FINANCIAL INFORMATION

FINANCIAL SUMMARY

FAST RETAILING CO., LTD. and consolidated subsidiaries
Fiscal years ended August 31

	JGAAP			
	2008	2009	2010	2011
For the year				
Net sales/Revenue	¥ 586,451	¥ 685,043	¥ 814,811	¥ 820,349
Operating income/Operating profit	87,493	108,639	132,378	116,365
EBITDA *1	97,467	112,621	152,141	141,716
Income before income taxes and minority interests/ Profit before income taxes	81,994	95,487	116,867	93,881
Net income/Profit attributable to owners of the parent	43,529	49,797	61,681	54,354
Net cash provided by operating activities/ Net cash from operating activities	87,336	59,214	88,623	57,158
Net cash from/(used in) investing activities	(15,421)	(34,273)	(23,389)	(26,643)
Free cash flow *2	71,915	24,941	65,234	30,515
Net cash from/(used in) financing activities	(19,054)	(16,847)	(28,897)	(26,156)
Cash and cash equivalents *3	169,888	169,574	200,462	202,104
Depreciation and amortization	8,523	9,765	12,229	18,755
Capital expenditures *4	21,017	22,601	28,018	33,993
At year-end				
Total assets	¥ 404,720	¥ 463,285	¥ 507,287	¥ 533,777
Total net assets/Total equity	264,014	261,413	287,987	319,911
Interest-bearing debt	20,016	35,400	28,834	28,263
Reference indices				
Operating income margin/Operating profit margin (%)	14.9%	15.9%	16.2%	14.2%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	17.3	19.1	22.6	18.1
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	64.7	56.0	56.3	59.0
Debt-equity ratio (%)	7.6	13.6	10.1	9.0
Dividend payout ratio (%)	30.4	32.7	38.0	33.7
Per share data (yen, dollar)				
Net income/Profit attributable to owners of the parent (EPS)	¥ 427.38	¥ 488.96	¥ 605.99	¥ 533.93
Net assets/Equity attributable to owners of the parent	2,572.09	2,550.86	2,804.34	3,091.17
Cash dividends	130.00	160.00	230.00	180.00
Other data (at fiscal year-end)				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, $ million) *5	¥ 1,180.6	¥ 1,182.7	¥ 1,228.3	¥ 1,535.9
Number of subsidiaries	21	96	90	98
Total number of stores	1,958	2,258	2,203	2,088
Directly-operated stores in Japan	[1,310]	[1,454]	[1,370]	[1,213]
Directly-operated stores overseas	[294]	[397]	[474]	[491]
Franchise stores	[354]	[407]	[359]	[384]
Commercial complexes	4	4	4	4
Total sales floor space (m^2) *6	685,942m^2	740,489m^2	847,523m^2	938,896m^2
Number of full-time employees	8,054	11,037	11,596	14,612

*1 EBITDA (JGAAP) = Operating income + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Operating profit + Depreciation and amortization
*2 Free cash flow = Net cash from operating activities + Net cash from/(used in) investing activities
*3 Cash and cash equivalents (JGAAP) includes cash, time deposits with maturities of generally three months or less and marketable securities.
Cash and cash equivalents (IFRS) includes cash, bank deposits with maturity over three months and marketable securities.

