



**FAST RETAILING**

**ANNUAL  
REPORT  
2018**

Year ended  
31 August 2018



**GREAT CLOTHES  
CAN CHANGE OUR WORLD**



# FAST RETAILING

is a global company that operates multiple fashion brands including UNIQLO, GU, and Theory. The world's third largest manufacturer and retailer of private-label apparel, Fast Retailing offers high-quality, reasonably priced clothing by managing everything from procurement, design, and production to retail sales. UNIQLO, our pillar brand, generates approximately ¥1.76 trillion in sales from 2,068 stores in 21 countries and regions (FY2018). UNIQLO, with its LifeWear concept of ultimate everyday comfort, differentiates itself by offering unique products such as sweaters made from superior-quality cashmere, supima cotton T-shirts, and ranges incorporating original HEATTECH and Ultra Light Down technologies. The Group's main sources of UNIQLO-driven growth are moving beyond Japan to Greater China (Mainland China, Hong Kong, Taiwan) and Southeast Asia. Our fun, low-priced fashion brand GU has generated sales of approximately ¥210 billion, primarily in Japan. We expect to grow the GU brand in Greater China and South Korea going forward. Fast Retailing is making progress on its Ariake Project, which aims to transform the apparel retail industry into a new digital consumer retail industry. We are working to build a supply chain that uses advanced information technology to create seamless links between Fast Retailing and its partner factories, warehouses, and stores worldwide. This transformation will minimize the environmental impact of our business, create a manufacturing environment that upholds human rights, and ensure highly responsible procurement. Fast Retailing strives to harness the power of clothing to enrich the lives of people around the world, and create a more sustainable society.

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HAKUJU KUISEKO

Fast Retailing Group corporate philosophy:  
Changing clothes. Changing conventional  
wisdom. Change the world.  
(Designed by calligrapher Hakuju Kuisseko)



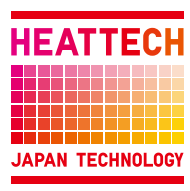
## 3 D K N I T

Cutting-edge Japanese technology:  
"WHOLEGARMENT™" can knit seamless  
knitwear three-dimensionally.  
This is clothing which serves to fit you,  
offering enhanced beauty and stylish appeal.



**BREAK  
NEW GROUND,  
CREATE  
NEW VALUE**





THIS INNERWEAR GENERATES  
HEAT FROM YOUR BODY.

Created in 2003 using a combination of Japanese fiber technologies, HEATTECH's warmth generation and retention properties make it a must-have item for everyday winter life. Annual technological improvements have fueled total sales of over 1 billion items worldwide.

# RETHINKING CLOTHES, EVOLVING COMFORT





## **CONTENTS**

<b>06</b>	<b>MESSAGE FROM THE CEO</b>
<b>08</b>	<b>CEO INSIGHTS</b>
<b>18</b>	<b>SUSTAINABILITY</b>
<b>34</b>	<b>FY2018 BUSINESS PERFORMANCE</b>
<b>36</b>	<b>UNIQLO BUSINESS</b>
<b>46</b>	<b>UNIQLO GLOBAL PRESENCE</b>
<b>54</b>	<b>GU BUSINESS</b>
<b>56</b>	<b>OUR GLOBAL BRANDS</b>
<b>58</b>	<b>FY2018 FINANCIAL HIGHLIGHTS</b>
<b>60</b>	<b>FINANCIAL INFORMATION</b>
<b>68</b>	<b>HISTORY</b>
<b>70</b>	<b>INVESTOR INFORMATION</b>
<b>71</b>	<b>CORPORATE INFORMATION</b>

# ALWAYS START FROM ZERO

We launched the Ariake Project to transform Fast Retailing into a digital consumer retail company, and we are now ready to accelerate that revolution. The Ariake Project is creating a new, dynamic supply chain across planning, production, distribution, and retail by reimagining all existing ideas and concepts. It is transforming the way we work, gather information globally, and team up with people worldwide to create new products.

