
| Increase / (Decrease) in other liabilities | | 36,881 | (44,567) |
| Others, net | | 1,719 | 8,776 |
| Cash generated from operations | | 366,589 | 337,738 |
| Interest and dividend income received | | 10,533 | 8,546 |
| Interest paid | | (3,848) | (6,783) |
| Income taxes paid | | (74,263) | (75,460) |
| Income taxes refunded | | 1,493 | 827 |
| Net cash generated by operating activities | | 300,505 | 264,868 |
| | | | |
| **Cash flows from investing activities** | | | |
| Amounts deposited into bank deposits with original maturities of three months or longer | | (103,619) | (88,714) |
| Amounts withdrawn from bank deposits with original maturities of three months or longer | | 92,252 | 83,502 |
| Payments for property, plant and equipment | | (41,567) | (46,500) |
| Payments for intangible assets | | (24,177) | (21,008) |
| Payments for acquisition of right-of-use assets | | - | (1,808) |
| Payments for lease and guarantee deposits | | (7,490) | (7,171) |
| Proceeds from collection of lease and guarantee deposits | | 4,304 | 6,394 |
| Others, net | | 1,541 | (673) |
| Net cash generated by / (used in) investing activities | | (78,756) | (75,981) |

***(continued)***

(Millions of yen)

| | Notes | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from short-term loans payable | 28 | 17,145 | 35,019 |
| Repayment of short-term loans payable | 28 | (16,789) | (21,546) |
| Repayment of long-term loans payable | 28 | (4,433) | (4,343) |
| Repayment of redemption of bonds | 28 | (30,000) | - |
| Dividends paid to owners of the Parent | 21 | (48,975) | (48,995) |
| Capital contributions from non-controlling interests | | 592 | - |
| Dividends paid to non-controlling interests | | (8,773) | (2,328) |
| Repayments of finance lease obligations | 28 | (11,377) | - |
| Repayments of lease liabilities | 28 | - | (141,216) |
| Others, net | | 182 | 142 |
| Net cash generated by / (used in) financing activities | | (102,429) | (183,268) |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | (32,496) | 1,393 |
| Net increase in cash and cash equivalents | | 86,822 | 7,011 |
| Cash and cash equivalents at the beginning of year | 8 | 999,697 | 1,086,519 |
| Cash and cash equivalents at the end of year | 8 | 1,086,519 | 1,093,531 |

(6) Notes to the consolidated financial statements

1. Reporting Entity

FAST RETAILING CO., LTD. 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 (casual wear retail business operating under the "GU" brand in Japan and overseas) and Theory business (apparel designing and retail business in Japan and overseas), etc.

2. Basis of Preparation

A. Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with IFRS issued by the 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 accordingly, applies Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Financial Statements.

B. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved on 26 November 2020 by Tadashi Yanai, Chairman, President, and CEO, and Takeshi Okazaki, Group Senior Vice President and CFO.

C. Basis of Measurement

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

D. Functional Currency and Presentation Currency

The presentation currency for the Group's consolidated financial statements is 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.

E. 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 estimates and judgments that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

• Valuation of inventories (3. Significant Accounting Policies (6) and Note 10)
• Recoverable amounts from cash-generating units ("CGU") for impairment tests (3. Significant Accounting Policies (10) and Note 15)
• Useful lives of property, plant and equipment, and intangible assets (3. Significant Accounting Policies (7), (8) and Notes 13, 14)
• Recoverability of deferred tax assets (3. Significant Accounting Policies (14) and Note 18)
• Recoverability of trade and other receivables (3. Significant Accounting Policies (4) and Note 9, 30)
• Accounting treatment and valuation of provisions (3. Significant Accounting Policies (11) and Note 20)
• Fair value measurement of financial instruments (3. Significant Accounting Policies (4) and Note 30)
• Fair value measurement for unit price for share-based payments (3. Significant Accounting Policies (12) and Note 29)
• Lease term (3. Significant Accounting Policies (9) and Note 17)

With the global spread of COVID-19, the Group's performance has been adversely affected due to temporarily closing stores, etc. Regarding impairment of non-financial assets, although we assume that business activities will gradually recover from

September 2020 onward, we estimate that the impact of the COVID-19 pandemic will continue to be felt through to the end of August 2021, and we are working on the assumption that we will see recovery from that point onward. The estimates are made by taking into consideration the level of impact that differ from region to region and case-by-case basis.

3. Significant Accounting Policies

A. Basis of Consolidation

(1) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. The Group controls enterprises when it is exposed, or has rights, 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 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 the Group, obtains control until the date that control ceases.

The subsidiaries adopted the 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 statutory fiscal year end dates for FAST RETAILING (CHINA) TRADING CO., LTD., UNIQLO TRADING CO., LTD., FAST RETAILING (SHANGHAI) TRADING CO., LTD., GU (Shanghai) Co., Ltd. and ten other companies vary between 31 December, 31 March and 30 June.

The management accounts the financial statements of these subsidiaries as at the Group's year-end that were prepared solely 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 2020 is 134.

(2) Investments in associates

An associate is an entity in 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 presumed that the Group has a significant influence over the other enterprise. Investments in associates are accounted by applying the equity method, and measured at historical cost at the time of acquisition.

Thereafter the carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since acquisition date. The consolidated statement of profit or loss of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The number of associates as at 31 August 2020 is four.

B. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregation of the acquisition date fair values of assets transferred, liabilities assumed, and equity interests 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 gains 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 as if the acquisitions took place during the measurement period, 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.

C. Foreign Currencies

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising from settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

(2) Foreign Operations

Upon consolidation, the assets and liabilities of foreign operations are translated into yen at the rate of exchange prevailing at each reporting date and their statements of profit or loss 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.

D. Financial Instruments

(1) Financial assets

(a) Initial recognition and measurement

The Group classifies financial assets as “financial assets measured at fair value through net profit or loss”; “financial assets measured at fair value through other comprehensive income” or “financial assets measured at amortized cost”; and that classification is determined at the time of initial recognition.

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

All financial assets are measured by adding directly linked transaction costs to fair value, except those in the category classified as measured at fair value through net profit or loss.

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

- Assets are held based on a business model that requires them to be held to collect contractual cash flow
- Cash flow, made up solely of payment of the principal and interest on the balance of principal, is generated on a specified day under the contractual terms of the financial asset.

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

(b) Subsequent measurement

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets measured at fair value

The fluctuation in the fair value of financial assets measured at fair value is recognized as net profit or loss. However, any fluctuation in the fair value of equity financial instruments designated as instruments to be measured at fair value through other comprehensive income, is recognized as other comprehensive income; and if recognition is suspended or if the fair value significantly drops, then it is transferred to Retained earnings. Note that dividends from the financial assets are recognized as net profit or loss as part of finance income.

(c) Impairment of financial assets

For financial assets measured at amortized cost, expected credit losses pertaining to the financial assets are recognized as allowances for doubtful accounts.

On each reporting date, the credit risk pertaining to each financial asset is evaluated to see if it has increased significantly since initial recognition and, if it has, then the expected credit losses for the entire period are recognized as an allowance for doubtful accounts; whereas if it has not, then the expected credit losses for a 12-month period are recognized as an allowance for doubtful accounts.

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

However, trade receivables, etc., that do not include any major financial elements are always recognized as being an amount equivalent to expected credit loss for the entire period. If the issuer or debtor is in serious financial difficulties or is subject to a legal or formal business failure, then it is judged that there has been a default on obligations. And if it is judged that there has been a default on obligations, then the assets are treated as credit-impaired financial assets.

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

(d) Derecognition of financial assets

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

(2) Non-derivative financial liabilities

(a) Initial recognition and measurement

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

(b) Subsequent measurements

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

(c) 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 expired.

(3) Presentation of financial assets and financial liabilities

The balance of financial assets and financial liabilities is offset on the consolidated statement of financial position and the net amount is presented only in cases in which the Group has the right to legally enforce offsetting the balances and also intends to settle the net amount, or realize assets and settle liabilities, at the same time.

(4) 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

For gains and losses on hedges, effective portions are recognized as other comprehensive income, and non-effective portions are immediately recognized as net profit or loss on the Consolidated Statement of Profit or Loss.

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

E. 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.

F. 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 sell.

G. Property, plant and equipment

(1) 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.

(2) 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 | 3-30 years |
| Furniture, equipment, and vehicles | 5 years |

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

H. Goodwill and intangible assets

(1) 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 CGU 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 periods.

(2) 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 to 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 CGU level.

I. Leases

Year ended 31 August 2019

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 consolidated 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 consolidated statement of profit or loss on a straight-line basis over the lease term.

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

Year ended 31 August 2020

(i) As Lessee

Right-of-use assets are initially measured at cost at the commencement date of their lease. The cost includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred.

After the initial measurement, right-of-use assets are depreciated over the lease term using the straight-line method. The lease term is determined as the non-cancellable period together with periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

The lease payments included in the measurement of the lease liability comprise the fixed payments and payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, or a change in the assessment of possibility of exercising a termination option.

If a lease liability is remeasured, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

(ii) As Lessor

For leases where the Group is the lender, each lease is classified as either a finance lease or an operating lease at the time that the lease is agreed.

In classifying each lease, the Group comprehensively evaluates whether or not the risks and economic value associated with ownership of the underlying assets all transfer substantively. If they do transfer, the lease is classified as a finance lease; otherwise, it is classified as an operating lease.

Leases in which the Group acts as lender all correspond to subleases in which the Group acts as an intermediate lender. Head leases and subleases are accounted separately. In its consolidated financial statement, the Group includes lender finance leases pertaining to relevant subleases in "other current financial assets and "non-current financial assets."

J. 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 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 assets other than goodwill 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.

K. 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.

Provision is described below:

Asset retirement obligations

The obligations to restore property to its original state under real estate leasing agreements for offices, such as corporate headquarters and stores, are estimated and recorded as a provision. The expected length of use is estimated as the time from acquisition to the end of the useful life, and discount rates ranging between 0.00-1.00% are generally used in calculations.

L. Employee benefits

(1) Defined contribution system

We have adopted a defined contribution pension plan for employees of the Company and certain subsidiaries.

The defined contribution pension plan is a post-retirement benefit plan in which the employer contributes a certain amount of contributions to other independent companies and is not subject to legal or presumptive obligation on payment beyond those contributions.

Contributions to the defined contribution pension plan are charged to expense during the period in which employees provide services.

(2) Short-term employee benefits

For short-term employee benefits, no discount calculation is made and expenses are recorded when employees provide related services.

For bonuses and paid leave expenses, we have legal or presumptive obligations to pay them and recognize as liabilities the amount estimated to be paid based on those plans if reliable estimates are possible.

(3) 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 the number of stock options that will ultimately vest.

M. Revenue recognition

The Group recognizes revenue in accordance with IFRS 15 *Revenue from Contracts with Customers* by applying the following five-step approach:

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

N. Income taxes

Income taxes comprise current and deferred taxes and these are recognized in profit or loss, except 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 generates 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the 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.

O. 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. Newly applied standards and interpretation guidelines

The Group shall apply the written standards below, with effect from the current consolidated accounting year.

| IFRS | Title | Summary |
|---|---|---|
| IFRS 16 | Leases | Amendments to accounting treatment for lease arrangement |
| IFRIC 23 | Uncertainty over Income Tax Treatments | Clarifies the accounting for uncertainties in income tax |

(1) Application of IFRS 16: Leases

The Group began applying IFRS 16 *Leases* (announced in January 2016; hereinafter "IFRS 16"), from the beginning of the current fiscal year. In applying IFRS 16, the Group has adopted the cumulative catch-up approach that recognizes the cumulative effect of initial application of the standard as at the date of initial application (1 September 2019) as a transition method, without restating comparative information.

1) Definition of lease

The application of IFRS 16 requires that judgment made at the inception of a contract as to whether a contract is, or contains, a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

To determine whether or not a contract conveys the right to control the use of an identified asset, the Group examines whether the contract includes the use of the specified asset, whether the Group has the right to obtain substantially all of the economic benefits from use of identified asset throughout the period of use, and whether the Group has the right to direct the use of the identified asset.

2) Accounting treatment on transition

In applying IFRS 16, the Group applies the practical expedient in place of the judgments previously used to determine whether or not a contract is a lease. Consequently, the requirements in IFRS 16 is applied only to contracts entered into or changed on or after 1 September 2019.

2.1) Leases in which the Group is the lessee

(Leases previously classified as operating leases under International Accounting Standards ("IAS") 17 *Leases* ("IAS 17"))

Lease liabilities on transition are measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as at 1 September 2019. In addition, right-of-use assets on transition are measured using one of the following methods.

- Its carrying amount calculated on the assumption that IFRS 16 was applied from the commencement of the lease. Note that the discount rate used is the lessee's incremental borrowing rate on the date of initial application of IFRS 16.
- The amount measured for the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Note that the followings apply when IFRS 16 is applied to leases that were previously classified as operating leases under IAS 17.

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.
- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 except for store leases are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application of IFRS 16.
- The Group uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(Leases previously classified as finance leases under IAS 17)

The Group accounts for the carrying amount of the right-of-use asset and the lease liability at the date of initial application at the amount of the lease asset and lease liability under IAS 17 immediately prior to the date of initial application of IFRS 16.

2.2) Leases in which the Group is the lessor

Leases in which the Group acts as lessor require no adjustment on transition to IFRS 16, except for subleases. Subleases are accounted for in accordance with the transition provisions under IFRS 16 as stated below.

- In applying IFRS 16, the Group classifies sublease transactions as at the date of initial application as either operating leases or finance leases. This classification is determined based on the remaining contractual terms and conditions of the head lease and sublease at that date.
- Any subleases classified as operating leases under IAS 17 but finance leases under IFRS 16 are accounted for as new finance leases entered into at the date of initial application.

3) Impact on consolidated financial statements

With the application of IFRS 16, the Group recognized right-of-use assets of 375,541 million yen, lease liabilities of 428,631 million yen and retained earnings as at the date of initial application are decreased by 35,094 million.

The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized in consolidated statement of financial position as at the date of initial application of IFRS 16 is 0.9%.

The major factors for the difference between the commitment amount related to operating leases under IAS 17 disclosed in consolidated statement of financial position as at 31 August 2019 and the lease liabilities recognized in consolidated statement of financial position as at the date of initial application of IFRS 16 are as follows.

*(Millions of yen)*

| | |
|---|---|
| Minimum future lease payments for non-cancelable operating lease contracts (31 August 2019) | 344,888 |
| Present value of non-cancelable operating lease contracts (31 August 2019) | 337,009 |
| Finance lease obligations (31 August 2019) | 38,726 |
| Cancellable operating lease commitments, etc. | 52,894 |
| Lease liabilities recognized in consolidated statement of financial position as at the date of initial application of IFRS 16 | 428,631 |

4) COVID-19-Related Rent Concessions

In accordance with the amendment to IFRS 16 issued in May 2020, a rent concession arising as a direct result of the COVID-19 pandemic and which also meets all of the following conditions is not considered as a lease modification and accounted for variable lease payments.

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Any recognized gains from rent concessions, that are not accounted for as lease modification, did not have a significant impact on the Group's consolidated financial statements.