Millions of yen	Millions of yen (except Per share data and Other data)						Thousands of U.S. dollars *5
JGAAP	IFRS						
2012	2013	2014	2015	2016	2017	YoY	2017
¥ 928,669	¥1,142,971	¥1,382,935	¥1,681,781	¥1,786,473	**¥1,861,917**	+4.2%	**$16,862,141**
126,450	134,101	130,402	164,463	127,292	**176,414**	+38.6	**1,597,667**
150,687	157,708	161,210	202,221	164,089	**216,102**	+31.7	**1,957,096**
123,390	155,732	135,470	180,676	90,237	**193,398**	+114.3	**1,751,484**
71,654	104,595	74,546	110,027	48,052	**119,280**	+148.2	**1,080,240**
127,643	99,474	110,595	134,931	98,755	**212,168**	+114.8	**1,921,468**
(35,313)	(62,584)	(56,323)	(73,145)	(245,939)	**122,790**	—	**1,112,027**
92,330	36,890	54,272	61,786	(147,184)	**334,958**	—	**3,033,495**
(29,056)	(24,226)	(44,060)	(41,784)	201,428	**(50,836)**	—	**(460,389)**
266,020	296,708	314,049	355,212	385,431	**683,802**	+77.4	**6,192,741**
18,573	23,607	30,808	37,758	36,797	**39,688**	+7.9	**359,429**
40,184	39,681	58,814	62,461	52,387	**59,755**	+14.1	**541,165**
¥ 595,102	¥ 901,208	¥ 992,307	¥1,163,706	¥1,238,119	**¥1,388,486**	+12.1%	**$12,574,594**
394,892	589,726	636,041	774,804	597,661	**762,043**	+27.5	**6,901,313**
23,194	37,259	37,561	38,035	283,465	**281,512**	(0.7)	**2,549,473**
13.6%	11.7%	9.4%	9.8%	7.1%	**9.5%**	+2.4 pts.	**9.5%**
20.4	21.7	12.5	16.1	7.3	**18.3**	+11.0	**18.3**
65.0	63.3	62.3	64.5	46.4	**52.7**	+6.3	**52.7**
6.0	6.5	6.1	5.1	49.7	**38.7**	(11.0)	**38.7**
37.0	28.2	41.0	32.4	74.3	**29.9**	(44.4)	**29.9**
¥ 703.62	¥ 1,026.68	¥ 731.51	¥ 1,079.42	¥ 471.31	**¥ 1,169.70**	+148.2%	**$ 10.59**
3,797.04	5,598.12	6,067.40	7,366.07	5,634.35	**7,175.35**	+27.3	**64.98**
260.00	290.00	300.00	350.00	350.00	**350.00**	—	**3.17**
106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	**106,073,656**	—	**106,073,656**
¥ 1,938.0	¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	¥ 3,854.7	**¥ 33,381**	(13.4)%	**$ 30,231**
91	102	112	119	120	**121**	+1	**121**
2,222	2,449	2,753	2,978	3,160	**3,294**	+134	**3,294**
[1,250]	[1,331]	[1,406]	[1,444]	[1,463]	**[1,367]**	([96])	**[1,367]**
[589]	[743]	[1,072]	[1,240]	[1,405]	**[1,607]**	+[202]	**[1,607]**
[383]	[375]	[275]	[294]	[292]	**[320]**	+[28]	**[320]**
4	4	4	4	4	**4**	—	**4**
1,170,353m²	1,387,367m²	1,835,095m²	2,030,031m²	2,188,688m²	**2,392,618m²**	+203,930m²	**2,392,618m²**
18,854	23,982	30,448	41,646	43,639	**44,424**	+785	**44,424**

*4 Finance leases is disclosed in the capital expenditure data from FY2017.
*5 Calculations are based on the closing share price of ¥31,470 at the end of August 2017 and an exchange rate of ¥110.42 to U.S.$1.
*6 Total sales floor space includes only directly operated stores.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group Performance in Fiscal 2017
(Year to August 31, 2017)

- **Achieves record result. Revenue: ¥1.8619 trillion (+4.2% YoY), operating profit: ¥176.4 billion (+38.6% YoY). UNIQLO International drives Group growth as operating profit nearly doubles.**
- **GU profit down from strong previous year on weak sales of featured campaign items.**
- **Basic earnings per share: ¥1,169.70 (+148.2% YoY) on a strong rise in operating profit and the recording of a foreign exchange gain following yen depreciation. Annual dividend per share steady at ¥350.**

1 Operating Environment and Management Strategy

While improvements in the employment and wage environment are fueling a gradual recovery in the Japanese economy, personal consumption remains cautious, and customers are increasingly discerning with their purchases. The global economy is on a gradual recovery track, and we note buoyancy in Greater China, Southeast Asia and the United States.

Our FY2017 operation reflected this broad economic pattern, with sluggish Japanese apparel consumption resulting in a decline in UNIQLO Japan operating profit (-¥6.5 billion) and buoyant international conditions fueling a near doubling of UNIQLO International operating profit (+¥35.7 billion). Global Brands' operating profit increased by ¥4.5 billion. As a result, consolidated revenue increased 4.2% to ¥1.8619 trillion and operating profit increased by 38.6% to ¥176.4 billion.