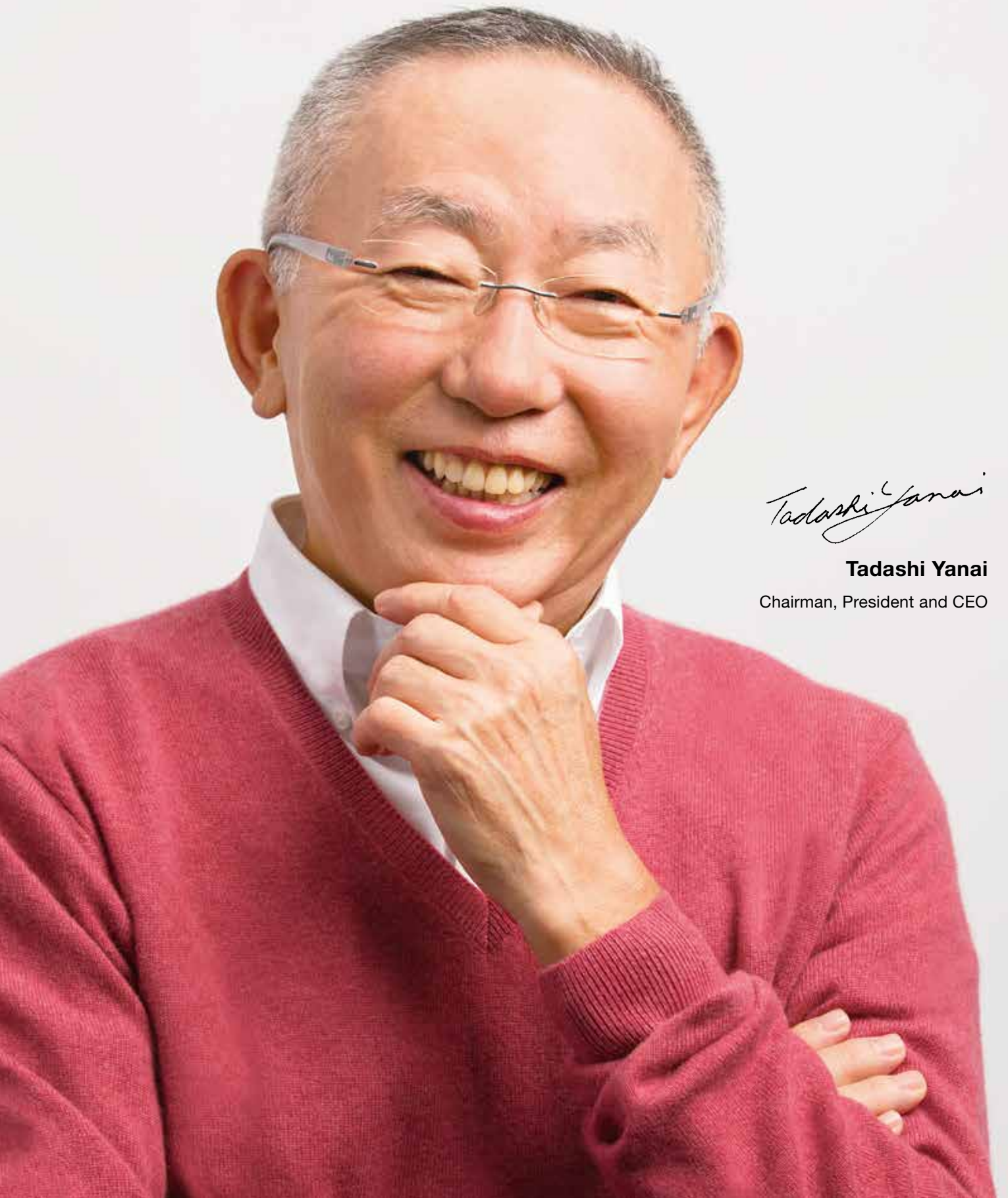
The opening of UNIQLO's first Swedish store in Stockholm in August 2018 was an exciting milestone. At the opening ceremony, I was struck by Sweden's wonderful culture and its people's relaxed but refined approach to life. I felt UNIQLO's LifeWear concept resonated with the Swedish affinity for simple, practical lifestyles. As the cradle of Western clothing culture, Europe is an important market for us, and we plan to build UNIQLO's presence there by actively opening large-format stores in prime urban locations.