(2) Application of IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") interpretations are additional to the requirement of IAS 12 *Income Taxes* and establish accounting procedures for uncertain tax positions, such as items with no clear tax treatment or items related to matters that are not yet resolved with the tax authorities. If it is determined that the tax treatment used by the Group is not likely to be approved by the tax authorities, the Group's calculation of taxable income recognizes additional taxable income in an amount equivalent to the impact of that uncertainty, using either the most likely amount or expected value.

The application of IFRIC 23 does not have a significant impact on the Group's consolidated financial statements.

5. Issued but not yet effective IFRS, not-yet-applied new standards and interpretation guidelines

New written standards and new interpretation to existing standards and guidelines that were either newly established or revised by the date the consolidated financial statements were approved would not have a significant impact on the Group's consolidated financial statements.

6. Segment Information

A. Description of reportable segments

The Group's reportable segments are components for which discrete financial information is available and 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 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, PLST, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and J Brand clothing operations |

B. Method of accounting for 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.

C. Segment information

Year ended 31 August 2019

(Millions of yen)

| | Reportable segments | | | | Total | Others (Note1) | Adjustments (Note2) | Consolidated Statement of Profit or Loss |
|---|---|---|---|---|---|---|---|---|
| | UNIQLO Japan | UNIQLO International | GU | Global Brands | | | | |
| Revenue | 872,957 | 1,026,032 | 238,741 | 149,939 | 2,287,671 | 2,877 | - | 2,290,548 |
| Operating profit/(loss) | 102,474 | 138,904 | 28,164 | 3,685 | 273,228 | 122 | (15,715) | 257,636 |
| Segment income/(loss) (i.e., profit/(loss) before income taxes) | 101,393 | 139,624 | 27,968 | 3,570 | 272,557 | 123 | (20,233) | 252,447 |
| Other disclosure: | | | | | | | | |
| Depreciation and amortization | 10,357 | 19,861 | 5,432 | 2,525 | 38,177 | 11 | 10,287 | 48,476 |
| Impairment losses (Note 3) | 574 | 1,979 | 364 | 302 | 3,220 | - | 223 | 3,444 |

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

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

(Note 3) Details on the Impairment losses are stated in note "15. Impairment losses".

Year ended 31 August 2020

(Millions of yen)

| | Reportable segments | | | | Total | Others (Note1) | Adjustments (Note2) | Consolidated Statement of Profit or Loss |
|---|---|---|---|---|---|---|---|---|
| | UNIQLO Japan | UNIQLO International | GU | Global Brands | | | | |
| Revenue | 806,887 | 843,937 | 246,091 | 109,633 | 2,006,550 | 2,295 | - | 2,008,846 |
| Operating profit/(loss) | 104,686 | 50,234 | 21,835 | (12,743) | 164,013 | (81) | (14,585) | 149,347 |
| Segment income/(loss) (i.e., profit/(loss) before income taxes) | 104,648 | 50,417 | 21,581 | (13,226) | 163,421 | (79) | (10,473) | 152,868 |
| Other disclosure: | | | | | | | | |
| Depreciation and amortization (Note 3) | 52,997 | 70,524 | 21,574 | 10,473 | 155,569 | 11 | 22,267 | 177,848 |
| Impairment losses (Note 4) | 2,413 | 15,847 | 1,305 | 3,523 | 23,090 | 13 | (28) | 23,074 |

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

(Note 2) “Adjustments” primarily includes revenue and corporate expenses which are not allocated to individual reportable segments.

(Note 3) Depreciation and amortization recognized due to the application of IFRS 16 mentioned in " 4. Newly applied standards and interpretation guidelines" are included in "Depreciation and amortization".

(Note 4) Details on the Impairment losses are stated in note “15. Impairment losses”.

D. Geographic Information

Year ended 31 August 2019

(1) External revenue

(Millions of yen)

| Japan | PRC | Overseas (Others) | Total |
|---|---|---|---|
| 1,152,661 | 411,542 | 726,344 | 2,290,548 |

(2) Non-current assets (excluding financial assets, investments in associates accounted for using the equity method and deferred tax assets)

(Millions of yen)

| Japan | PRC | United States of America | Overseas (Others) | Total |
|---|---|---|---|---|
| 124,482 | 26,588 | 25,639 | 61,454 | 238,164 |

Year ended 31 August 2020

(1) External revenue

(Millions of yen)

| Japan | PRC | Overseas (Others) | Total |
|---|---|---|---|
| 1,082,243 | 380,998 | 545,604 | 2,008,846 |

(2) Non-current assets (excluding financial assets, investments in associates accounted for using the equity method and deferred tax assets)

(Millions of yen)

| Japan | PRC | United States of America | Overseas (Others) | Total |
|---|---|---|---|---|
| 343,489 | 42,473 | 82,468 | 149,945 | 618,376 |

(Note) The increase of non-current assets is mainly due to the application of IFRS 16 as mentioned in “4. Newly applied standards and interpretation guidelines”.

7. Business Combination

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 2019 | As at 31 August 2020 |
|---|---|---|
| Cash and bank balances | 940,519 | 947,566 |
| Money market funds (MMF), negotiable certificates of deposits | 146,000 | 145,965 |
| Total | 1,086,519 | 1,093,531 |

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 2019 | As at 31 August 2020 |
|---|---|---|
| Accounts receivable - trade | 51,064 | 55,195 |
| Notes receivable | 4 | - |
| Other accounts receivable | 9,863 | 10,919 |
| Lease receivable | - | 1,499 |
| Allowance for doubtful accounts | (533) | (544) |
| Total | 60,398 | 67,069 |

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

The above classifications of financial assets are all financial assets measured at amortized cost.

The above Accounts receivable — trade and Notes receivable are mainly recognized as revenue at the time of delivery of the clothing because the customer is deemed to have gained control of the clothing and the performance of obligations to have been fulfilled upon delivery. The Group receives payment within a short period of time after fulfilling the performance of obligations based on separately specified payment conditions. Because the period from fulfillment of the performance obligations to receipt of consideration is normally within one year, the receivables are not adjusted as material financial elements using the convention method.

10. Inventories

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

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Products | 404,621 | 411,563 |
| Materials and supplies | 5,905 | 5,965 |
| Total | 410,526 | 417,529 |

(Note) As at 31 August 2020, the Group had inventories attributable to UNIQLO Japan, UNIQLO International and GU business segments amounting to 390,569 million yen, in aggregate.

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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Write-down of inventories to net realizable value | 7,215 | 10,020 |

(Note) As at 31 August 2020, the Group had write-down of inventories to net realizable value from UNIQLO Japan, UNIQLO International and GU business segments amounting to 7,389 million yen, in aggregate.

11. Other Financial Assets and Other Financial Liabilities

The breakdowns of other financial assets and other financial liabilities as at each year end are as follows:

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Other financial assets: | | |
| Financial assets measured at amortized cost | | |
| Security deposits / guarantees | 62,398 | 63,639 |
| Bank deposits | 41,086 | 45,916 |
| Others | 16,706 | 7,584 |
| Allowance for doubtful accounts | (337) | (850) |
| Financial assets measured at fair value through other comprehensive income | | |
| Stocks | 1,645 | 1,370 |
| Total | 121,499 | 117,660 |
| Other current financial assets total | 44,473 | 49,890 |
| Other non-current financial assets total | 77,026 | 67,770 |

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Other financial liabilities: | | |
| Financial liabilities measured at amortized cost | | |
| Interest-bearing bank and other borrowings (Note) | 513,405 | 484,496 |
| Deposits | 144,099 | 98,156 |
| Deposits / guarantees received | 1,450 | 1,428 |
| Total | 658,955 | 584,082 |
| Other current financial liabilities total | 159,006 | 213,301 |
| Other non-current financial liabilities total | 499,948 | 370,780 |

(Note) Interest-bearing bank and other borrowings include corporate bonds and loans payable. In addition, the amount of finance lease obligations is included in interest-bearing bank and other borrowings for the previous fiscal year. For the current fiscal year, due to the application of IFRS 16 as mentioned in "4. Newly applied standards and interpretation guidelines", finance lease obligations which were included in Other financial liabilities are reclassified to Lease liabilities on the Consolidated statement of financial position.

The issues and fair values of financial assets measured at fair value through other comprehensive income are as follows:

(Millions of yen)

| Issue(s) | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Crystal International Group Ltd. | 884 | 591 |
| Matsuoka Corporation | 587 | 566 |

Stocks are principally held to strengthen medium-term relationships with strategic partners, and are therefore designated as financial assets at fair value through other comprehensive income.

The Group sells off (derecognizes) equity instruments measured at fair value through other comprehensive income based on the efficient utilization of assets and reviews of business relationships. In the current consolidated fiscal year, the Group did not sell off any equity instruments measured at fair value through other comprehensive income.

Dividend income recognized in financial assets measured at fair value through other comprehensive income is as follows.

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Derecognized financial assets | - | - |
| Financial assets held at the end of the fiscal year | 23 | 50 |

12. Other Assets and Other Liabilities

The breakdowns of other assets and other liabilities as at each year end are as follows:

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Other assets: | | |
| Prepayments | 16,036 | 8,246 |
| Long-term prepayments | 7,149 | 2,662 |
| Others | 4,650 | 7,104 |
| Total | 27,836 | 18,013 |
| Current | 19,975 | 10,629 |
| Non-current | 7,861 | 7,383 |

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Other liabilities: | | |
| Accruals | 61,486 | 57,338 |
| Employee benefits accruals | 7,170 | 8,146 |
| Others | 30,728 | 19,676 |
| Total | 99,385 | 85,160 |
| Current | 82,103 | 82,636 |
| Non-current | 17,281 | 2,524 |

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 (Note 1) | Total |
|---|---|---|---|---|---|---|
| At 1 September 2018 | 252,606 | 51,765 | 1,962 | 9,550 | 49,973 | 365,858 |
| Additions | 5,935 | 1,364 | - | 40,134 | 12,502 | 59,937 |
| Disposals | (7,319) | (1,679) | - | (425) | (7,226) | (16,650) |
| Transfers | 25,645 | 9,833 | - | (37,090) | 1,611 | - |
| Effect of change in exchange rate | (10,962) | (3,782) | - | (1,764) | 548 | (15,960) |
| At 31 August 2019 | 265,905 | 57,501 | 1,962 | 10,404 | 57,409 | 393,184 |
| Effect of change in accounting policy | - | - | - | - | (57,409) | (57,409) |
| At 1 September 2019 (After adjustment) | 265,905 | 57,501 | 1,962 | 10,404 | - | 335,774 |
| Additions | 1,886 | 314 | - | 43,784 | - | 45,986 |
| Disposals | (10,896) | (2,994) | - | (160) | - | (14,051) |
| Transfers | 33,539 | 7,554 | - | (41,094) | - | - |
| Effect of change in exchange rate | 2,927 | 465 | - | 286 | - | 3,678 |
| At 31 August 2020 | 293,362 | 62,842 | 1,962 | 13.220 | - | 371,388 |

(Millions of yen)

| Accumulated depreciation and impairment | Buildings and structures | Furniture, equipment, and vehicles | Land | Construction in progress | Leased assets (Note 1) | Total |
|---|---|---|---|---|---|---|
| At 1 September 2018 | (157,933) | (37,622) | (34) | - | (15,191) | (210,781) |
| Depreciation provided during the year | (23,919) | (6,444) | - | - | (8,416) | (38,781) |
| Impairment losses | (2,375) | (271) | - | - | (501) | (3,148) |
| Disposals | 6,207 | 1,551 | - | - | 5,760 | 13,519 |
| Effect of change in exchange rate | 6,774 | 2,361 | - | - | (1,036) | 8,099 |
| At 31 August 2019 | (171,246) | (40,425) | (34) | - | (19,385) | (231,092) |
| Effect of change in accounting policy | - | - | - | - | 19,385 | 19,385 |
| At 1 September 2019 (After adjustment) | (171,246) | (40,425) | (34) | - | - | (211,706) |
| Depreciation provided during the year | (22,972) | (7,392) | - | - | - | (30,365) |
| Impairment losses | (3,715) | (655) | - | - | - | (4,370) |
| Disposals | 9,938 | 2,735 | - | - | - | 12,674 |
| Effect of change in exchange rate | (1,165) | (331) | - | - | - | (1,496) |
| At 31 August 2020 | (189,161) | (46,069) | (34) | - | - | (235,265) |

(Millions of yen)

| Net carrying amount | Buildings and structures | Furniture, equipment, and vehicles | Land | Construction in progress | Leased assets (Note 1) | Total |
|---|---|---|---|---|---|---|
| At 31 August 2019 | 94,659 | 17,076 | 1,927 | 10,404 | 38,024 | 162,092 |
| At 31 August 2020 | 104,201 | 16,773 | 1,927 | 13,220 | - | 136,123 |

(Note 1) Leased assets are transferred to right-of-use assets due to the application of IFRS 16 as mentioned in "4. Newly applied standards and interpretation guidelines". Please refer to “17. Leases” for details of right-of-use assets.

(Note 2) The Group had store assets attributable to UNIQLO Japan, UNIQLO International and GU business segments.

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

(Millions of yen)

| Net carrying amount | Buildings and structures | Furniture, equipment, and vehicles | Others | Total |
|---|---|---|---|---|
| At 31 August 2019 | 6,705 | 30,916 | 403 | 38,024 |

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

14. Goodwill and Intangible Assets

A. 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 | | | | Goodwill and Intangible assets total |
|---|---|---|---|---|---|---|
| | | Software | Trademarks | Other intangible assets (Note) | Total | |
| At 1 September 2018 | 39,740 | 70,741 | 21,549 | 22,174 | 114,465 | 154,206 |
| External purchases | - | 24,401 | 0 | 1,301 | 25,703 | 25,703 |
| Disposals | - | (148) | - | (151) | (299) | (299) |
| Effect of change in exchange rate | (985) | (416) | (862) | (1,373) | (2,652) | (3,638) |
| At 31 August 2019 | 38,754 | 94,578 | 20,686 | 21,950 | 137,215 | 175,970 |
| External purchases | - | 21,349 | 33 | 1,693 | 23,076 | 23,076 |
| Disposals | - | (626) | - | (118) | (744) | (744) |
| Effect of change in exchange rate | (231) | 123 | (202) | (412) | (491) | (723) |
| At 31 August 2020 | 38,522 | 115,426 | 20,517 | 23,112 | 159,056 | 197,578 |

(Millions of yen)

| Accumulated amortization and impairment | Goodwill | Intangible assets other than goodwill | | | | Goodwill and Intangible assets total |
|---|---|---|---|---|---|---|
| | | Software | Trademarks | Other intangible assets (Note) | Total | |
| At 1 September 2018 | (31,647) | (39,052) | (13,653) | (15,757) | (68,463) | (100,111) |
| Amortization provided during the year | - | (9,483) | - | (212) | (9,695) | (9,695) |
| Impairment losses | - | (239) | - | (55) | (295) | (295) |
| Disposals | - | 15 | - | 117 | 132 | 132 |
| Effect of change in exchange rate | 985 | 109 | 540 | 572 | 1,222 | 2,208 |
| At 31 August 2019 | (30,661) | (48,649) | (13,113) | (15,335) | (77,097) | (107,759) |
| Amortization provided during the year | - | (13,976) | - | (49) | (14,025) | (14,025) |
| Impairment losses | - | (0) | (1,312) | (333) | (1,646) | (1,646) |
| Disposals | - | 306 | - | 49 | 355 | 355 |
| Effect of change in exchange rate | 231 | 70 | 110 | 10 | 191 | 423 |
| At 31 August 2020 | (30,429) | (62,249) | (14,315) | (15,658) | (92,222) | (122,652) |

(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 | | | | Goodwill and Intangible assets total |
|---|---|---|---|---|---|---|
| | | Software | Trademarks | Other intangible assets | Total | |
| At 31 August 2019 | 8,092 | 45,928 | 7,573 | 6,615 | 60,117 | 68,210 |
| At 31 August 2020 | 8,092 | 53,176 | 6,202 | 7,454 | 66,833 | 74,925 |

B. Goodwill and intangible assets with indefinite useful lives

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

Trademarks and certain other intangible assets 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 CGU is as follows:

(Millions of yen)

| Net carrying amount | Goodwill | | | | Intangible assets with indefinite useful lives | | | |
|---|---|---|---|---|---|---|---|---|
| | UNIQLO Japan | UNIQLO International | GU | Global Brands | UNIQLO Japan | UNIQLO International | GU | Global Brands |
| At 31 August 2019 | - | - | - | 8,092 | - | - | - | 12,854 |
| At 31 August 2020 | - | - | - | 8,092 | - | - | - | 11,985 |

15. Impairment Losses

During the year ended 31 August 2020, the Group recognized impairment losses on certain store assets etc., due to reductions in profitability of the respective CGU.