Several factors contributed to the impressive increase in operating profit, including continued significant profit gains from the Greater China region, a large improvement in profitability from UNIQLO Southeast Asia & Oceania, and a halving of operating losses at UNIQLO USA. While operating profit at GU contracted by ¥8.6 billion, impairment losses at J Brand declined, resulting in an operating profit gain for Global Brands overall. We recorded impairment losses of ¥9.3 billion on J Brand and systems, and store losses and losses on retirement of fixed assets of ¥2.7 billion relating to store closures. We reported a ¥16.9 billion net finance income in FY2017 (FY2016: ¥37.0 billion net cost), after a weakening in

Number of Stores by Group Operation

(Unit: Stores)

(FY)	2016	2017		
	End Aug.	End Aug.	Open	Close
UNIQLO Japan	837	**831**	23	29
Directly operated	798	**790**	21	29
Large-scale	205	**209**	10	6
Standard	593	**581**	11	23
Franchise	39	**41**	2	0
UNIQLO International	958	**1,089**	153	22
Mainland China	472	**555**	90	7
Hong Kong	25	**25**	0	0
Taiwan	63	**65**	3	1
South Korea	173	**179**	13	7
Singapore	24	**24**	1	1
Malaysia	35	**41**	6	0
Thailand	32	**34**	2	0
The Philippines	32	**40**	8	0
Indonesia	9	**12**	3	0
Australia	12	**12**	1	1
U.S.	45	**44**	4	5
Canada	0	**2**	2	0
U.K.	10	**10**	0	0
France	10	**19**	9	0
Russia	11	**20**	9	0
Germany	3	**5**	2	0
Belgium	2	**2**	0	0
Global Brands	1,365	**1,374**	81	72
GU	350	**372**	41	19
Theory*	530	**538**	30	22
Comptoir des Cotonniers*	348	**333**	8	23
Princesse tam.tam*	137	**131**	2	8
Total	3,160	**3,294**	257	123

*Including franchise stores
Note: This table does not include mina or Grameen UNIQLO.

Performance by Group Operation

(FY)	2016			2017		
	Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
UNIQLO Japan						
Revenue	¥799.8	¥19.6	+2.5	**¥810.7**	**¥10.9**	**+1.4**
Operating profit	102.4	(14.7)	(12.6)	**95.9**	**(6.5)**	**(6.4)**
UNIQLO International						
Revenue	655.4	51.7	+8.6	**708.1**	**52.7**	**+8.1**
Operating profit	37.4	(5.9)	(13.7)	**73.1**	**35.7**	**+95.4**
Global Brands*						
Revenue	328.5	33.2	+11.3	**340.1**	**11.5**	**+3.5**
Operating profit	9.5	(4.8)	(34.0)	**14.0**	**4.5**	**+47.5**

*Global Brands includes GU, Theory, CDC, PTT, J Brand.
Note: Consolidated revenue also includes items reported by the holding company, Fast Retailing Co., Ltd., such as real estate leasing.
Consolidated operating profit includes Fast Retailing operating profit.

the yen over the financial year increased the yen value of our foreign-currency denominated assets. As a result, profit attributable to owners of the parent increased by an impressive 148.2% to ¥119.2 billion.

In order to achieve the Group's medium-term vision of becoming the world's No.1 apparel retailer, we are focusing on expanding UNIQLO International and GU. To consolidate UNIQLO's position as a key global brand, we are opening more UNIQLO stores in each country where we already have a presence, and more global flagship stores and large-format stores in major cities worldwide. The Southeast Asia & Oceania region is developing into another pillar of UNIQLO International growth alongside Greater China and South Korea. We intend to open more GU Japan stores and develop GU's international presence in Greater China. As we transform the Fast Retailing Group into a digital consumer retail company, we are overhauling all our business practices and our entire supply chain, from planning, design and materials procurement through manufacturing, distribution and retail. That requires aggressive investment in various areas, including IT, logistics and digital marketing.