I believe the Asian region—which includes Greater China (Mainland China, Hong Kong, Taiwan), South Korea, Southeast Asia, and India, and is the driver of global economic growth—is crucial for future UNIQLO and GU expansion. Rapidly-developing Asia Pacific economies harbor great business opportunities for Fast Retailing as a whole. We will continue to deliver indispensable everyday clothing that offers new value to our customers.

Fast Retailing achieved another record business performance in FY2018, but we are not solely focused on growth. Our quest to create a new digital consumer retail industry and become the world's No.1 brand also incorporates a focused commitment to a sustainable society. As a producer of 1.3 billion items of clothing each year, we have a strong responsibility to lead the sustainable development of global society through our core clothing business. We proactively address issues relating to factory working environments, human rights, and environmental protection. We strongly promote our All-Product Recycling Initiative, the advancement of women in the workplace, the employment of people with disabilities, and the support of refugees worldwide. We remain determined to make the world a better place through clothes.

January 2019





*Tadashi Yanai*

**Tadashi Yanai**

Chairman, President and CEO

# Ariake Project Begins to Bear Fruit

## Driving Digital Transformation

National, industrial, and corporate demarcations are disappearing, and intricate connections are forming between people, things, and information. As rapid IT development drives an information revolution, corporations are experiencing their own new industrial revolutions. To stay ahead, we need to transform our business by replacing our traditional supply chain with an information-driven one that links to the design, planning, production, distribution, and retail stages, and that is able to instantly create the products customers want. Our aim is to create an entirely new digital consumer retail industry.

To kick-start this revolution, we moved our UNIQLO headquarters to the vast, open-plan UNIQLO CITY TOKYO office on the 6th floor of our Ariake warehouse in February 2017, and threw ourselves into our transformative Ariake Project. The project is now starting to bear fruit in multiple ways, as small, flat teams rapidly analyze our business, make decisions, and implement ideas. The Ariake Project has been running for two years, and it is now roughly 30% complete.