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

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Buildings and structures | 2,375 | 3,715 |
| Furniture and equipment | 271 | 655 |
| Leased assets (Note 1,2) | 501 | - |
| Subtotal impairment losses on property, plant and equipment | 3,148 | 4,370 |
| Software | 239 | 0 |
| Trademark (Note 3) | - | 1,312 |
| Other intangible assets | 55 | 333 |
| Subtotal impairment losses on intangible assets | 295 | 1,646 |
| Right-of-use assets | - | 17,041 |
| Other non-current assets (long-term prepayments) | 0 | 15 |
| Total impairment losses | 3,444 | 23,074 |

(Note 1) Leased assets include furniture and equipment.

(Note 2) Leased assets are transferred to right-of-use assets due to the application of IFRS 16 as mentioned in "4. Newly applied standards and interpretation guidelines".

(Note 3) Impairment losses on trademark of Helmut Lang brand that is included in Theory business and J Brand are recognized by 612 million yen and 700 million yen, respectively.

The Group’s impairment losses during the year ended 31 August 2020 amounted to 23,074 million yen, compared with 3,444 million yen during the year ended 31 August 2019, and are included in “other expenses” on the consolidated statement of profit or loss.

Year ended 31 August 2019

Property, plant and equipment

Out of total impairment losses amounting to 3,444 million yen, 3,148 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores.

The grouping of assets is based on the smallest CGU that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon 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 15.9%. 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 CGUs for which impairment losses were recorded are as follows:

| Operating segment | CGU | 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 |

Year ended 31 August 2020

Property, plant and equipment and Right-of-use assets

Impairment losses amounting to 23,074 million yen, 21,411 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores. With the global spread of COVID-19, the Group's performance has been adversely affected due to temporarily closing stores, etc. We measured impairment losses on the assumption that the impact of COVID-19 pandemic will continue to be felt through to the end of August 2021.

The grouping of assets is based on the smallest CGU that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon 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 7.1%. 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 CGUs for which impairment losses were recorded are as follows:

| Operating segment | CGU | Type |
| --- | --- | --- |
| UNIQLO Japan | UNIQLO CO., LTD. stores | Buildings, structures and right-of-use assets |
| UNIQLO International | UNIQLO USA, FRL Korea Co., Ltd. etc., stores | Buildings, structures and right-of-use assets |
| GU | G.U. CO., LTD., FRL Korea Co., Ltd. etc., stores | Buildings, structures and right-of-use assets |
| Global Brands | Theory LLC.,COMPTOIR DES COTONNIERS S.A.S., etc., stores | Buildings, structures and right-of-use assets |

(Note) The total of tangible assets and right-of-use assets associated with domestic UNIQLO stores, overseas UNIQLO stores, and GU stores for the fiscal year ended August 2020 are 120,354 million yen, 196,793 million yen, and 39,752 million yen, respectively.

16. Investments in Associates Accounted for Using the Equity Method

A. Information on associates accounted for using the equity method

Information on associates accounted for using the equity method is as follows:

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Share of profit and loss of associates accounted for using the equity method | 562 | 321 |
| Share of other comprehensive income of investments in associates accounted for using the equity method | (11) | (39) |
| Share of comprehensive income of investments in associates accounted for using the equity method | 551 | 281 |
| Carrying amount of investments in associates | 14,587 | 14,221 |

B. Determination regarding significant influence and financial information on important associates

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

The Company's maximum exposure to losses due to its investments in the associates is limited to the amount of the investments by the Company and is included in the consolidated statement of financial position as "Investments in associates," which amounted to 13,138 million yen. The Group's share of profit and comprehensive income of the associates was 486 million yen and was included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively.

Total assets of the associates amounted to 69,872 million yen, which mainly comprised non-current assets such as warehouse, etc. The Company invested in the associates at the time of incorporation and no goodwill is recognized.

The Company received dividends amounting to 619 million yen from the associates during the year ended 31 August 2020.

The Group has entered into lease contracts with one of the associates relating to warehouse rental, etc.

17. Leases

Year ended 31 August 2019

(1) Finance Lease Obligations

The breakdown of finance lease obligations is as follows:

(Millions of yen)

| | Year ended 31 August 2019 | |
|---|---|---|
| | Future minimum lease payments | Present value of future minimum lease payments |
| Finance lease obligations | | |
| Due within one year | 9,824 | 9,411 |
| Due after one year through five years | 25,394 | 24,698 |
| Due after five years | 4,847 | 4,615 |
| Total | 40,066 | 38,726 |
| Deductions - future finance costs | (1,340) | - |
| Total net finance lease payables | 38,726 | 38,726 |
| Current portion | - | 9,411 |
| Non-current portion | - | 29,314 |

The Group has no sublease contracts, accrued variable lease payments 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.).

(2) Operating Lease Commitments

A. 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 2019 |
|---|---|
| Due within one year | 83,877 |
| Due after one year through five years | 155,022 |
| Due after five years | 105,988 |
| Total | 344,888 |

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

(Millions of yen)

| | Year ended 31 August 2019 |
|---|---|
| Total minimum lease payments | 119,059 |
| Variable lease payments | 78,780 |
| Total | 197,840 |

Variable lease payments, 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.).

B. 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 2019 |
|---|---|
| Due within one year | 162 |
| Due after one year through five years | 739 |
| Due after five years | 395 |
| Total | 1,298 |

The total of variable lease payments recorded as revenue during each reporting period is as follows:

(Millions of yen)

| | Year ended 31 August 2019 |
|---|---|
| Variable lease payments | 1,042 |

Year ended 31 August 2020

(1) Lessee

As a lessee, the Group mainly leases real estate for store use (land, buildings and structures).

A. Lease liabilities

(Millions of yen)

| | Year ended 31 August 2020 | |
|---|---|---|
| | Remaining lease payments | Present value of remaining lease payments |
| Lease liabilities | | |
| Due within one year | 115,222 | 114,652 |
| Due after one year through two years | 85,370 | 83,993 |
| Due after two years through three years | 60,865 | 59,130 |
| Due after three years through four years | 49,846 | 47,954 |
| Due after four years through five years | 38,523 | 36,724 |
| Due after five years | 130,932 | 123,722 |
| Total | 480,761 | 466,179 |

Interest expenses on lease liabilities

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Interest expenses on lease liabilities | 4,763 |

Cash outflow for leases

Cash outflow for leases in the current fiscal year is as follows:

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Total Cash outflow for leases | 200,483 |

B. Right-of-use assets

A breakdown of right-of-use assets as at 31 August 2020 is as follows:

(Millions of yen)

| | Real estates | Furniture, equipment, and vehicles | Total |
|---|---|---|---|
| At 1 September 2019 | 330,860 | 44,681 | 375,541 |
| Additions due to new lease contracts, reassessment of lease liabilities, etc. | 164,901 | 13,049 | 177,950 |
| Depreciation | (120,862) | (12,594) | (133,457) |
| Impairment losses | (16,766) | (274) | (17,041) |
| Expiration, cancellation, etc. | (2,034) | (1,084) | (3,118) |
| Others | 442 | (372) | 69 |
| At 31 August 2020 | 356,539 | 43,404 | 399,944 |

(Note) The total amount of right-of-use assets of the Company, UNIQLO Japan and GU Japan is 226,257 million yen in terms of real estate as at 31 August 2020. The corresponding lease liabilities are 244,290 million yen.

C. Expenses relating to Leases

A breakdown of expenses relating to Leases for the fiscal year ended 31 August 2020 is as follows:

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Expenses relating to variable lease payments not included in the measurement of lease liability | 49,418 |
| Expenses relating to short-term leases (excluding expenses relating to leases with lease term of no more than one month) | 3,261 |
| Expenses relating to leases of low value assets (excluding expenses relating to short-term leases) | 33 |

(Note) Variable lease payments that mainly relating to store opening contracts depend on sales amounts.

D. Others

The future cash outflows to which the lessee is potentially exposed that are not yet commenced to which the lessee is committed is 11,071 million yen.

The Group's leased properties are granted a termination option for the purposes of flexible decision-making regarding store closures. This is mainly in relation to store lease agreements, most of which have the option of early termination provided that written notice is given to the other party six months in advance. In light of the possibility for the termination option to be exercised, the lease term is determined by setting a non-cancellable lease term as a minimum and taking a target period for return on investment for each segment into consideration. We continually review this assessment, should any event arise that would impact this assessment, as well as any occurrence or situation that would cause significant changes.

(2) Lessor

The Group subleases some real estate as part of promoting its store-opening strategy. The Group receives security deposits from lessee to collateralize risks such as non-restitution of defaults on lease payments liabilities and non-implementation of asset retirement obligation.

A. Finance leases

The Group acts as a lessor under a finance lease, primarily for the subletting of road-side stores.

(i)Analysis of changes of lease receivables

An analysis of changes in lease receivables in relation to finance leases is as follows;

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| At 31 August 2019 | 4,824 |
| Increases due to finance lease contracts | 1,943 |
| Decreases due to repayments | (2,294) |
| Others | 15 |
| At 31 August 2020 | 4,474 |

(ii) Maturity analysis of the lease payments receivables to be reconciled to the net investment in the lease
A maturity analysis of lease payments in relation to finance leases is as follows;

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Undiscounted lease payments to be received | |
| Due within one year | 1,499 |
| Due after one year through two years | 1,034 |
| Due after two years through three years | 792 |
| Due after three years through four years | 502 |
| Due after four years through five years | 370 |
| Due after five years | 345 |
| Total | 4,545 |
| Unearned finance income | 71 |
| Net investment in the lease | 4,474 |

(iii) Amount pertaining to lease receivables recognized in the Consolidated statement of profit or loss

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Finance income from net investment in the lease | 37 |

B. Operating leases
The Group subleases property to its tenants under operating leases for each commercial establishment it operates.
(i) Lease income
A breakdown of income on operating leases is as follows;

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Income on variable lease payments | 120 |
| Income on fixed lease payments | 1,030 |

(ii) Maturity analysis of lease payments to be received

A maturity analysis of lease payments to be received in relation to operating leases is as follows;

(Millions of yen)

| | Year ended 31 August 2020 |
|---|---|
| Undiscounted lease payments to be received | |
| Due within one year | 1,009 |
| Due after one year through two years | 1,008 |
| Due after two years through three years | 533 |
| Due after three years through four years | 205 |
| Due after four years through five years | 205 |
| Due after five years | 530 |
| Total | 3,492 |

18. Deferred Taxes and Income Taxes

A. 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 2018 | Recognized in profit or loss (Note) | Recognized in other comprehensive income | Recognized directly in equity | As at 31 August 2019 |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Accrued business tax | 1,942 | (122) | - | - | 1,819 |
| Accrued for bonuses | 4,247 | 395 | - | - | 4,642 |
| Allowance for doubtful accounts | 130 | 41 | - | - | 172 |
| Impairment losses on non-current assets | 4,165 | (301) | - | - | 3,864 |
| Unrealized gains / (losses) on available-for-sale securities | (91) | - | 277 | - | 186 |
| Depreciation | 8,120 | (717) | - | | 7,402 |
| Net gains / (losses) on revaluation of cash flow hedges | (7,849) | - | (1,877) | 7,837 | (1,889) |
| Temporary differences on shares of subsidiaries | (1,893) | - | - | - | (1,893) |
| Accelerated depreciation | (4,206) | 125 | - | - | (4,081) |
| Others | 5,143 | 4,918 | - | - | 10,061 |
| Subtotal | 9,708 | 4,338 | (1,600) | 7,837 | 20,283 |
| Tax losses carried forward | 3,666 | 390 | - | | 4,056 |
| Net deferred tax assets / (liabilities) | 13,374 | 4,728 | (1,600) | 7,837 | 24,340 |

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

(Millions of yen)

| | As at 31 August 2019 | Effect of adoption of IFRS 16 | As at 1 September 2019 | Recognized in profit or loss (Note) | Recognized in other comprehensive income | Recognized directly in equity | As at 31 August 2020 |
|---|---|---|---|---|---|---|---|
| Temporary differences | | | | | | | |
| Accrued business tax | 1,819 | - | 1,819 | (334) | - | - | 1,484 |
| Accrued for bonuses | 4,642 | - | 4,642 | (659) | - | - | 3,982 |
| Allowance for doubtful accounts | 172 | - | 172 | (166) | - | - | 5 |
| Impairment losses on non-current assets | 3,864 | - | 3,864 | (1,944) | - | - | 1,919 |
| Unrealized gains / (losses) on available-for-sale securities | 186 | - | 186 | - | (355) | - | (169) |
| Depreciation | 7,402 | - | 7,402 | 238 | - | - | 7,640 |
| Net gains / (losses) on revaluation of cash flow hedges | (1,889) | - | (1,889) | - | (6,899) | 3,383 | (5,405) |
| Temporary differences on shares of subsidiaries | (1,893) | - | (1,893) | - | - | - | (1,893) |
| Accelerated depreciation | (4,081) | - | (4,081) | 4,081 | - | - | - |
| Right-of-use assets / Lease liabilities | - | 13,988 | 13,988 | (3,117) | - | - | 10,870 |
| Others | 10,061 | - | 10,061 | 4,140 | - | - | 14,202 |
| Subtotal | 20,283 | 13,988 | 34,272 | 2,236 | (7,255) | 3,383 | 32,636 |
| Tax losses carried forward | 4,056 | - | 4,056 | 993 | - | - | 5,049 |
| Net deferred tax assets / (liabilities) | 24,340 | 13,988 | 38,329 | 3,229 | (7,255) | 3,383 | 37,686 |

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 2019 | As at 31 August 2020 |
|---|---|---|
| Unrecognized tax losses carried forward | 17,486 | 32,071 |
| Deductible temporary differences | 12,236 | 11,574 |
| Total | 29,723 | 43,646 |

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 2019 | As at 31 August 2020 |
|---|---|---|
| First year | 149 | 340 |
| Second year | 251 | 239 |
| Third year | 139 | 608 |
| Fourth year | 333 | 333 |
| Fifth year and thereafter | 16,612 | 30,549 |
| Total | 17,486 | 32,071 |

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 2019 and 31 August 2020 were 392,264 million yen and 427,747 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.