2 Revenue

Consolidated revenue rose 4.2% year on year to ¥1.8619 trillion, a ¥75.4 billion increase. This breaks down into ¥52.7 billion from UNIQLO International, ¥11.5 billion from Global Brands, and ¥10.9 billion from UNIQLO Japan. UNIQLO International revenue rose strongly as an additional 131 stores (Greater China: +85, Europe: +20, Southeast Asia & Oceania: +19, South Korea: +6, North America: +1) expanded the network to 1,089, and Greater China, Southeast Asia and all other areas reported growth in same-store sales. Within Global Brands, GU and Theory reported higher revenue. At UNIQLO Japan, full-year same-store sales grew 1.1% year on year, thanks to a successful November UNIQLO Anniversary Sale, and strong sales of talked-about items such as wireless bras and Dry Stretch Kando Pants.

3 Gross Profit Margin

Gross profit rose 5.1% year on year to ¥909.2 billion. The gross profit margin expanded 0.4 point to 48.8% thanks to a 2.0 point improvement in gross profit margin at UNIQLO International, where all regions adopted a tighter discounting business model. UNIQLO Japan reported a mild 0.3 point improvement in its gross profit margin. While smaller weekend bargains and a continuation of affordable, easily recognizable everyday prices reduced overall discounting rates, procurement costs rose on the back of a weaker yen.

4 Selling, General and Administrative Expenses (SG&A)

SG&A expenses totaled ¥725.2 billion. The SG&A to net sales ratio declined 0.4 point year on year to 38.9%, following our Group-wide cost-cutting drive. UNIQLO International generated an especially successful 1.7 point reduction in its business cost ratio on the back of determined rationalization of distribution costs as well as various cost-cutting efforts in each region.

5 Other Income/Expenses

Other income and expenses totaled -¥7.6 billion in FY2017 (FY2016: -¥34.7 billion), including a ¥2.1 billion forex gain (FY2016: ¥11.0 billion loss) from temporary advances paid by overseas subsidiaries after the yen weakened against the US dollar from approximately ¥103 to ¥110. There was a ¥12.0 billion (FY2016: ¥24.7 billion) loss including: (i) ¥3.6 billion J Brand impairment loss, (ii) ¥3.5 billion impairment loss on systems, and (iii) impairment, retirement and store closure losses from UNIQLO USA stores and other locations.

6 Operating Profit

Operating profit increased 38.6% year on year to ¥176.4 billion. Operating profit margin improved 2.4 points to 9.5%.

Breakdown of SG&A Expenses

(FY)	2015			2016			**2017**		
	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change	Millions of yen	YoY change Millions of yen	% change
Advertising and promotion	¥ 68,474	¥ 7,533	+12.4	¥ 71,611	¥ 3,136	+4.6	**¥ 70,937**	**¥ (674)**	**(0.9)**
Rental expenses	166,437	27,784	+20.0	171,356	4,918	+3.0	**174,034**	**2,678**	**+1.6**
Depreciation and amortization	37,758	6,949	+22.6	36,797	(961)	(2.5)	**39,688**	**2,891**	**+7.9**
Outsourcing	29,324	6,371	+27.8	33,602	4,277	+14.6	**33,244**	**(358)**	**(1.1)**
Salaries	230,815	45,950	+24.9	242,033	11,218	+4.9	**252,520**	**10,487**	**+4.3**
Others	139,053	28,077	+25.3	147,555	8,502	+6.1	**154,790**	**7,235**	**+4.9**
Total	¥671,863	¥122,668	+22.3	¥702,956	¥31,093	+4.6	**¥725,215**	**¥22,259**	**+3.2**

7 Finance Income/Costs

Net finance income and costs totaled ¥16.9 billion in FY2017 (FY2016: -¥37.0 billion) after yen depreciation from ¥103 to ¥110 against the US dollar over the period increased the carrying amount of foreign-currency denominated assets.

8 Income Taxes and Other Taxes

Income taxes totaled ¥64.4 billion in FY2017. The effective corporate tax rate after tax effect accounting was 33.3%, 2.5 points higher than Japan's statutory 30.8% rate, largely due to our loss-making US operation, and the fact that tax effect accounting cannot be applied to J Brand impairment losses.

9 Profit Attributable to Owners of the Parent and Dividend

Profit attributable to owners of the parent totaled ¥119.2 billion (+148.2% YoY). Basic earnings per share increased ¥698.39 to ¥1,169.70. The annual dividend was maintained at ¥350 per share (dividend payout ratio 29.9%). The sharp rise in profit attributable to owners of the parent resulted in an 11.0 point increase in return on equity (ROE) to 18.3%.