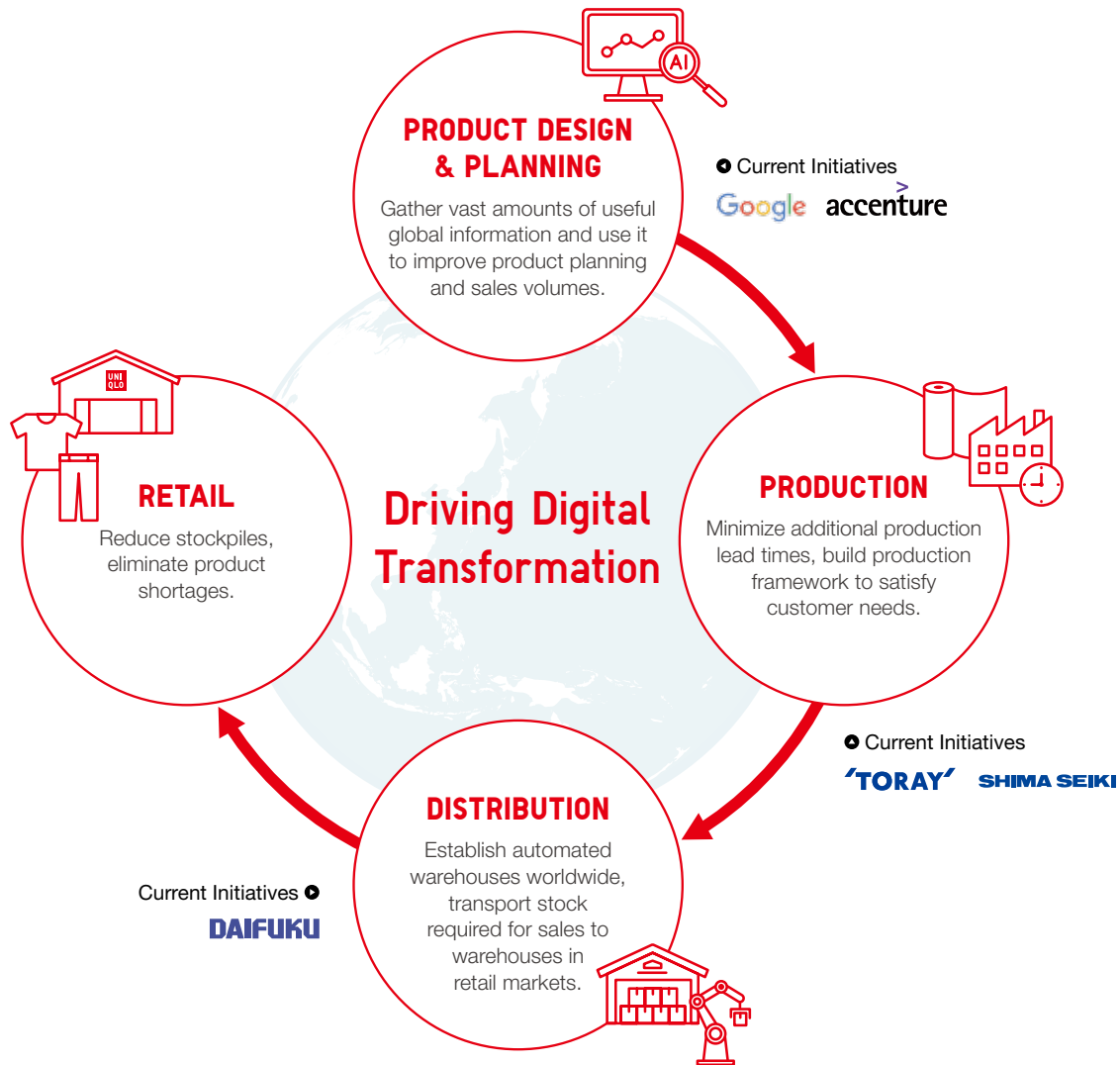
## Eliminating Waste in Production, Transportation, and Sales

The ultimate aim of our digital consumer retail company is to eradicate waste by ensuring we make, transport, and sell only what is necessary. Pursuing our Ariake Project will help to achieve that aim by transforming our entire supply chain, from design and planning to production, distribution, and retail.

In summer 2018, we launched a joint project with Google under the Ariake Project umbrella. I am convinced we can gain a quicker understanding of what colors and silhouettes are in fashion by analyzing big data, including huge volumes of images, from around the world. And that's not all. We can also create a more efficient design process and ensure more accurate volume planning for the products that customers want by more effectively utilizing UNIQLO and GU's vast amounts of existing information.

Our UNIQLO UPDATE initiative is already proving extremely successful in terms of perfecting core UNIQLO ranges. I believe that repeatedly implementing meticulous improvements based on analysis of a vast pool of customer opinions is the surest way to achieve even better LifeWear.

UNIQLO and GU are mass-volume clothing operations, so we sometimes need to order additional production mid-season. Given the potentially huge impact on business performance, getting the timing right is crucial. Order additional production too late, and we risk losing precious sales. The Ariake Project is helping solve these problems by generating more accurate production volume predictions, reducing the time from design to production and production lead times, and overhauling our logistics systems. We intend to make the most of AI, algorithms, and other new technologies to continue accelerating the Ariake Project.