B. Income taxes

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Current tax | 80,666 | 68,263 |
| Deferred tax | (6,265) | (5,793) |
| Total | 74,400 | 62,470 |

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.

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Statutory income tax rate | 30.6% | 30.6% |
| Unrecognized deferred tax assets | 1.2% | 9.1% |
| Difference in statutory income tax rates of subsidiaries | (4.5)% | (2.5)% |
| Undistributed earnings of foreign subsidiaries | (0.2)% | 0.9% |
| Foreign withholding tax | 1.9% | 3.8% |
| Inhabitant tax on per capita basis | 0.1% | 0.2% |
| Others | 0.4% | (1.2)% |
| Effective tax rate | 29.5% | 40.9% |

19. 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 2019 | As at 31 August 2020 |
|---|---|---|
| Trade payables | 127,194 | 150,749 |
| Notes payables | 18 | 12 |
| Other payables | 64,556 | 59,984 |
| Total | 191,769 | 210,747 |

20. Provisions

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

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Asset retirement obligations | 33,814 | 33,410 |
| Total | 33,814 | 33,410 |
| Current liabilities | 13,340 | 752 |
| Non-current liabilities | 20,474 | 32,658 |

The primarily factors for the increase / (decrease) in provision are as follows:

(Millions of yen)

| | Asset retirement obligations |
|---|---|
| Balances as at 31 August 2019 | 33,814 |
| Additional provisions | 2,721 |
| Amounts utilized | (1,982) |
| Increase in discounted amounts arising from passage of time | 153 |
| Others | (1,296) |
| Balances as at 31 August 2020 | 33,410 |

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

21. Equity and Other Equity Items

A. 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 2018 | 300,000,000 | 106,073,656 | 102,019,784 | 10,273 | 18,275 |
| Increase / (decrease) (Note) | - | - | 41,951 | - | 2,328 |
| Balances as at 31 August 2019 | 300,000,000 | 106,073,656 | 102,061,735 | 10,273 | 20,603 |
| Increase / (decrease) (Note) | - | - | 38,808 | - | 2,761 |
| Balances as at 31 August 2020 | 300,000,000 | 106,073,656 | 102,100,543 | 10,273 | 23,365 |

(Note) The primarily 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.

B. Treasury Stock and Capital Surplus

(1) Treasury Stock

| | Number of shares (Shares) | Amount (Millions of yen) |
|---|---|---|
| Balances as at 1 September 2018 | 4,053,872 | 15,429 |
| Acquisition of treasury stock less than one unit | 40 | 2 |
| Exercise of stock options | (41,991) | (159) |
| Balances as at 31 August 2019 | 4,011,921 | 15,271 |
| Acquisition of treasury stock less than one unit | 83 | 5 |
| Exercise of stock options | (38,891) | (148) |
| Balances as at 31 August 2020 | 3,973,113 | 15,129 |

(2) Capital surplus

(Millions of yen)

| | Capital reserve | Gain / (loss) on disposal of treasury stock | Stock options | Others | Total |
|---|---|---|---|---|---|
| Balances as at 1 September 2018 | 4,578 | 4,924 | 5,211 | 3,559 | 18,275 |
| Disposal of treasury stock | - | 1,558 | - | - | 1,558 |
| Share-based payments | - | - | 769 | - | 769 |
| Balances as at 31 August 2019 | 4,578 | 6,483 | 5,981 | 3,559 | 20,603 |
| Disposal of treasury stock | - | 1,496 | - | - | 1,496 |
| Share-based payments | - | - | 1,265 | - | 1,265 |
| Balances as at 31 August 2020 | 4,578 | 7,980 | 7,246 | 3,559 | 23,365 |

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

C. 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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Exchange differences on translation of foreign operations | (4,289) | (212) |
| Cash flow hedges | 2,970 | (877) |
| Other comprehensive income | (1,318) | (1,089) |

D. 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 2019

| Resolutions | Amount of dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Board of Directors’ meeting held on 2 November 2018 | 24,484 | 240 |
| Board of Directors’ meeting held on 11 April 2019 | 24,492 | 240 |

Year ended 31 August 2020

| Resolutions | Amount of dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Board of Directors’ meeting held on 5 November 2019 | 24,494 | 240 |
| Board of Directors’ meeting held on 9 April 2020 | 24,499 | 240 |

Dividend which effective date is after fiscal 2020 is as follow:

| Resolutions | Amount of dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Board of Directors’ meeting held on 4 November 2020 | 24,504 | 240 |

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.

22. Revenue

A. The breakdown of revenue for each year is as follows:

The Group performs global retail clothing operations through both physical stores and e-commerce channels. The following is a breakdown of total revenue by major regional market operation.

Year ended 31 August 2019

| | Revenue (Millions of yen) | Percent of Total (%) |
|---|---|---|
| Japan | 872,957 | 38.1 |
| Greater China | 502,565 | 21.9 |
| Other parts of Asia & Oceania | 306,510 | 13.4 |
| North America & Europe | 216,956 | 9.5 |
| UNIQLO (Note 1) | 1,898,990 | 82.9 |
| GU (Note 2) | 238,741 | 10.4 |
| Global Brands (Note 3) | 149,939 | 6.5 |
| Others (Note 4) | 2,877 | 0.1 |
| Total | 2,290,548 | 100.0 |

(Note 1) Revenue is classified by nation or region based on customer location.

The designated countries and regions are classified as follows:

Greater China: Mainland China, Hong Kong, Taiwan

Other parts of Asia & Oceania: South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia

North America & Europe: United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, the Netherlands, Denmark

(Note 2) Main national and regional market: Japan

(Note 3) Main national and regional markets: North America, Europe, Japan

(Note 4) The “Others” category includes real estate leasing operations.

Year ended 31 August 2020

| | Revenue (Millions of yen) | Percent of Total (%) |
|---|---|---|
| Japan | 806,887 | 40.2 |
| Greater China | 455,986 | 22.7 |
| Other parts of Asia & Oceania | 204,537 | 10.2 |
| North America & Europe | 183,412 | 9.1 |
| UNIQLO (Note 1) | 1,650,825 | 82.2 |
| GU (Note 2) | 246,091 | 12.3 |
| Global Brands (Note 3) | 109,633 | 5.5 |
| Others (Note 4) | 2,295 | 0.1 |
| Total | 2,008,846 | 100.0 |

(Note 1) Revenue is classified by nation or region based on customer location.

The designated countries and regions are classified as follows:

Greater China: Mainland China, Hong Kong, Taiwan

Other parts of Asia & Oceania: South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia, Vietnam, India

North America & Europe: United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, the Netherlands, Denmark, Italy

(Note 2) Main national and regional market: Japan

(Note 3) Main national and regional markets: North America, Europe, Japan

(Note 4) The “Others” category includes real estate leasing operations.

B. Liabilities arising from contracts with customers are as stated below.

(Millions of yen)

| | End of current consolidated fiscal year (31 August 2019) | End of current consolidated fiscal year (31 August 2020) |
|---|---|---|
| Contractual liabilities | | |
| Advances received from customers | 598 | 1,391 |
| Refund liabilities | 1,026 | 1,445 |

Consideration for anticipated refunds to customers is reasonably estimated and recognized as a refund liability.

In the consolidated statement of financial position, liabilities pertaining to advances received and refunds from customers are included in “Other current liabilities.”

C. Transaction prices allocated to existing performance obligations

In the Group, there are no significant transactions for which the individual forecast contract period exceeds one year. Therefore, the practical short-cut method is used, and information related to remaining performance obligations is omitted. Furthermore, in the consideration arising from contracts with customers, there are no significant monetary amounts that are not included in the transaction price.

D. Assets recognized from costs for acquiring or performing contracts with customers

In the Group, there are no assets recognized from costs for acquiring or performing contracts with customers.

23. 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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Selling, general and administrative expenses | | |
| Advertising and promotion | 74,436 | 68,307 |
| Lease expenses | 197,840 | 53,617 |
| Depreciation and amortization | 48,476 | 177,848 |
| Outsourcing | 46,197 | 49,686 |
| Salaries | 301,456 | 277,556 |
| Distribution | 93,702 | 94,018 |
| Others | 92,284 | 84,787 |
| Total | 854,394 | 805,821 |

(Note)The decrease of Lease expenses and the increase of Depreciation and amortization are mainly due to the application of IFRS 16 as mentioned in "4. Newly applied standards and interpretation guidelines".

24. 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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Other income | | |
| Foreign exchange gains (note) | - | 1,576 |
| Others | 4,533 | 6,378 |
| Total | 4,533 | 7,954 |

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Other expenses | | |
| Foreign exchange losses (note) | 6,020 | - |
| Losses on retirement of property, plant and equipment | 650 | 1,125 |
| Impairment losses | 3,444 | 23,074 |
| Others | 2,510 | 4,752 |
| Total | 12,626 | 28,952 |

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

25. 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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Finance income | | |
| Foreign exchange gains (note) | - | 1,576 |
| Interest income | 12,202 | 9,673 |
| Others | 90 | 50 |
| Total | 12,293 | 11,228 |

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Finance costs | | |
| Foreign exchange losses (note) | 13,107 | - |
| Interest expenses | 4,369 | 7,706 |
| Others | 4 | 1 |
| Total | 17,481 | 7,707 |

(Note) Currency adjustments incurred in the course of non-operating transactions are included in “finance costs.”

26. 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 each year are as follows:

Year ended 31 August 2019

(Millions of yen)

| | Amount recorded during the year | Reclassification adjustment | Amount before income taxes | Income taxes | Amount after income taxes |
|---|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Financial assets measured at fair value through other comprehensive income / (loss) | (1,012) | - | (1,012) | 277 | (734) |
| Total | (1,012) | - | (1,012) | 277 | (734) |
| Net gain / (loss) on revaluation of available-for-sale investments | | | | | |
| Exchange differences on translation of foreign operations | (33,649) | - | (33,649) | - | (33,649) |
| Cash flow hedges | 15,146 | - | 15,146 | (3,748) | 11,398 |
| Share of other comprehensive income of associates | (11) | - | (11) | - | (11) |
| Total | (18,513) | - | (18,513) | (3,748) | (22,262) |
| Total comprehensive income for the year | (19,525) | - | (19,525) | (3,471) | (22,997) |

Year ended 31 August 2020

(Millions of yen)

| | Amount recorded during the year | Reclassification adjustment | Amount before income taxes | Income taxes | Amount after income taxes |
|---|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Financial assets measured at fair value through other comprehensive income / (loss) | (275) | - | (275) | (355) | (630) |
| Total | (275) | - | (275) | (355) | (630) |
| Net gain / (loss) on revaluation of available-for-sale investments | | | | | |
| Exchange differences on translation of foreign operations | 5,227 | - | 5,227 | - | 5,227 |
| Cash flow hedges | 26,185 | (5,155) | 21,029 | (6,899) | 14,130 |
| Share of other comprehensive income of associates | (39) | - | (39) | - | (39) |
| Total | 31,373 | (5,155) | 26,217 | (6,899) | 19,318 |

| | Amount recorded during the year | Reclassification adjustment | Amount before income taxes | Income taxes | Amount after income taxes |
|---|---|---|---|---|---|
| Total comprehensive income for the year | 31,098 | (5,155) | 25,942 | (7,255) | 18,687 |

(Note) The cash flow hedge reclassification adjustment of (5,155) million yen is the amount transferred to net gains and losses after hedge accounting was suspended, as a forecast transaction eligible for hedge accounting was no longer expected to occur.
There is no transfer amount for the previous consolidated fiscal year.

27. Earnings per Share

| Year ended 31 August 2019 | | Year ended 31 August 2020 | |
|---|---|---|---|
| Equity per share attributable to owners of the Parent (Yen) | 9,196.61 | Equity per share attributable to owners of the Parent (Yen) | 9,368.83 |
| Basic earnings per share for the year (Yen) | 1,593.20 | Basic earnings per share for the year (Yen) | 885.15 |
| Diluted earnings per share for the year (Yen) | 1,590.55 | Diluted earnings per share for the year (Yen) | 883.62 |

(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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Basic earnings per share for the year | | |
| Profit for the year attributable to owners of the Parent (Millions of yen) | 162,578 | 90,357 |
| Profit not attributable to common shareholders (Millions of yen) | - | - |
| Profit attributable to common shareholders (Millions of yen) | 162,578 | 90,357 |
| Average number of common stock during the year (Shares) | 102,045,645 | 102,081,609 |
| Diluted earnings per share for the year | | |
| Adjustment to profit (Millions of yen) | - | - |
| Increase in number of common stock (Shares) | 169,956 | 177,082 |
| (share subscription rights) | (169,956) | (177,082) |

28. Cash Flow Information

A. Liabilities of financing activities

Liabilities of financing activities are as follows:

Year ended 31 August 2019

(Millions of yen)

| | Balances as at 1 September 2018 | Variation with cash flow | Variation without cash flow | | Balances as at 31 August 2019 |
|---|---|---|---|---|---|
| | | | Foreign currency translation reserve | Others | |
| Short-term borrowings | 954 | 355 | (73) | - | 1,236 |
| Long-term borrowings | 8,884 | (4,433) | (192) | - | 4,258 |
| Corporate bonds | 499,020 | (30,000) | - | 163 | 469,183 |
| Finance lease obligations | 35,643 | (11,377) | (192) | 14,653 | 38,726 |
| Total | 544,502 | (45,455) | (458) | 14,816 | 513,405 |

(Note) 30,000 million yen in 1st non-collateralized corporate bonds (interest rate: 0.110%; date of maturity: 18 December 2018) have been redeemed.

Year ended 31 August 2020

(Millions of yen)

| | Balances as at 31 August 2019 | Adjustment for adoption of IFRS16 | Balances as at 1 September 2019 | Variation with cash flow | Variation without cash flow | | | Balances as at 31 August 2020 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Foreign currency translation reserve | New lease contracts | Others | |
| Short-term borrowings | 1,236 | - | 1,236 | 13,472 | 445 | - | - | 15,154 |
| Long-term borrowings | 4,258 | - | 4,258 | (4,343) | 84 | - | - | - |
| Corporate bonds | 469,183 | - | 469,183 | - | - | - | 158 | 469,342 |
| Finance lease obligations (Note) | 38,726 | (38,726) | - | - | - | - | - | - |
| Lease liabilities (Note) | - | 428,631 | 428,631 | (141,216) | 2,806 | 177,451 | (1,493) | 466,179 |
| Total | 513,405 | 389,904 | 903,309 | (132,087) | 3,336 | 177,451 | (1,334) | 950,675 |

(Note) Finance lease obligations have been reclassified to Lease liabilities due to the application of IFRS 16 as mentioned in “4. Newly applied standards and interpretation guideline.”

B. Important non-cash transactions

Year ended 31 August 2019

There are no important non-cash transactions.

Year ended 31 August 2020

Due to the application of IFRS 16, the amount of increase in right-of-use assets is listed in "17. Leases."