10 Results by Business Segment

UNIQLO Japan UNIQLO Japan reported rising revenue but falling profit in FY2017. Revenue totaled ¥810.7 billion (+1.4%) and operating profit totaled ¥95.9 billion (-6.4%). Full-year same-store sales rose 1.1% year on year (1H: 0.1%, 2H: 2.4%). While the November UNIQLO Anniversary Sale fueled robust sales, unusually warm weather dampened sales in the traditionally busy month of December. The 2.4% rise in second-half same-store sales was driven by strong sales of talked-about items such as wireless bras, Dry Stretch Kando Pants, easy ankle pants and UT T-shirts, and also by rising customer visits. Full-year online sales rose 15.6% to constitute 6.0% of total revenue.

On the profit front, the gross profit margin rose by 0.3 point, but the SG&A ratio also rose 1.3 points, resulting in a contraction of operating profit. While we successfully cut costs and reduced advertising spend, standard personnel costs rose in some regions, and distribution costs rose temporarily as we transformed our logistics systems.

We opened 21 new directly operated stores and closed 29 stores, two of which reopened as employee franchise stores. UNIQLO Japan had 790 directly operated stores (and 41 franchise stores) at the end of FY2017.

UNIQLO International UNIQLO International reported rising revenue and profit. Revenue totaled ¥708.1 billion (+8.1%) and operating profit ¥73.1 billion (+95.4%). This near doubling of operating profit was due to: (i) a sharp improvement in the gross profit margin as all regional operations shifted towards a tighter discounting business model, (ii) effective cost-cutting efforts, and (iii) a halving of operating losses at UNIQLO USA. UNIQLO operations in Greater China, South Korea and Southeast Asia & Oceania performed especially well.

Operating profit doubled at UNIQLO Southeast Asia & Oceania. Revenue rose to approximately ¥110.0 billion and operating profit rose to ¥14.0 billion. The gross profit margin improved markedly thanks to fuller ranges of polo shirts, DRY T-shirts and other core items, and strong sales of products tailored to suit Southeast Asian climates and cultures. Lower distribution and personnel costs also helped boost the business ratio.

UNIQLO Greater China reported large revenue and profit gains. Revenue reached ¥346.4 billion (+4.1%), operating profit rose to ¥50.1 billion (+37.0%), and the operating profit margin grew to 14.5%. Same-store sales continued to expand in Mainland China as timely advertising campaigns attracted more and more customers. We were able to improve the gross profit margin through strict discounting and improve the business ratio by actions such as reviewing distribution systems and rent negotiations. Same-store sales declined in Hong Kong and Taiwan, but profits rose on improved gross profit margins and lower business costs.

Following a management overhaul, UNIQLO South Korea same-store sales recovered in the second half and full-year operating profit rose sharply.

North America same-store sales increased thanks to efforts to tailor product mixes to different regional needs and a renewed focus on sales promotion. New management practices helped UNIQLO USA halve its operating loss by improving store operations and ensuring appropriate stock levels. UNIQLO opened its first store in Canada in September 2016, achieving consistently favorable sales.

UNIQLO Europe opened 20 new stores, mainly in Russia and France. Operating profit dipped slightly on higher new-store opening costs but stayed in the black.

The UNIQLO International network expanded by 131 stores, reaching 1,089 stores in FY2017. Additionally, UNIQLO opened its first store in Spain in September 2017.

Global Brands Global Brands reported rises in revenue and profit. Revenue increased 3.5% to ¥340.1 billion. Operating profit increased 47.5% to ¥14.0 billion on the back of a sharp rise in Theory profit and lower J Brand impairment losses.

GU reported a 6.0% rise in revenue to ¥199.1 billion but a sharp 39.0% decline in operating profit to ¥13.5 billion. Same-store sales declined as product shortages resulted in lost sales opportunities and some items didn't prove to be the hit products we expected. Lower-than-forecast sales resulted in a decline in operating profit. The GU network increased by 22 stores, to total 372 (including 14 stores outside Japan). After opening stores in Shanghai and Taipei, GU opened its first store in Hong Kong in March 2017, which has been a big success.

Theory generated a large rise in profit thanks to a strong performance from the US Theory operation and to improved profitability at Theory's PLST label. Theory reported sales of about ¥100 billion from operations in the United States, Japan and Asia.