## Advancing the Ariake Project with the Best Global Partners

Logistics reform is one area where the Ariake Project is already reaping great benefits. Our partnership with leading Japanese logistics firm Daifuku Co., Ltd. enabled us to equip our Ariake warehouse with the latest automated equipment and systems within two years of the project's launch. The opening of a fully operational automated Ariake warehouse dedicated exclusively to online sales in fall 2018 heralded sweeping future logistics reform across the Fast Retailing Group. Thanks to the introduction of radio-identification frequency (RFID) tags on all products, UNIQLO can automatically complete warehouse processes such as stock receipt, sorting, picking, and inspection. Around the clock operation eliminates delivery delays caused by labor shortages during busy periods.

Plans are now underway to use automated

warehouses to make product delivery to UNIQLO stores more efficient as well. We are also looking to establish automated warehouses in Western Japan, China, the East and West Coasts of the United States, and Southeast Asia. Over the next three years, I want to invest ¥100 billion to accelerate the introduction of automated warehouses at all Fast Retailing global logistics centers.

In the IT field, we are building frameworks utilizing AI and other new technologies in cooperation with multinational firms such as Google and Accenture. On the production side, we are proud of our partnerships with Japanese firms Toray and Shima Seiki on developing unique products such as HEATTECH, Ultra Light Down, and 3D Knit items, respectively. We are also strengthening partnerships with factories in China and Southeast Asia.

I intend to secure more leading global technologies and capabilities to actively progress our supply-chain reform.





UNIQLO Kungsträdgården store (Sweden)

# UNIQLO International Powers Ahead

## UNIQLO International Revenue Surpasses UNIQLO Japan

UNIQLO International's performance in FY2018 was spectacular, with a 26.6% rise to ¥896.3 billion, placing UNIQLO International revenue ahead of UNIQLO Japan revenue for the first time. Operating profit soared by 62.6% year on year to ¥118.8 billion, reaching the UNIQLO Japan level. I am certain UNIQLO operations in Greater China and Southeast Asia will continue to be key drivers of growth. I expect UNIQLO Europe's profitability to improve further, with new operations in Spain, Sweden, and the Netherlands all doing well. The halving of operating losses at UNIQLO USA was great news. I truly believe FY2019 will be when our United States operation moves into the black. We are in for an exciting year.

## Customers Worldwide Embrace UNIQLO LifeWear Concept

I put UNIQLO's comprehensive success down to a growing embrace of our LifeWear concept worldwide. LifeWear is clothing that offers true comfort, high quality, and fashionable touches at a price everyone can afford. Unlike trend-chasing apparel firms, the UNIQLO brand seeks to become an essential part of life. LifeWear is forged out of long-held Japanese respect for superior craftsmanship. LifeWear means bold new materials born from revolutionary technologies. LifeWear means simple, highly finished clothing that accentuates the wearer's style.

## Multiple Store Openings in Greater China and SE Asia

Greater China and Southeast Asia represent crucial pillars of future UNIQLO growth. Asia's middle-income population is expected to continue its rapid growth as economies advance. Journalists and investors often ask me about slowing Chinese consumption, but that's certainly not the case for UNIQLO. In fact, from our perspective, China is actually one of the most buoyant places we operate in. We view the region spanning China, Southeast Asia, and India as the growth center of the world economy, and we will continue to open stores there. UNIQLO has already established solid business platforms in these Asian markets, so it is perfectly positioned to leverage the region's blossoming business opportunities. Japan's population of 120 million is small compared to the several hundred million professionals in Greater China, and the estimated one billion professionals in Asia as a whole. This exciting market is 10 to 20 times the size of Japan, and I intend to secure solid growth for our business there.