C. Information on corporate bonds as at 31 August 2019 and 2020 is as follows:

(Millions of yen)

| Company name | Name of bonds | Date of issuance | As at 31 August 2019 | As at 31 August 2020 | Interest rate (%) | Date of maturity |
|---|---|---|---|---|---|---|
| FAST RETAILING CO., LTD. | 2nd non-collateralized corporate bonds | 18 December 2015 | 99,949 | 99,989 | 0.291 | 18 December 2020 |
| FAST RETAILING CO., LTD. | 3rd non-collateralized corporate bonds | 18 December 2015 | 49,939 | 49,957 | 0.491 | 16 December 2022 |
| FAST RETAILING CO., LTD. | 4th non-collateralized corporate bonds | 18 December 2015 | 69,875 | 69,895 | 0.749 | 18 December 2025 |
| FAST RETAILING CO., LTD. | 5th non-collateralized corporate bonds | 6 June 2018 | 79,877 | 79,910 | 0.110 | 6 June 2023 |
| FAST RETAILING CO., LTD. | 6th non-collateralized corporate bonds | 6 June 2018 | 29,931 | 29,943 | 0.220 | 6 June 2025 |
| FAST RETAILING CO., LTD. | 7th non-collateralized corporate bonds | 6 June 2018 | 99,758 | 99,786 | 0.405 | 6 June 2028 |
| FAST RETAILING CO., LTD. | 8th non-collateralized corporate bonds | 6 June 2018 | 39,851 | 39,859 | 0.880 | 4 June 2038 |
| Total | - | - | 469,183 | 469,342 | - | - |

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 the 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.

A. 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 grantees | Employees of the Company: 7<br>Employees of Group subsidiaries: 3 | Employees of the Company: 266<br>Employees of 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 grantees | Employees of the Company: 14<br>Employees of Group subsidiaries: 4 | Employees of the Company: 139<br>Employees of 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<br>A type | 3rd share subscription rights<br>B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 18<br>Employees of Group subsidiaries: 8 | Employees of the Company: 136<br>Employees of Group subsidiaries: 615 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 10,793 shares | Common stock:<br>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<br>12 November 2015 | From 13 November 2012 to<br>12 December 2012 |
| Exercise period | From 13 November 2015 to<br>12 November 2022 | From 13 December 2012 to<br>12 November 2022 |
| Settlement | Equity settlement | Equity settlement |

| | 4th share subscription rights<br>A type | 4th share subscription rights<br>B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 19<br>Employees of Group subsidiaries: 11 | Employees of the Company: 180<br>Employees of Group subsidiaries: 706 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 7,564 shares | Common stock:<br>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<br>2 December 2016 | From 3 December 2013 to<br>2 January 2014 |
| Exercise period | From 3 December 2016 to<br>2 December 2023 | From 3 January 2014 to<br>2 December 2023 |
| Settlement | Equity settlement | Equity settlement |

| | 5th share subscription rights<br>A type | 5th share subscription rights<br>B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 36<br>Employees of Group subsidiaries: 16 | Employees of the Company: 223<br>Employees of Group subsidiaries: 785 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 21,732 shares | Common stock:<br>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<br>13 November 2017 | From 14 November 2014 to<br>13 December 2014 |
| Exercise period | From 14 November 2017 to<br>13 November 2024 | From 14 December 2014 to<br>13 November 2024 |
| Settlement | Equity settlement | Equity settlement |

| | 6th share subscription rights<br>A type | 6th share subscription rights<br>B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 15<br>Employees of Group subsidiaries: 19 | Employees of the Company: 274<br>Employees of Group subsidiaries: 921 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 2,847 shares | Common stock:<br>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<br>12 November 2018 | From 13 November 2015 to<br>12 December 2015 |
| Exercise period | From 13 November 2018 to<br>12 November 2025 | From 13 December 2015 to<br>12 November 2025 |
| Settlement | Equity settlement | Equity settlement |

| | 6th share subscription rights<br>C type | 7th share subscription rights<br>A type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 26 | Employees of the Company: 16<br>Employees of Group subsidiaries: 23 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 6,072 shares | Common stock:<br>maximum 2,821 shares |
| Grant date | 13 November 2015 | 11 November 2016 |
| 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 (10 November 2019) after the grant date (11 November 2016) |
| Eligible service period | From 13 November 2015 to<br>12 November 2018 | From 11 November 2016 to<br>10 November 2019 |
| Exercise period | 13 November 2018 | From 11 November 2019 to<br>10 November 2026 |
| Settlement | Equity settlement | Equity settlement |

| | 7th share subscription rights<br>B type | 7th share subscription rights<br>C type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 339<br>Employees of the Group subsidiaries: 1,096 | Employees of the Company: 30 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 31,726 shares | Common stock:<br>maximum 5,205 shares |
| Grant date | 11 November 2016 | 11 November 2016 |
| Vesting conditions | To serve continuously until the vesting date (10 December 2016) after the grant date (11 November 2016) | To serve continuously until the vesting date (10 November 2019) after the grant date (11 November 2016) |
| Eligible service period | From 11 November 2016 to<br>10 December 2016 | From 11 November 2016 to<br>10 November 2019 |
| Exercise period | From 11 December 2016 to<br>10 November 2026 | 11 November 2019 |
| Settlement | Equity settlement | Equity settlement |

| | 8th share subscription rights<br>A type | 8th share subscription rights<br>B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 19<br>Employees of Group subsidiaries: 27 | Employees of the Company: 395<br>Employees of Group subsidiaries: 1,152 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 5,454 shares | Common stock:<br>maximum 48,178 shares |
| Grant date | 10 November 2017 | 10 November 2017 |
| Vesting conditions | To serve continuously until the vesting date (9 November 2020) after the grant date (10 November 2017) | To serve continuously until the vesting date (9 December 2017) after the grant date (10 November 2017) |
| Eligible service period | From 10 November 2017 to<br>9 November 2020 | From 10 November 2017 to<br>9 December 2017 |
| Exercise period | From 10 November 2020 to<br>9 November 2027 | From 10 December 2017 to<br>9 November 2027 |
| Settlement | Equity settlement | Equity settlement |

| | 8th share subscription rights<br>C type | 9th share subscription rights<br>A type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 29 | Employees of the Company: 17<br>Employees of Group subsidiaries: 32 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 5,929 shares | Common stock:<br>maximum 4,057 shares |
| Grant date | 10 November 2017 | 9 November 2018 |
| Vesting conditions | To serve continuously until the vesting date (9 November 2020) after the grant date (10 November 2017) | To serve continuously until the vesting date (9 November 2018) after the grant date (8 November 2021) |
| Eligible service period | From 10 November 2017 to<br>9 November 2020 | From 9 November 2018 to<br>8 November 2021 |
| Exercise period | 10 November 2020 | From 9 November 2021 to<br>8 November 2028 |
| Settlement | Equity settlement | Equity settlement |

| | 9th share subscription rights B type | 9th share subscription rights C type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 419<br>Employees of Group subsidiaries: 1,267 | Employees of the Company: 40 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 36,275 shares | Common stock:<br>maximum 4,733 shares |
| Grant date | 9 November 2018 | 9 November 2018 |
| Vesting conditions | To serve continuously until the vesting date (8 December 2018) after the grant date (9 November 2018) | To serve continuously until the vesting date (8 November 2021) after the grant date (9 November 2018) |
| Eligible service period | From 9 November 2018 to 8 December 2018 | From 9 November 2018 to 8 November 2021 |
| Exercise period | From 9 December 2018 to 8 November 2028 | 9 November 2021 |
| Settlement | Equity settlement | Equity settlement |

| | 10th share subscription rights A type | 10th share subscription rights B type |
|---|---|---|
| Category and number of grantees | Employees of the Company: 11<br>Employees of Group subsidiaries: 46 | Employees of the Company: 528<br>Employees of Group subsidiaries: 1,389 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 3,548 shares | Common stock:<br>maximum 37,424 shares |
| Grant date | 8 November 2019 | 8 November 2019 |
| Vesting conditions | To serve continuously until the vesting date (7 November 2022) after the grant date (8 November 2019) | To serve continuously until the vesting date (7 December 2019) after the grant date (8 November 2019) |
| Eligible service period | From 8 November 2019 to 7 November 2022 | From 8 November 2019 to 7 December 2019 |
| Exercise period | From 8 November 2022 to 7 November 2029 | From 8 December 2019 to 7 November 2029 |
| Settlement | Equity settlement | Equity settlement |

| | 10th share subscription rights C type |
|---|---|
| Category and number of grantees | Employees of the Company: 40 |
| Number of stock options by type of shares (Note) | Common stock:<br>maximum 3,666 shares |
| Grant date | 8 November 2019 |
| Vesting conditions | To serve continuously until the vesting date (7 November 2022) after the grant date (8 November 2019) |
| Eligible service period | From 8 November 2019 to 7 November 2022 |
| Exercise period | 8 November 2022 |
| Settlement | Equity settlement |

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

Expenses recognized as share-based payments are as follows:

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Expenses recognized | | |
| Share-based payments | 2,504 | 2,915 |

(2) Scale of stock options program and changes

Outstanding balance of stock options as at 31 August 2020 are converted into equivalent number of shares.

(a) Number and weighted average exercise prices of stock options

Stock options

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| | Number of shares (Shares) | Number of shares (Shares) |
| Non-vested | | |
| Non-vested at beginning of the year | 26,455 | 25,518 |
| Granted | 45,065 | 44,638 |
| Forfeited | (2,031) | (1,196) |
| Vested | (43,971) | (44,399) |
| Non-vested at end of the year | 25,518 | 24,561 |

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| | Number of shares (Shares) | Number of shares (Shares) |
| Vested | | |
| Outstanding at beginning of the year | 142,483 | 143,233 |
| Vested | 43,971 | 44,399 |
| Exercised | (41,991) | (38,891) |
| Forfeited | (1,230) | (291) |
| Outstanding at end of the year | 143,233 | 148,450 |

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

(b) Stock price on exercise date

Stock options exercised during the year ended 31 August 2020 are as follows:

| Type | Number of shares (Shares) | Weighted-average stock price on exercise date (Yen) |
|---|---|---|
| Stock options | 38,891 | 59,244 |

(c) Expected life of stock options

The weighted-average expected life of outstanding stock options as at 31 August 2020 was 5.80 years.

In addition, the weighted-average expected life of outstanding stock options as at 31 August 2019 was 5.83 years.

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

The methods of estimating fair value of 10th share subscription rights A type, B type, and C type granted during the year ended 31 August 2020, were as follows:

(1) Valuation model: Black-Scholes model

(2) The following table lists the inputs to the model used:

| | 10th share subscription rights A type | 10th share subscription rights B type |
|---|---|---|
| Fair value | 66,058 yen | 66,732 yen |
| Share price | 69,110 yen | 69,110 yen |
| Exercise price | 1 yen | 1 yen |
| Stock price volatility (Note 1) | 33% | 34% |
| Expected life of options (Note 2) | 6.5 years | 5.04 years |
| Expected dividends (Note 3) | 480 yen / share | 480 yen / share |
| Risk-free interest rate (Note 4) | (0.2105%) | (0.21692%) |

| | 10th share subscription rights C type |
|---|---|
| Fair value | 67,684 yen |
| Share price | 69,110 yen |
| Exercise price | 1 yen |
| Stock price volatility (Note 1) | 27% |
| Expected life of options (Note 2) | 3 years |
| Expected dividends (Note 3) | 480 yen / share yen / share |
| Risk-free interest rate (Note 4) | (0.203%) |

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from June 2013 to November 2019), 5.04 years for B type (from December 2014 to November 2019), and 3.0 years for C type (from December 2016 to November 2019).

2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

Also, the method of estimating fair value for the ‘9th share subscription rights A type, B type, and C type granted during the year ended 31 August 2019 is as follows:

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

| | 9th share subscription rights A type | 9th share subscription rights B type |
|---|---|---|
| Fair value | 58,275 yen | 58,891 yen |
| Share price | 61,070 yen | 61,070 yen |
| Exercise price | 1 yen | 1 yen |
| Stock price volatility (Note 1) | 34% | 34% |
| Expected life of options (Note 2) | 6.5 years | 5.04 years |
| Expected dividends (Note 3) | 440 yen / share | 440 yen / share |
| Risk-free interest rate (Note 4) | (0.04%) | (0.075%) |

| | 9th share subscription rights C type |
|---|---|
| Fair value | 59,763 yen |
| Share price | 61,070 yen |
| Exercise price | 1 yen |
| Stock price volatility (Note 1) | 36% |
| Expected life of options (Note 2) | 3 years |
| Expected dividends (Note 3) | 440 yen / share yen / share |
| Risk-free interest rate (Note 4) | (0.11%) |

Notes: 1. Stock price volatility is computed based on the actual results of 6.5 years for A type (from June 2012 to November 2018), 5.04 years for B type (from December 2013 to November 2018), and 3.0 years for C type (from December 2015 to November 2018).
2. Expected life of options is estimated to be the reasonable period from the grant date until the exercise date.
3. Expected dividends are projected with reference to the historical actual dividends declared in prior years.
4. Risk-free interest rate refers to the yield of Japanese government bonds corresponding to the expected life of options.
5. The variables and assumptions used in computing the fair value of the share options are based on the Group’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

C. 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

A. 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 2019 | As at 31 August 2020 |
|---|---|---|
| Interest-bearing borrowings | 513,405 | 484,496 |
| Lease liabilities | - | 466,179 |
| Cash and cash equivalents | 1,086,519 | 1,093,531 |
| Net interest-bearing borrowings | (573,114) | (142,856) |
| Equity | 983,534 | 996,079 |

Interest-bearing borrowings includes corporate bonds and borrowings. The amount of finance lease obligations was included in interest-bearing borrowings for the previous fiscal year. For the current fiscal year, finance lease obligations are included in and shown as lease liabilities due to the application of IFRS 16. As at 31 August 2019 and 2020, the Group maintained a position where the carrying amount of cash and cash equivalents exceeded the total amounts of interest-bearing borrowings and lease liabilities.

As at 31 August 2020, the Group is not subject to any externally imposed capital requirement.

B. 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.

C. Categories of financial instruments

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Financial assets | | |
| Loans and receivables | | |
| Trade and other receivables | 60,398 | 67,069 |
| Other current financial assets | 44,473 | 49,890 |
| Other non-current financial assets | 75,380 | 66,399 |
| Financial assets measured at fair value through profit or loss | - | - |
| Financial assets measured at fair value through other comprehensive income / (loss) | 1,645 | 1,370 |
| Derivatives | | |
| Financial assets measured at fair value through profit or loss | - | 1,619 |
| Financial assets designated as hedging instruments | 24,230 | 23,778 |
| Financial liabilities | | |
| Financial liabilities at amortized cost | | |
| Trade and other payables | 191,769 | 210,747 |
| Other current financial liabilities | 159,006 | 213,301 |
| Current lease liabilities | - | 114,652 |
| Non-current financial liabilities | 499,948 | 370,780 |
| Non-current lease liabilities | - | 351,526 |
| Derivatives | | |
| Financial liabilities measured at fair value through profit or loss | - | 69 |
| Financial liabilities designated as hedging instruments | 6,824 | 5,899 |

At the end of the previous fiscal year, finance lease obligations are included in other current financial liabilities and non-current financial liabilities. For the current fiscal year, finance lease obligations are included in and shown as lease liabilities in the Statement of Financial Position

No items in the above categories are included in discontinued operations or disposal groups 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.”

D. Financial risk management

In relation to cash management, the Group seeks to ensure effective utilization of Group funds through the Group’s Cash Management Service. The Group obtained credit facilities from financial institutions 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.