Comptoir des Cotonniers reported a decline in sales, but managed to reduce its operating loss through determined cost-cutting. Princesse tam.tam and J Brand reported losses, with an impairment loss of ¥3.6 billion at J Brand.

11 Balance Sheet

Total assets rose ¥150.3 billion to ¥1.3884 trillion. Current assets increased ¥153.0 billion to ¥1.0775 trillion (cash, cash equivalents and other current financial assets: +¥298.3 billion, inventory assets: +¥19.6 billion, deposits with maturities over three months and other short-term assets: -¥153.8 billion).

Inventory assets rose ¥19.6 billion to ¥289.6 billion (UNIQLO International: +¥22.7 billion, Global Brands: +¥0.9 billion, UNIQLO Japan: -¥4.0 billion). UNIQLO International inventory increased as the store network expanded, with the addition of 131 stores by the end of August 2017. UNIQLO Japan inventory declined following a successful digestion of Spring/Summer stock.

Non-current assets decreased by ¥2.6 billion to ¥310.8 billion. This figure includes a ¥19.1 billion decrease in deferred tax assets and a ¥15.1 billion increase in property, plant and equipment.

Current liabilities decreased by ¥26.6 billion to ¥311.4 billion, due largely to a ¥66.3 billion decrease in derivative financial liabilities on the one hand and a ¥16.2 billion increase in income taxes payable on the other. The ¥66.3 billion decrease in derivative financial liabilities occurred after the average exchange rate on our forward currency contracts rose above the actual period-end exchange rate, turning some derivative financial liabilities into assets.

Non-current liabilities increased by ¥12.6 billion to ¥315.0 billion due primarily to a ¥4.7 billion increase in reserves and a ¥6.1 billion yen increase in deferred tax liabilities.

Total equity increased by ¥164.3 billion to ¥762.0 billion. This increase includes ¥119.2 billion in greater retained earnings on the back of higher profits (with a ¥38.6 billion dividend payout), and a ¥73.1 billion increase in other comprehensive income (including cash flow hedges). As a result, the ratio of equity attributable to owners of the parent to total assets rose 6.3 points to 52.7%.

Consolidated Subsidiaries (At end of August 31, 2017)

Company name	Share ownership
Holding Companies	
FAST RETAILING CO., LTD.	100.0%
Main Consolidated Subsidiaries	
UNIQLO CO., LTD.	100.0%
FAST RETAILING (CHINA) TRADING CO., LTD.	100.0%
UNIQLO TRADING CO., LTD.	100.0%
FAST RETAILING (SHANGHAI) TRADING CO., LTD.	100.0%
FRL Korea Co., Ltd.	51.0%
FAST RETAILING (SINGAPORE) PTE. LTD.	100.0%
UNIQLO (THAILAND) COMPANY LIMITED	75.0%
PT. FAST RETAILING INDONESIA	75.0%
UNIQLO AUSTRALIA PTY LTD	100.0%
Fast Retailing USA, Inc.	100.0%
UNIQLO EUROPE LIMITED	100.0%
G.U. CO., LTD.	100.0%
FAST RETAILING FRANCE S.A.S.	100.0%
Theory LLC	100.0%
J Brand, Inc.	100.0%

* The Fast Retailing Group comprises FAST RETAILING CO., LTD., 121 consolidated subsidiaries and 2 affiliated companies by the equity-method

12 Cash Flow Information

In FY2017, net cash received from operating activities totaled ¥212.1 billion, net cash gained from investing activities totaled ¥122.7 billion, and net cash used in financing activities totaled ¥50.8 billion. As a result, free cash flow (net cash received from operating activities + net cash gained from investing activities) totaled ¥334.9 billion. Overall, the balance of cash and cash equivalents increased by ¥298.3 billion to ¥683.8 billion.

The Group seeks to ensure consistent, steady growth by using retained earnings and free cash flow to make effective investments and loans that strengthen our operational base.