E. 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

(a) 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, for foreign currency exchange fluctuation risk by currency and on a monthly basis, the Group in principle hedges risk by using foreign currency forward contracts.

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 enters into derivative transactions only with financial institutions evaluated as highly creditworthy by rating agencies to mitigate the counterparty risk.

The Group’s notional amount of foreign currency forward contracts was 1,202,039 million yen as at 31 August 2020.

(b) Foreign currency sensitivity analysis

With respect to companies that use yen as the functional currency in each reporting period, below is an analysis of the impact an 1% increase in the yen against the Euro (“EUR”) and the United States dollar (“USD”) would have on the Group’s profit before income taxes and other comprehensive income (before tax effects).

However, this analysis assumes that over variable factors are constant. Furthermore, this does not include the effect of conversion of financial instruments denominated the functional currencies, and revenue, expenses, assets, and liabilities of overseas sales entities into presentation currency.

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Average exchange rate (Yen) | | |
| USD | 110.83 | 108.04 |
| EUR | 126.09 | 120.06 |
| Impact on profit before income taxes (Millions of yen) | | |
| USD | (3,189) | (3,853) |
| EUR | (224) | (239) |
| Impact on other comprehensive income (Millions of yen) | | |
| USD | (10,862) | (10,316) |
| EUR | (96) | (127) |

(c) 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.

The monetary value of ineffective hedges is immaterial.

The details of foreign currency forward contract are as follows:

(i) Derivative transactions to 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 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 |
| Foreign currency forward contracts | | | | | | | | |
| Over 1 year | | | | | | | | |
| Buy USD (sell KRW) | - (KRW / $) | 1,137.61 (KRW / $) | - | 20 | - | 2,071 | - | 83 |
| Buy KRW (sell USD) | - ($ / KRW) | 0.00 ($ / KRW) | - | 24,663 | - | 2,151 | - | 44 |
| Within 1 year | | | | | | | | |
| Buy USD (sell EUR) | - (EUR / $) | 0.85 (EUR / $) | - | 8 | - | 855 | - | (19) |
| Buy USD (sell GBP) | - (£ / $) | 0.77 (£ / $) | - | 15 | - | 1,447 | - | (38) |
| Buy USD (sell KRW) | - (KRW / $) | 1,124.35 (KRW / $) | - | 154 | - | 15,463 | - | 830 |
| Buy USD (sell TWD) | - (TWD / $) | 29.41 (TWD / $) | - | 21 | - | 2,249 | - | 7 |
| Buy USD (sell HKD) | - (HKD / $) | 7.84 (HKD / $) | - | 7 | - | 789 | - | (9) |
| Buy EUR (sell USD) | - ($ / EUR) | 1.14 ($ / EUR) | - | 7 | - | 843 | - | 45 |
| Buy GBP (sell USD) | - ($ / £) | 1.26 ($ / £) | - | 11 | - | 1,475 | - | 83 |
| Buy KRW (sell USD) | - ($ / KRW) | 0.00 ($ / KRW) | - | 188,516 | - | 16,249 | - | 519 |
| Buy HKD (sell USD) | - ($ / HKD) | 0.13 ($ / HKD) | - | 57 | - | 779 | - | 1 |

(ii) Derivative transactions to 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 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 |
| Foreign currency forward contracts | | | | | | | | |
| Over 1 year | | | | | | | | |
| Buy USD (sell JPY) | 101.88 (¥ / $) | 103.02 (¥ / $) | 6,425 | 6,192 | 654,561 | 637,960 | 1,862 | 7,945 |
| Buy USD (sell EUR) | 0.83 (EUR / $) | 0.85 (EUR / $) | 233 | 103 | 22,860 | 10,958 | 1,088 | (219) |
| Buy USD (sell GBP) | 0.75 (£ / $) | 0.75 (£ / $) | 70 | 49 | 6,200 | 5,208 | 501 | 1 |
| Buy USD (sell KRW) | 1,106.57 (KRW / $) | 1,158.56 (KRW / $) | 285 | 107 | 27,788 | 11,077 | 2,063 | 223 |
| Buy USD (sell SGD) | 1.36 (SGD / $) | 1.37 (SGD / $) | 18 | 4 | 1,960 | 425 | 30 | (3) |
| Buy USD (sell THB) | 31.39 (THB / $) | 30.00 (THB / $) | 9 | 11 | 980 | 1,134 | (29) | 43 |
| Buy USD (sell MYR) | - (MYR / $) | 4.43 (MYR / $) | - | 2 | - | 224 | - | (10) |
| Buy USD (sell AUD) | 1.39 (AUD / $) | 1.44 (AUD / $) | 13 | 34 | 1,325 | 3,853 | 78 | (207) |
| Buy USD (sell CAD) | 1.31 (CAD / $) | 1.38 (CAD / $) | 12 | 0 | 1,260 | 89 | 16 | (4) |
| Buy USD (sell PHP) | 53.31 (PHP / $) | 53.30 (PHP / $) | 14 | 15 | 1,522 | 1,742 | (8) | (116) |
| Buy USD (sell HKD) | 7.80 (HKD / $) | - (HKD / $) | 1 | - | 105 | - | 0 | - |

| | Average exchange rates | | Foreign currencies (Millions of respective currency) | | Contract principal (Millions of yen) | | Fair value (Millions of yen) | |
|---|---|---|---|---|---|---|---|---|
| | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 | 31 August 2019 | 31 August 2020 |
| Within 1 year | | | | | | | | |
| Buy USD (sell JPY) | 103.16 (¥ / $) | 102.26 (¥ / $) | 3,097 | 3,443 | 319,510 | 352,183 | 4,967 | 10,115 |
| Buy USD (sell EUR) | 0.84 (EUR / $) | 0.84 (EUR / $) | 259 | 209 | 25,584 | 22,099 | 1,943 | (132) |
| Buy USD (sell GBP) | 0.75 (£ / $) | 0.77 (£ / $) | 97 | 86 | 8,547 | 9,422 | 702 | (254) |
| Buy USD (sell KRW) | 1,081.73 (KRW / $) | 1,099.02 (KRW / $) | 424 | 151 | 40,407 | 14,852 | 4,657 | 1,158 |
| Buy USD (sell TWD) | 30.47 (TWD / $) | - (TWD / $) | 45 | - | 4,701 | - | 138 | - |
| Buy USD (sell SGD) | 1.35 (SGD / $) | 1.39 (SGD / $) | 77 | 84 | 8,017 | 9,126 | 184 | (152) |
| Buy USD (sell THB) | 31.72 (THB / $) | 30.17 (THB / $) | 90 | 88 | 9,993 | 9,030 | (372) | 278 |
| Buy USD (sell MYR) | 4.19 (MYR / $) | 4.29 (MYR / $) | 71 | 37 | 7,603 | 4,103 | 86 | (96) |
| Buy USD (sell AUD) | 1.39 (AUD / $) | 1.45 (AUD / $) | 61 | 70 | 6,062 | 7,974 | 414 | (486) |
| Buy USD (sell RUB) | 68.12 (RUB / $) | 67.59 (RUB / $) | 63 | 57 | 6,938 | 5,551 | (53) | 616 |
| Buy USD (sell CAD) | 1.31 (CAD / $) | 1.32 (CAD / $) | 56 | 36 | 5,926 | 3,885 | 98 | (34) |
| Buy USD (sell IDR) | 14,933.81 (IDR / $) | 14,660.80 (IDR / $) | 62 | 41 | 6,944 | 4,401 | (223) | 8 |
| Buy USD (sell PHP) | 54.31 (PHP / $) | 52.03 (PHP / $) | 96 | 69 | 10,714 | 7,883 | (354) | (463) |
| Buy USD (sell INR) | 72 ($ / INR) | 75.71 ($ / INR) | 2 | 2 | 319 | 230 | 4 | (5) |
| Buy USD (sell HKD) | 7.81 (HKD / $) | 7.82 (HKD / $) | 84 | 70 | 8,937 | 7,504 | 34 | (58) |
| Buy USD (sell CNY) | - (CNY / $) | 6.99 (CNY / $) | - | 187 | - | 20,079 | - | (248) |
| Buy EUR (sell USD) | 1.20 ($ / EUR) | 1.18 ($ / EUR) | 44 | 20 | 6,269 | 2,529 | (414) | 30 |
| Buy GBP (sell USD) | 1.25 ($ / GBP) | 1.27 ($ / GBP) | 5 | 8 | 799 | 1,074 | (10) | 49 |
| Buy IDR (sell USD) | - ($ / IDR) | 0.00 ($ / IDR) | - | 444,011 | - | 3,056 | - | (94) |

(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.

F. Credit risk management

When the Group initiates ongoing transactions where receivables are 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.

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.

(1) Credit risk exposure

Time-frame analysis for trade receivables and other financial assets is as stated below.

Year ended 31 August 2019

(Millions of yen)

| Number of days elapsed after due date | Items recorded in an amount equivalent to 12 months of expected credit losses | Items measured in an amount equivalent to the expected credit losses for the entire period | | | Total |
|---|---|---|---|---|---|
| | | Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period | Financial assets for which the credit risk has significantly increased since initial recognition | Credit-impaired financial assets | |
| Before due date has elapsed | 129,596 | 49,977 | 77 | - | 179,651 |
| Within 90 days | 23 | 603 | - | - | 627 |
| Over 90 days but within one year | 11 | 212 | - | - | 224 |
| Over one year | 13 | 275 | 43 | 286 | 619 |
| Term-end balance | 129,645 | 51,069 | 121 | 286 | 181,123 |

Year ended 31 August 2020

(Millions of yen)

| Number of days elapsed after due date | Items recorded in an amount equivalent to 12 months of expected credit losses | Items measured in an amount equivalent to the expected credit losses for the entire period | | | Total |
|---|---|---|---|---|---|
| | | Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period | Financial assets for which the credit risk has significantly increased since initial recognition | Credit-impaired financial assets | |
| Before due date has elapsed | 124,302 | 59,019 | 47 | - | 183,368 |
| Within 90 days | 481 | 474 | - | - | 956 |
| Over 90 days but within one year | 156 | 25 | 2 | - | 184 |
| Over one year | 23 | 150 | 69 | - | 244 |
| Term-end balance | 124,965 | 59,669 | 119 | - | 184,754 |

(2) Allowances for Doubtful Accounts

Changes in allowances for doubtful accounts for trade receivables and other financial assets are as stated below.

Year ended 31 August 2019

(Millions of yen)

| Changes in allowances for doubtful accounts | Items recorded in an amount equivalent to 12 months of expected credit losses | Items measured in an amount equivalent to the expected credit losses for the entire period | | | Total |
|---|---|---|---|---|---|
| | | Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period | Financial assets for which the credit risk has significantly increased since initial recognition | Credit-impaired financial assets | |
| Starting balance | 64 | 551 | - | 273 | 889 |
| Increase during period | 92 | 148 | 40 | - | 281 |
| Decrease during period (intended use) | - | (155) | - | - | (155) |
| Decrease during period (reversals) | (33) | (25) | - | - | (59) |
| Other changes | (4) | (47) | - | (32) | (84) |
| Term-end balance | 117 | 471 | 40 | 241 | 871 |

Year ended 31 August 2020

(Millions of yen)

| Changes in allowances for doubtful accounts | Items recorded in an amount equivalent to 12 months of expected credit losses | Items measured in an amount equivalent to the expected credit losses for the entire period | | | Total |
|---|---|---|---|---|---|
| | | Financial assets for which the allowance for doubtful accounts is always measured as an amount equivalent to expected losses for the whole period | Financial assets for which the credit risk has significantly increased since initial recognition | Credit-impaired financial assets | |
| Starting balance | 117 | 471 | 40 | 241 | 871 |
| Effect of adoption of IFRS 16 | - | 938 | - | - | 938 |
| Balance after adjustment | 117 | 1,409 | 40 | 241 | 1,809 |
| Increase during period | 35 | 224 | 5 | - | 265 |
| Decrease during period (intended use) | (15) | (322) | - | (247) | (585) |
| Decrease during period (reversals) | (61) | (36) | - | - | (98) |
| Other changes | (11) | 9 | - | 6 | 4 |
| Term-end balance | 64 | 1,284 | 46 | - | 1,395 |

The Group continually monitors the credit standing of trading partners if there is a concern about recoverability, including receivables for which the due date has changed.

Based on the monitoring of the credit standing, the recoverability of accounts receivable, etc., is examined and the allowance for doubtful accounts is set.

In relation to the Group's global business expansion, there is little reliance on any specific trading partners and exposure is dispersed, so the impact of any sequential credit risk due to the poor credit standing of any specific trading partner is minimal.

As a result, we have no exposure to excessively-focused credit risk.

G. 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 2019 | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 191,769 | 191,769 | 191,769 | - | - | - | - | - |
| Current portion of long-term borrowings | 4,258 | 4,258 | 4,258 | - | - | - | - | - |
| Short-term borrowings | 1,236 | 1,236 | 1,236 | - | - | - | - | - |
| Corporate bonds | 469,183 | 470,000 | - | 100,000 | - | 130,000 | - | 240,000 |
| Long-term finance lease obligations | 29,314 | 29,314 | - | 8,596 | 7,703 | 5,571 | 2,827 | 4,615 |
| Short-term finance lease obligations | 9,411 | 9,411 | 9,411 | - | - | - | - | - |
| Deposits | 144,099 | 144,099 | 144,099 | - | - | - | - | - |
| Derivative financial liabilities | | | | | | | | |
| Foreign currency forward contracts | 6,824 | 6,824 | 2,985 | 2,127 | 1,711 | - | - | - |
| Total | 856,098 | 856,915 | 353,762 | 110,723 | 9,414 | 135,571 | 2,827 | 244,615 |
| As at 31 August 2020 | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 210,747 | 210,747 | 210,747 | - | - | - | - | - |
| Current portion of long-term borrowings | - | - | - | - | - | - | - | - |
| Short-term borrowings | 15,154 | 15,154 | 15,154 | - | - | - | - | - |
| Corporate bonds | 469,342 | 470,000 | 100,000 | - | 130,000 | - | 30,000 | 210,000 |
| Long-term finance lease liabilities | 351,526 | 365,539 | - | 85,370 | 60,865 | 49,846 | 38,523 | 130,932 |
| Short-term finance lease liabilities | 114,652 | 115,222 | 115,222 | - | - | - | - | - |
| Deposits | 98,156 | 98,156 | 98,156 | - | - | - | - | - |
| Derivative financial liabilities | | | | | | | | |
| Foreign currency forward contracts | 5,968 | 5,968 | 2,763 | 1,348 | 1,757 | 99 | - | - |
| Total | 1,265,548 | 1,280,788 | 542,044 | 86,718 | 192,622 | 49,946 | 68,523 | 340,932 |

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

H. Fair value of financial instruments

(Millions of yen)

| | As at 31 August 2019 | | As at 31 August 2020 | |
|---|---|---|---|---|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Financial assets | | | | |
| Security deposits / guarantees (Note) | 62,398 | 63,982 | 63,639 | 64,341 |
| Total | 62,398 | 63,982 | 63,639 | 64,341 |
| Financial liabilities | | | | |
| Long-term borrowings (Note) | 4,258 | 4,258 | - | - |
| Corporate bonds (Note) | 469,183 | 478,638 | 469,342 | 470,938 |
| Total | 473,442 | 482,896 | 469,342 | 470,938 |

(Note) The above includes the outstanding balance of borrowings and corporate bonds due within one year.

Notes concerning financial assets and financial liabilities for which fair value approximates book value have been omitted.

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

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

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

The book value and the fair value of finance lease obligations as at 31 August, 2019 were 38,726 million yen and 38,595 million yen, respectively. The fair value is measured by the present value of future cash flows of each debt categorized according to a certain range of term, and discounted by the interest rate that reflects the remaining period to the maturity and credit risk. For the current fiscal year, as we have adopted the IFRS 16 as described in "4. Newly applied standards and interpretation guidelines," the fair value for finance lease obligations for the current fiscal year is not disclosed.

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

I. 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

When multiple inputs are used to measure fair value, the fair value level is determined based on the input with the lowest level classification in the overall fair value assessment.

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

(Millions of yen)

| As at 31 August 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through other comprehensive income | 1,471 | - | 173 | 1,645 |
| Financial assets measured at fair value through profit or loss | - | - | - | - |
| Financial assets and financial liabilities designated as hedging instruments — Fair value | - | 17,406 | - | 17,406 |
| Net amount | 1,471 | 17,406 | 173 | 19,051 |

| As at 31 August 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through other comprehensive income | 1,158 | - | 212 | 1,370 |
| Financial assets measured at fair value through profit or loss | - | 1,550 | - | 1,550 |
| Financial assets and financial liabilities designated as hedging instruments — Fair value | - | 17,878 | - | 17,878 |
| Net amount | 1,158 | 19,428 | 212 | 20,799 |

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 using inputs such as interest rates, yield curves, currency rates, and volatility in comparable instruments.

Financial instruments classified as Level 3 consist mainly of unlisted shares. The fair values of unlisted shares are measured by the division responsible in the Group according to the Group’s accounting policy, etc. , using the immediately preceding figures available for each quarter.

There were no significant changes due to the purchase, sale, issuance and settlement of Level 3 financial instruments, and no transfers between Levels 1, 2 and 3.

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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Short-term employee benefits | 719 | 786 |
| Share-based payments | - | 13 |
| Total | 719 | 799 |

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

Year ended 31 August 2019 (from 1 September 2018 to 31 August 2019)

| Type | Name of Company, etc., or personal name | Location | Capital Stock or Money Invested (Millions of yen) | Business Content or Occupation | Percentage of voting right, etc. held (being held) | Relation with Associated Party | Transaction Details | Transaction Amount (millions of yen) | Item | Term-end Balance (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Company in which officers and close relatives hold a majority of voting rights | TTY Management B.V. | Amsterdam, Netherlands | 71,826 | Assets holdings, managing, etc. | 5.2% are directly held | Rent of store properties by our subsidiary<br>Serves concurrently as an officer | Store renting | 337 | Other current assets | 56 |

(Notes) 1. Of the above-mentioned amounts, any trade amounts do not include consumption taxes and the like.

2. Trading conditions and policy for determining trading conditions, etc.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

3. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights.

Current consolidated accounting year (From 1 September 2019, through 31 August 2020)

| Type | Name of Company, etc., or personal name | Location | Capital Stock or Money Invested (Millions of yen) | Business Content or Occupation | Percentage of voting right, etc. held (being held) | Relation with Associated Party | Transaction Details | Transaction Amount (millions of yen) | Item | Term-end Balance (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Company in which officers and close relatives hold a majority of voting rights | TTY Management B.V. | Amsterdam, Netherlands | 71,826 | Assets holdings, managing, etc. | 5.2% are directly held | Rent of store properties by our subsidiary<br>Serves concurrently as an officer | Store renting | 647 | Lease liabilities | 6,797 |

(Notes) 1. Of the above-mentioned amounts, any trade amounts do not include consumption taxes and the like.

2. Trading conditions and policy for determining trading conditions, etc.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

3. Chairman of the Board of Directors and President Tadashi Yanai holds a majority of the voting rights.

32. Major Subsidiaries

The Group's major subsidiaries are as listed in "3. 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 2019 | As at 31 August 2020 |
|---|---|---|
| Commitment for the acquisition of property, plant and equipment | 7,382 | 24,942 |
| Commitment for acquisition of intangible assets | 4,340 | 2,139 |
| Total | 11,723 | 27,081 |

34. Contingent Liabilities

Year ended 31 August 2019

Not applicable

Year ended 31 August 2020

Not applicable

35. Subsequent Events

Not applicable

E. Others

Quarterly information for the year ended 31 August 2020

| (Cumulative) | First quarter | Second quarter | Third quarter | Fiscal year |
|---|---|---|---|---|
| Revenue (Millions of yen) | 623,484 | 1,208,512 | 1,544,924 | 2,008,846 |
| Quarterly income before income taxes and non-controlling interests (Millions of yen) | 102,015 | 150,859 | 142,420 | 152,868 |
| Quarterly net income (Millions of yen) | 70,907 | 100,459 | 90,640 | 90,357 |
| Earnings per share (Yen) | 694.73 | 984.21 | 887.96 | 885.15 |

| (Accounting period) | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|---|---|---|---|
| Quarterly earnings / (losses) per share (Yen) | 694.73 | 289.51 | (96.18) | (2.77) |

## 10. Financial statements

(1) Balance Sheet

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 551,376 | 569,322 |
| Operating accounts receivable | ※1 48,268 | ※1 30,174 |
| Securities | 146,000 | 145,965 |
| Short-term loans receivable from subsidiaries and associates | 103,198 | 58,624 |
| Accounts receivable from subsidiaries and associates | 17,271 | 18,863 |
| Others | 4,670 | 5,677 |
| Allowance for doubtful accounts | (0) | (1) |
| Total current assets | 870,786 | 828,625 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 14,745 | 21,590 |
| Accumulated depreciation | ※3 (7,431) | ※3 (8,661) |
| Buildings, net | 7,313 | 12,928 |
| Structures | 367 | 369 |
| Accumulated depreciation | ※3 (249) | ※3 (261) |
| Structures, net | 118 | 108 |
| Tools, furniture and fixtures | 1,804 | 2,646 |
| Accumulated depreciation | ※3 (1,532) | ※3 (1,698) |
| Tools, furniture and fixtures, net | 272 | 948 |
| Land | 1,123 | 1,123 |
| Leased assets | 1,284 | 1,801 |
| Accumulated depreciation | ※3 (632) | ※3 (922) |
| Leased assets, net | 652 | 878 |
| Construction in progress | 4,432 | 3,116 |
| Total property, plant and equipment | 13,914 | 19,104 |
| Intangible assets | | |
| Software | 29,039 | 45,959 |
| Software in progress | 13,814 | 3,153 |
| Others | 60 | 14 |
| Total intangible assets | 42,914 | 49,126 |
| Investments and other assets | | |
| Investment securities | 1,633 | 1,318 |
| Shares of subsidiaries and associates | 87,002 | 131,482 |
| Investments in capital of subsidiaries and associates | 10,406 | 9,251 |
| Long-term loans receivable from subsidiaries and associates | 17,261 | 18,414 |
| Leases and guarantee deposits | 7,714 | 6,300 |
| Deferred tax assets | 3,384 | 3,460 |
| Others | 792 | 407 |
| Allowance for doubtful accounts | (1,051) | (4,134) |
| Total investments and other assets | 127,142 | 166,500 |
| Total non-current assets | 183,971 | 234,731 |
| Total assets | 1,054,758 | 1,063,356 |

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Current portion of corporate bonds | - | 100,000 |
| Accounts payable | 11,032 | 10,290 |
| Accrued expenses | 1,813 | 2,005 |
| Deposits received | ※1 33,581 | ※1 22,919 |
| Provision for bonuses | 2,676 | 2,621 |
| Income taxes payable | 5,836 | 8,597 |
| Others | 1,973 | 1,217 |
| Total current liabilities | 56,914 | 147,652 |
| Non-current liabilities | | |
| Corporate bonds payable | 470,000 | 370,000 |
| Guarantee deposits received | 2,247 | 3,385 |
| Provision for loss on guarantees | 204 | 394 |
| Provision for loss on business of subsidiaries and associates | 422 | 466 |
| Others | 3,262 | 2,502 |
| Total non-current liabilities | 476,137 | 376,749 |
| Total liabilities | 533,051 | 524,402 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 10,273 | 10,273 |
| Capital surplus | | |
| Legal capital surplus | 4,578 | 4,578 |
| Other capital surplus | 6,335 | 7,786 |
| Total capital surplus | 10,914 | 12,364 |
| Retained earnings | | |
| Legal retained earnings | 818 | 818 |
| Other retained earnings | | |
| General reserve | 185,100 | 185,100 |
| Retained earnings brought forward | 325,423 | 338,851 |
| Total retained earnings | 511,341 | 524,769 |
| Treasury stock | (15,271) | (15,129) |
| Total shareholders' equity | 517,258 | 532,279 |
| Valuation and translation adjustments | | |
| Valuation differences on available-for-sale securities | (1,533) | (566) |
| Total valuation and translation adjustments | (1,533) | (566) |
| Share subscription rights | 5,981 | 7,241 |
| Total net assets | 521,706 | 538,954 |
| Total liabilities and net assets | 1,054,758 | 1,063,356 |

(2) Statement of Income

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Operating revenue | | |
| Management income from operating companies | ※1 55,011 | ※1 64,815 |
| Dividends income from subsidiaries and affiliates | ※1 129,899 | ※1 91,540 |
| Total operating revenue | 184,910 | 156,356 |
| Operating expenses | | |
| Selling, general and administrative expenses | | |
| Salaries | 7,128 | 10,798 |
| Bonuses | 1,417 | 1,658 |
| Allowance for bonuses | 1,834 | 1,988 |
| Rental expenses | 8,231 | 8,379 |
| Depreciation | 10,165 | 14,920 |
| Outsourcing expenses | 23,703 | 26,837 |
| Others | 13,328 | 16,455 |
| Total operating expenses | ※1 65,808 | ※1 81,039 |
| Operating profit / (loss) | 119,101 | 75,316 |
| Non-operating income | | |
| Interest income | 5,233 | 4,592 |
| Interest on securities | 201 | 92 |
| Foreign exchange gains | - | 93 |
| Others | 562 | 196 |
| Total non-operating income | 5,997 | 4,975 |
| Non-operating expenses | | |
| Interest expenses | 1,968 | 2,022 |
| Foreign exchange losses | 17,103 | - |
| Others | 26 | 57 |
| Total non-operating expenses | ※1 19,098 | ※1 2,079 |
| Ordinary profit / (loss) | 106,000 | 78,211 |
| Extraordinary income | | |
| Reversal of provision for loss on business of subsidiaries and affiliates | - | 43 |
| Total extraordinary income | - | 43 |
| Extraordinary losses | | |
| Losses on retirement of non-current assets | ※2 44 | ※2 316 |
| Loss on valuation of shares of subsidiaries and associates | 1,341 | 6,688 |
| Provision of allowance for doubtful accounts for subsidiaries and associates | 583 | 3,083 |
| Loss on valuation of investment securities | - | 1,713 |
| Impairment losses | 243 | 13 |
| Transfer pricing adjustment | - | ※1 1,065 |
| Others | 296 | 278 |
| Total extraordinary losses | 2,507 | 13,159 |
| Income/(loss) before income taxes | 103,492 | 65,096 |
| Income taxes － current | (1,608) | 3,066 |
| Income taxes － deferred | (1,013) | (392) |
| Total income taxes | (2,621) | 2,674 |
| Profit / (loss) | 106,113 | 62,422 |

(3) Statement of changes in net asset

Year ended 31 August 2019

(Millions of yen)

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

| | Shareholders' equity | | Valuation and translation adjustments | | Share subscription rights | Total net assets |
|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Valuation differences on available-for sale securities | Total valuation and translation adjustments | | |
| Balance at the beginning of year | (15,429) | 458,445 | (427) | (427) | 5,211 | 463,229 |
| Changes during the year | | | | | | |
| Dividends | - | (48,976) | - | - | - | (48,976) |
| Net income | - | 106,113 | - | - | - | 106,113 |
| Acquisition of treasury stock | (2) | (2) | - | - | - | (2) |
| Disposal of treasury stock | 159 | 1,679 | - | - | - | 1,679 |
| Net changes of items other than those in shareholders' equity | - | - | (1,106) | (1,106) | 769 | (336) |
| Net changes during the year | 157 | 58,813 | (1,106) | (1,106) | 769 | 58,476 |
| Balance at the end of year | (15,271) | 517,258 | (1,533) | (1,533) | 5,981 | 521,706 |

Year ended 31 August 2020

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | |
| | | | | | | Other retained earnings | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | General reserve | Retained earnings brought forward | Total retained earnings |
| Balance at the beginning of year | 10,273 | 4,578 | 6,335 | 10,914 | 818 | 185,100 | 325,423 | 511,341 |
| Changes during the year | | | | | | | | |
| Dividends | - | - | - | - | - | - | (48,994) | (48,994) |
| Net income | - | - | - | - | - | - | 62,422 | 62,422 |
| Acquisition of treasury stock | - | - | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | 1,450 | 1,450 | - | - | - | - |
| Net changes of items other than those in shareholders' equity | - | - | - | - | - | - | - | - |
| Net changes during the year | - | - | 1,450 | 1,450 | - | - | 13,427 | 13,427 |
| Balance at the end of year | 10,273 | 4,578 | 7,786 | 12,364 | 818 | 185,100 | 338,851 | 524,769 |

| | Shareholders' equity | | Valuation and translation adjustments | | Share subscription rights | Total net assets |
|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Valuation differences on available-for sale securities | Total valuation and translation adjustments | | |
| Balance at the beginning of year | (15,271) | 517,258 | (1,533) | (1,533) | 5,981 | 521,706 |
| Changes during the year | | | | | | |
| Dividends | - | (48,994) | - | - | - | (48,994) |
| Net income | - | 62,422 | - | - | - | 62,422 |
| Acquisition of treasury stock | (5) | (5) | - | - | - | (5) |
| Disposal of treasury stock | 148 | 1,598 | - | - | - | 1,598 |
| Net changes of items other than those in shareholders' equity | - | - | 967 | 967 | 1,260 | 2,228 |
| Net changes during the year | 142 | 15,020 | 967 | 967 | 1,260 | 17,248 |
| Balance at the end of year | (15,129) | 532,279 | (566) | (566) | 7,241 | 538,954 |

(4) 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 the 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 the moving-average cost method.

(ii) Unlisted securities:

Unlisted securities are stated at cost, which is determined by the 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 fixtures | 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 |

(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) Provisions for bonuses

Bonuses to employees are accrued on the balance sheet date.

(c) Provisions for loss on guarantees

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

(d) Allowances for Affiliated Company Operating Losses

In order to prepare for losses pertaining to affiliated company operations, we take the financial position of our affiliated companies into consideration and list the estimate losses that may be incurred.

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

(1) Accounting for consumption tax

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

(2) Application of consolidated taxation system

The consolidated taxation system is applied for the Company.