Net Cash from Operating Activities: ¥212.1 Billion

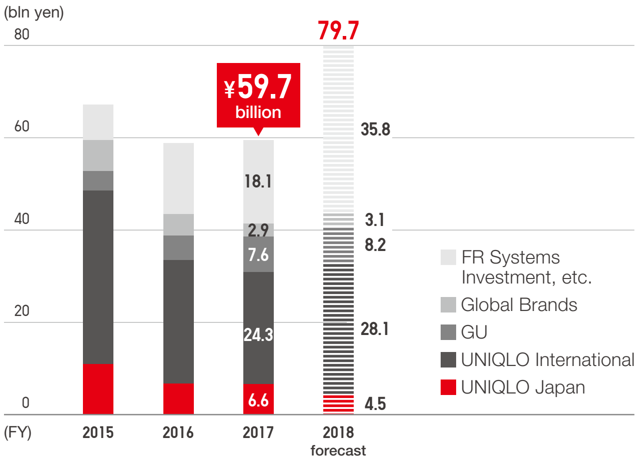
Net inflows included ¥193.3 billion in profit before income taxes, ¥39.6 billion in depreciation and amortization, and ¥9.3 billion in impairment losses. Working capital inflow (calculated from trade receivables, inventories and trade payables) totaled ¥2.5 billion. Net income taxes paid totaled ¥26.8 billion.

Net Cash from Investing Activities: ¥122.7 Billion

Includes a ¥168.3 billion increase in bank deposits with maturities over three months, ¥33.6 billion spent on acquiring property, plant and equipment to grow UNIQLO International and Global Brands store networks, and ¥12.2 billion spent on non-tangible assets such as systems investment.

Consolidated capital expenditure totaled ¥59.7 billion (UNIQLO Japan: ¥6.6 billion, UNIQLO International: ¥24.3

Capital Expenditure (Including Finance Leases)



billion, Global Brands including GU: ¥10.5 billion, Fast Retailing systems investment: ¥18.1 billion).

Net Cash used in Financing Activities: ¥50.8 Billion
Including ¥34.6 billion in cash dividend payments, ¥2.9 billion in long-term borrowing repayments and ¥6.0 billion in lease repayments.

13 Dividend Policy

Returning a portion of our profits to shareholders is a top priority. Our policy is to pay a high dividend after considering the funds required to expand Group operations, increase profits and maintain financial soundness. The Group paid an annual dividend of ¥350 per share in FY2017. This translates into an annual dividend payout ratio of 29.9%.

14 Outlook for FY2018 (As of January 11, 2018)

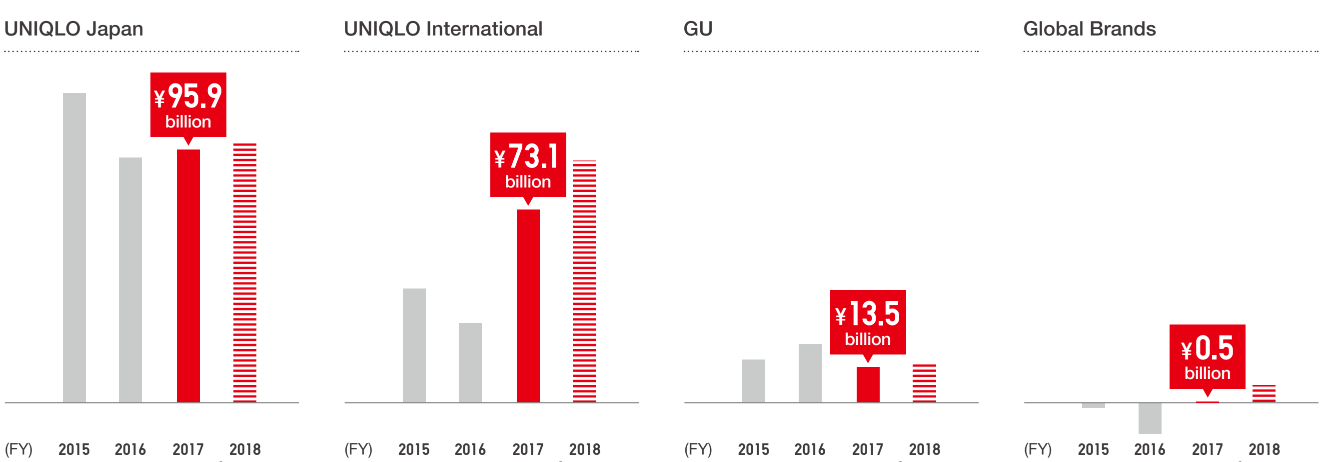
We forecast a record consolidated performance, with revenues of ¥2.0500 trillion (+10.1% YoY), operating profit of ¥200.0 billion (+13.4%), profit before income taxes of ¥200.0 billion (+3.4%) and net profit attributable to owners of the parent of ¥120.0 billion (+0.6%). We forecast net earnings per share (EPS) of ¥1,176.66 and a steady annual dividend per share of ¥350 (¥175 interim and year-end dividends).

UNIQLO Japan is forecast to report slight rises in full-year revenue and profit. In the first quarter of FY2018, same-store sales far outstripped expectations, notching up double-digit growth after cold weather strengthened demand for HEATTECH, down, sweatshirts and sweatpants, merino sweaters and other Fall Winter ranges. Rising cost of sales on a weaker yen is forecast to dampen the gross profit margin slightly, but we expect to improve business cost ratios by cutting expenses and enhancing distribution and advertising efficiencies.

We forecast significant gains in UNIQLO International revenue and profit. We expect further sharp profit gains from Greater China and Southeast Asia & Oceania along with another halving of operating losses at North America (United States + Canada).

GU and Global Brands are both expected to report rising full-year revenue and profit. We are actively reviewing GU ranges to continually achieve the right product mix and create quintessentially GU products that customers of all ages will want to own. We are also working to eradicate lost sales opportunities resulting from product shortages by improving accuracy of initial production volumes and strengthening frameworks for swift additional production of strong-selling items.

Operating Profit by Business Segment



15 Risk

Risk factors that investors may regard as potentially having a significant impact on the businesses of the Company and the Group are stated below. The Company, aware of the possibility that these risks may occur, has planned preventive actions and thoroughgoing administrative procedures and strives to take appropriate measures when they occur. Statements with regard to the future are based on management decisions and projections made by the Company based on information available at the time of the publication of the latest securities report (30 November 2017).

(1) Risks specific to management strategy

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

i) Management personnel risk

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

ii) Competitive risks

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

iii) Risk of dependency on production in specified geographic locations

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

iv) Risks of corporate acquisitions

One element of the Group's management strategy is to expand the business through M&A. If we are unable to achieve the expected revenue gains and positive benefits from target company synergies and business portfolios, this could have a negative impact on Group results.

v) Overseas business risks

As the Group steadily expands its presence overseas, our international business is expected to constitute a higher proportion of Group revenue. If the goods we sell do not match market needs in each country, or if there are economic fluctuations, social and political turmoil, changes in law, or major currency market volatility, or other factors that affect our ability to hire and train well-qualified management personnel and local staff, this could have a negative impact on earnings.

vi) Currency risks

Most product imports for UNIQLO Japan are denominated in US dollars. We hedge our currency risks for about three years ahead, using forward currency agreements to stabilize purchasing costs. If the yen continues to weaken further against the dollar going forward, this could have a negative impact on earnings at UNIQLO Japan, which is the Group's core business.

(2) General business risks

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

i) Manufactured product liability risk

The Group's business is subject to a variety of national and regional legal regulations such as product liability laws and consumer protection laws. The Group endeavors to establish product management systems that fulfill the legal regulations of various countries and regions, but if gross quality defects are found in products, such as contamination by hazardous materials, this may require global product recalls, or compensation for harm to the health of customers, which may have a negative impact on earnings, as well as causing damage to customers' trust.

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

In the course of doing business, the Group gathers information about customers, and handles trade secrets and other confidential information. We have established an Information Security Office to ensure management of confidential information held by the Group. We, create and strengthen appropriate management systems for trade secrets and personal customer information, and conduct activities to raise awareness. In the event confidential information is lost, it may be necessary to take steps to recover the information, which may have a negative impact on earnings, as well as causing damage to customers' trust.

iii) Risk due to weather

Due to global warming and other weather conditions we may be unable to procure materials such as cotton and cashmere in a timely and appropriate manner, and may also reduce sales of products sold by the group, which could have a negative impact on earnings.

iv) Risk due to natural disaster

Natural disasters affecting factories that produce or stores that sell the Group's products, or their immediate vicinity, may have a negative impact on the Company's ability to supply or to sell its products.

v) Risks of disputes and litigation

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

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

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