(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 2019 | As at 31 August 2020 |
|---|---|---|
| Trade accounts receivable | 48,201 | 30,131 |
| Deposits received | 33,188 | 22,525 |

2. Contingent liabilities

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Guarantees for office and retail store leases | 50,452 | 40,651 |
| Guarantees on loans payable to financial institutions | 10,472 | 6,558 |

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 2019 | Year ended 31 August 2020 |
|---|---|---|
| Ordinary revenue: | | |
| Management income from operating companies | 52,881 | 62,970 |
| Dividends income from subsidiaries and affiliates | 129,899 | 91,540 |
| Ordinary expense | 1,462 | 2,712 |
| Non-operating expenses (including Extraordinary losses) | 44 | 1,081 |

(Note) Non-operating expenses (including Extraordinary losses) for the current fiscal year include 1,065 million yen of transfer pricing adjustments relating to the past periods between the Company and its U.S. subsidiaries based on Advance Pricing Agreement in relation to transfer pricing taxation.

2. The breakdown of losses on retirement of non-current assets is as follows:

(Millions of yen)

| | Year ended 31 August 2019 | Year ended 31 August 2020 |
|---|---|---|
| Buildings | 4 | 69 |
| Other property, plant and equipment | 2 | 0 |
| Software | 36 | 200 |
| Other intangible assets | - | 45 |

(Marketable securities)

As at 31 August 2019

The fair values of the shares of subsidiaries and affiliates (subsidiaries 72,707 million yen and affiliates 14,295 million yen on the balance sheet) are not described as they do not have a market price and the fair value is extremely difficult to determine.

As at 31 August 2020

The fair values of the shares of subsidiaries and affiliates (subsidiaries 117,215 million yen and affiliates 14,266 million yen on the balance sheet) are not described as they do not have a market price and the fair value is extremely difficult to determine.

(Deferred taxes)

1. The breakdown of causes of deferred tax assets and deferred tax liabilities is as follows:

(Millions of yen)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Deferred tax assets: | | |
| Provisions for bonuses | 812 | 799 |
| Depreciation | 586 | 890 |
| Loss on shares of subsidiaries and associates | 50,736 | 52,766 |
| Impairment losses | 482 | 282 |
| Allowance for doubtful accounts | 321 | 1,266 |
| Valuation differences on available-for-sale securities | 765 | 365 |
| Unused tax losses carried forward | 3,638 | 4,337 |
| Software | 2,022 | 2,872 |
| Others | 4,905 | 4,087 |
| Subtotal | 64,271 | 67,666 |
| Valuation allowance pertaining to tax loss carried forward | (3,638) | (4,337) |
| Valuation allowance pertaining to total of future deductible temporary difference | (54,524) | (57,544) |
| Valuation allowance subtotal | (58,163) | (61,881) |
| Total deferred tax assets | 6,107 | 5,785 |
| Deferred tax liabilities: | | |
| Temporary differences on shares of subsidiaries | (1,893) | (1,893) |
| Others | (830) | (431) |
| Total deferred tax liabilities | (2,723) | (2,325) |
| Net deferred tax liabilities | 3,384 | 3,460 |

(Note) Deferred tax assets and deferred tax liabilities are recorded based on the provisions of the tax law before revision as allowed in the provisions of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, 31 March, 2020).

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

(Percentage)

| | As at 31 August 2019 | As at 31 August 2020 |
|---|---|---|
| Statutory income tax rate | 30.6% | 30.6% |
| (adjustments) | | |
| Non-taxable dividend income | (36.3) | (41.2) |
| Increase/(decrease) in valuation allowance | 1.6 | 5.8 |
| Foreign withholding tax | 1.9 | 8.8 |
| Others | (0.3) | 0.1 |
| Effective tax rates after applying tax effect accounting | (2.5) | 4.1 |

(Business Combination)

Not applicable.

(Notes on Significant Subsequent Events)

Not applicable.

(5) Supplementary schedule

Details of fixed asset

(Millions of yen)

| Types of assets | Balances as at 1 September 2019 | Increase | Decrease | Depreciation, amortization during the year | Balances as at 31 August 2020 | Accumulated depreciation or amortization as at 31 August 2020 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| Buildings | 7,313 | 8,306 | 1,039 | 1,652 | 12,928 | 8,661 |
| Structures | 118 | 1 | - | 11 | 108 | 261 |
| Tools, furniture, and equipment | 272 | 929 | 1 | 252 | 948 | 1,698 |
| Land | 1,123 | - | - | - | 1,123 | 34 |
| Leased assets | 652 | 565 | 44 | 294 | 878 | 922 |
| Construction in progress | 4,432 | 7,894 | 9,211 | - | 3,116 | - |
| Total property, plant and equipment | 13,914 | 17,697 | 10,296 | 2,210 | 19,104 | 11,577 |
| Intangible assets | | | | | | |
| Software | 29,039 | 29,821 | 192 | 12,709 | 45,959 | - |
| Software in progress | 13,814 | 19,160 | 29,821 | - | 3,153 | - |
| Others | 60 | - | 45 | 0 | 14 | - |
| Total intangible assets | 42,914 | 48,982 | 30,059 | 12,709 | 49,126 | - |

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

| Types of assets | Amount (Millions of yen) | Contents |
|---|---|---|
| Software | 29,821 | Construction cost for new system |
| Software in progress | 19,160 | 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 | 29,821 | Construction cost for new systems (transferred to software as the new system was launched) |

Details of provisions

(Millions of yen)

| Categories | Balance as at 1 September 2019 | Increase | Decrease | Balance as at 31 August 2020 |
|---|---|---|---|---|
| Allowance for doubtful accounts (current) | 0 | 1 | 0 | 1 |
| Allowance for doubtful accounts (non-current) | 1,051 | 3,083 | - | 4,134 |
| Provision for bonuses | 2,676 | 2,621 | 2,676 | 2,621 |
| Provision for loss on guarantees | 204 | 190 | - | 394 |
| Allowances for Affiliated Company Operating Losses | 422 | 278 | 233 | 466 |

(Note) The increase in the Allowance for doubtful accounts for the current fiscal year is mainly for affiliated companies.

(6) Main details of assets and liabilities

Omitted because the consolidated financial statements are prepared.

(7) Others

Not applicable.

# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

We have audited the consolidated financial statements of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 August 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Valuation of inventories at the lower of cost or net realizable value | |
|---|---|
| **Key audit matter** | **Audit procedures performed** |
| As disclosed in Note 10 to the consolidated financial statements, the Group's total inventories as at 31 August 2020 are comprised of JPY390,569 million related to the UNIQLO Japan segment, the UNIQLO International segment and the GU segment, in the aggregate, representing 16.2% of the Group's total assets. In addition, the amount of write-down of inventories to net realizable value was JPY7,389 million for these segments.<br><br>The sales pattern for inventories starts with establishing an initial price, and then subsequently adjusting the price based on the season, weather and customer tastes and demand. Inventories are valued at the lower of cost or net realizable value. Selling price, a component of net realizable value, is frequently adjusted in response to fast-changing market conditions, economic conditions and fashion trends. The adjusted selling price is reflected and maintained in an IT system.<br><br>Given the nature of the Group's businesses, changes to inventory, such as adjustments to selling prices, are frequently made to large volumes of inventory at a Stock Keeping Units ("SKUs") level. Inventory management is thus highly dependent on the IT system. In addition, the accuracy of the inventory valuation reports is also dependent upon the IT system. As such, due to the potential impact it may have on the accounting for the write-down of inventories to net realizable value, there are increased risks around the appropriateness of the system configurations (e.g., calculation formula, report logic, parameters, etc.), in addition to the overall maintenance of the IT system.<br><br>We identified the valuation of inventories at the lower of cost or net realizable value as a key audit matter given that the value of inventories is material and the valuation of inventories is highly IT system dependent. | In response to this key audit matter, our audit included, amongst others, the following procedures:<br><br>• Evaluation of the cost measurement techniques and inventory valuation approaches established by management, including compliance with IFRSs.<br><br>• Assessment of the design, implementation and operating effectiveness of relevant controls in place to address the accuracy and completeness of inputs for selling price and cost of inventories.<br><br>• Involvement of our professionals with expertise in information technology ("IT experts") to evaluate the accuracy and completeness of inventory valuation reports by testing the system interface controls, the report logic and input parameters, as well as general IT controls over the IT system, including testing of user access controls, change management controls and IT operations controls.<br><br>• Evaluation of the determination of net realizable value and the amount of write-down of inventories to net realizable value calculated within the inventory valuation report on a representative sample basis. |

| Assessment of impairment indicators on store assets and assumptions used in business plan under COVID-19 pandemic | |
|---|---|
| **Key audit matter** | **Audit procedures performed** |
| As disclosed in Note 15 to the consolidated financial statements, the Group has store assets attributable to UNIQLO Japan, UNIQLO International and the GU segment amounting to JPY120,354 million, JPY196,793 million and JPY39,752 million, respectively, in the aggregate representing 14.8% of the Group's total assets as at 31 August 2020. In addition, as disclosed in Note 6 and 15 to the consolidated financial statements, the Group's impairment losses attributable to store assets were JPY21,411 million for the year ended 31 August 2020.<br><br>Each segment operated 767, 1,439 and 436 stores as at 31 August 2020, respectively, and the performance results of each store are maintained in an IT system. In principle, each store is considered as an individual cash-generating unit ("CGU"). Management uses the performance results of stores (IT system-generated reports) as a key input when assessing whether there is any indication that store assets may be impaired ("Impairment Indicators"). As such, due to the potential impact it may have on the assessment of the Impairment Indicators, there are increased risks around the appropriateness of the system configurations (e.g., report logic, parameters, etc.), in addition to the overall maintenance of the IT system.<br><br>In particular, stores were temporarily closed and the number of customer visits declined as people refrained from going out in response to the COVID-19 pandemic, which worsened performance results of each store. As a result, there are potential risks around the existence of material impairment losses. In addition, there are risks that the assessments of the Impairment Indicator and the measurement of impairment losses may be material due to increased uncertainties on the recovery from COVID-19 pandemic in particular, with regards to business plans of each store used in management's assessment.<br><br>We identified this matter as a key audit matter given that the value of store assets is material, the creation of information used in assessment of the impairment indicators is highly IT system dependent, there is the increased possibility that the impairment losses may be material due to COVID-19 and there is the increased inherent uncertainty in business plans of stores used in management's estimates and judgements. | In response to this key audit matter, our audit included, amongst others, the following procedures:<br><br>• Evaluation of management's assessment of Impairment Indicators, identification of CGUs and allocation method of relevant headquarter costs to each CGU used by management, including compliance with IFRSs.<br><br>• Involvement of our IT experts to evaluate the accuracy and completeness of the impairment indicators identification reports by testing source data of store performance results along with the report logic to allocate headquarter costs, report logic used to identify impairment indicators, and input parameters, as well as the general IT controls over the IT system, including testing of user access controls, change management controls and IT operations controls.<br><br>• Examination of the Impairment Indicators identification report for the completeness of stores for proper inclusion.<br><br>• Assessment of the design, implementation and operating effectiveness of the relevant controls in place to develop business plans of each store.<br><br>• Evaluation of the reasonableness of assumptions used, in particular those relating to business plans of stores by performing inquiries with management, evaluating the historical accuracy of the management's estimates and comparing those assumptions with market forecasts and observable external information.<br><br>• Involvement of our valuation experts to assess the discount rate used in management's impairment assessment.<br><br>• Evaluation of the adequacy of disclosures relating to the uncertainties of COVID-19 impact under Note 2 to the consolidated financial statements. |

<table>
<tr><th colspan="2">Measurement of right-of-use assets and lease liabilities upon first-time adoption of IFRS 16 “Leases”</th></tr>
<tr><th>Key audit matter</th><th>Audit procedures performed</th></tr>
<tr><td>As disclosed in Note 17 to the consolidated financial statements, the Group has right-of-use assets and lease liabilities attributable to the Company and its subsidiaries, Uniqlo Co., Ltd. (“UNIQLO Japan”) and GU Co. Ltd., (“GU Japan”), operating in Japan, in the aggregate, amounting to JPY226,257 million and JPY244,290 million, respectively, as at 31 August 2020.<br><br>UNIQLO Japan and GU Japan enter into lease contracts with various landlords, in which the contract terms are widely differentiated and total lease payments over the lease period are significant. Meanwhile, the Company enters into lease contracts with significant lease payments over the lease period.<br><br>As disclosed in Note 4 to the consolidated financial statements, the Company adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) for the first time in the year ended 31 August 2020. Upon adoption of IFRS 16, most of the existing lease contracts effective during the year were identified, measured and recognized in the consolidated statement of financial position.<br><br>In accordance with the lease contracts, lease utilization policy and substantial utilization, the parameters, in particular, lease payment, lease period, penalty for lease termination, lease incentives, are fundamental lease information with direct impact on the measurement of right-of-use assets and lease liabilities. The parameters are inputted in the IT system manually. Due to a large volume of lease contracts and widely differentiated lease terms, there are increased risks around the accuracy of parameter inputted into the IT system.<br><br>In addition, the amounts of right-of-use assets and lease liabilities are measured automatically by the IT system based on the parameters inputted, and interface with the accounting system. There are increased risks in accuracy of measurement of right-of-use assets and lease liabilities because calculated amounts are highly dependent on IT automated controls and general IT controls over the IT system.<br><br>We identified measurement of right-of-use assets and lease liabilities upon first-time adoption of IFRS 16 as a key audit matter given that the amounts of right-of-use assets and lease liabilities are material, numerous parameters are used in the calculations and inputted manually, and that the calculations are highly IT system dependent.</td><td>In response to this key audit matter, our audit included, amongst others, the following procedures:<br><br>• Evaluation of the lease identification, determination of lease period and measurement of right-of-use assets and lease liabilities performed by management, including compliance with the applicable international financial reporting standard.<br><br>• Assessment of the design, implementation and operating effectiveness of the relevant controls in place to address the accuracy of the parameters input in the IT system, in particular, lease payments, lease period, penalty for termination and lease incentives.<br><br>• Involvement of our IT experts to evaluate the IT automated controls used for the measurement of right-of-use assets and lease liabilities, interface with accounting system, as well as the general IT controls over the IT system, including testing of user access control and change management controls.<br><br>• Examination of the accuracy of parameters input used in measuring right-of-use assets and lease liabilities on a representative sample basis.</td></tr>
</table>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Statutory Auditors and the Board of Statutory Auditors for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that gives a true and fair view in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory Auditors and the Board of Statutory Auditors are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Statutory Auditors and the Board of Statutory Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Statutory Auditors and the Board of Statutory Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Statutory Auditors and the Board of Statutory Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Koichi Okubo, Hirofumi Otani and Yohei Masuda.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
27 November 2020

**(TRANSLATION)**

# INDEPENDENT AUDITOR's REPORT

27 November 2020

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

Deloitte Touche Tohmatsu LLC
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koichi Okubo
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hirofumi Otani
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yohei Masuda

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the accompanying nonconsolidated financial statements, namely, the nonconsolidated balance sheet, and the related nonconsolidated statements of income and changes in net assets of FAST RETAILING CO., LTD. (the "Company") for the 58th fiscal year from 1 September 2019 to 31 August 2020, and a summary of significant accounting policies and other explanatory information, and supplementary schedules.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated 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 nonconsolidated financial statements.

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

Audit Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of FAST RETAILING CO., LTD. , as at 31 August 2020, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## 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, its consolidated subsidiaries and associates (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 2020, 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 at 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 59th fiscal year (1 September 2019 – 31 August 2020), and confirm they are true, based on the Financial Instruments and Exchange Law.

2. Special items
   None