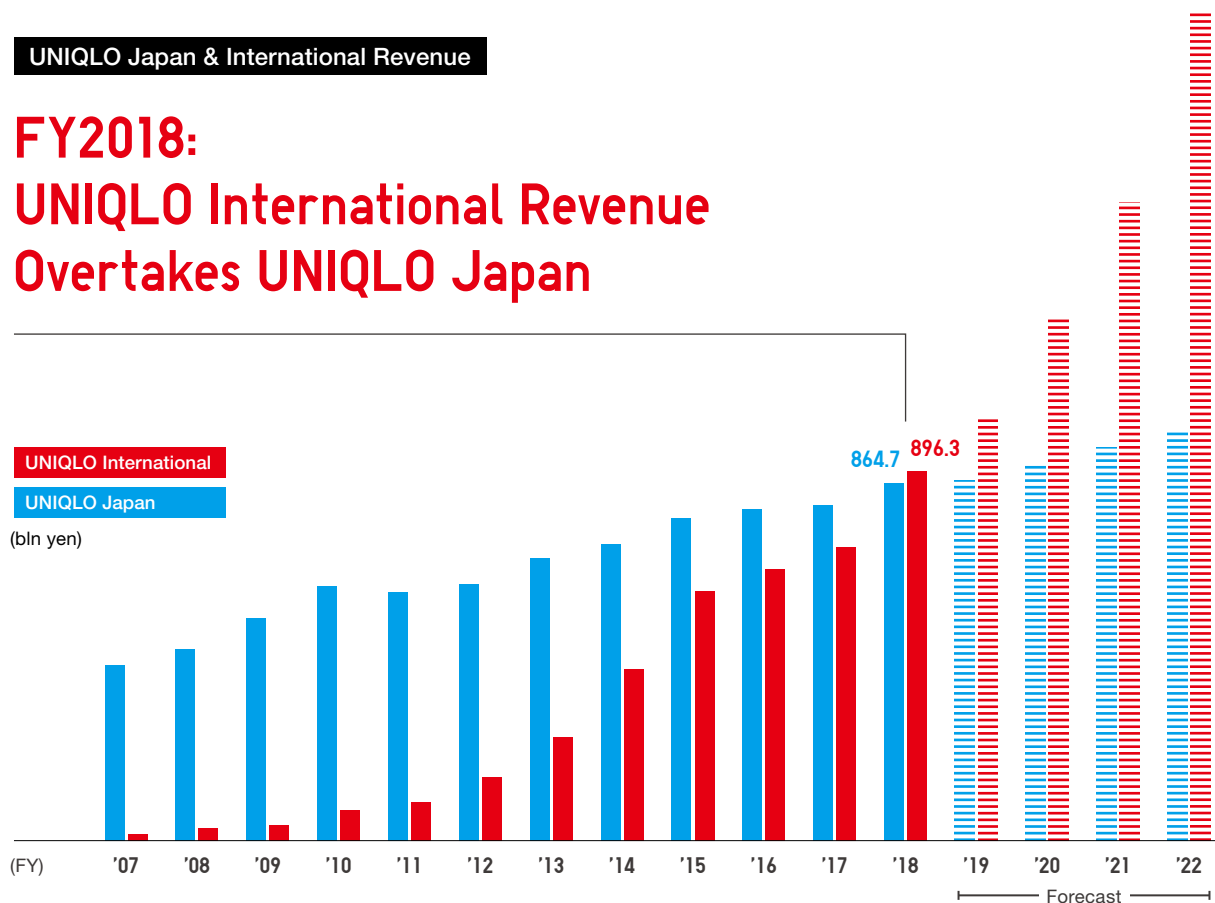
## Into the Fast-Growing Market of India

We are on track to enter the Indian market in fall 2019. I think India harbors as much potential growth as China over the long term. India's textile industry is old, and we will need to work together with the people of India to revolutionize local industry practices—just as we did 20 years ago in China when we worked to create UNIQLO's renowned production framework. Different regions of India have different cultures and religious customs, and we will need to think about designing and selling traditional native clothing articles. We will also need to train employees in our exacting customer service and communication principles, and nurture a successful retail business from scratch.

Succeeding in India will make UNIQLO the first truly global clothing brand from Asia. We want to combine Japanese technological prowess with the strong production and purchasing power of India and other parts of Asia to further strengthen UNIQLO International.

### UNIQLO Japan & International Revenue

## FY2018: UNIQLO International Revenue Overtakes UNIQLO Japan

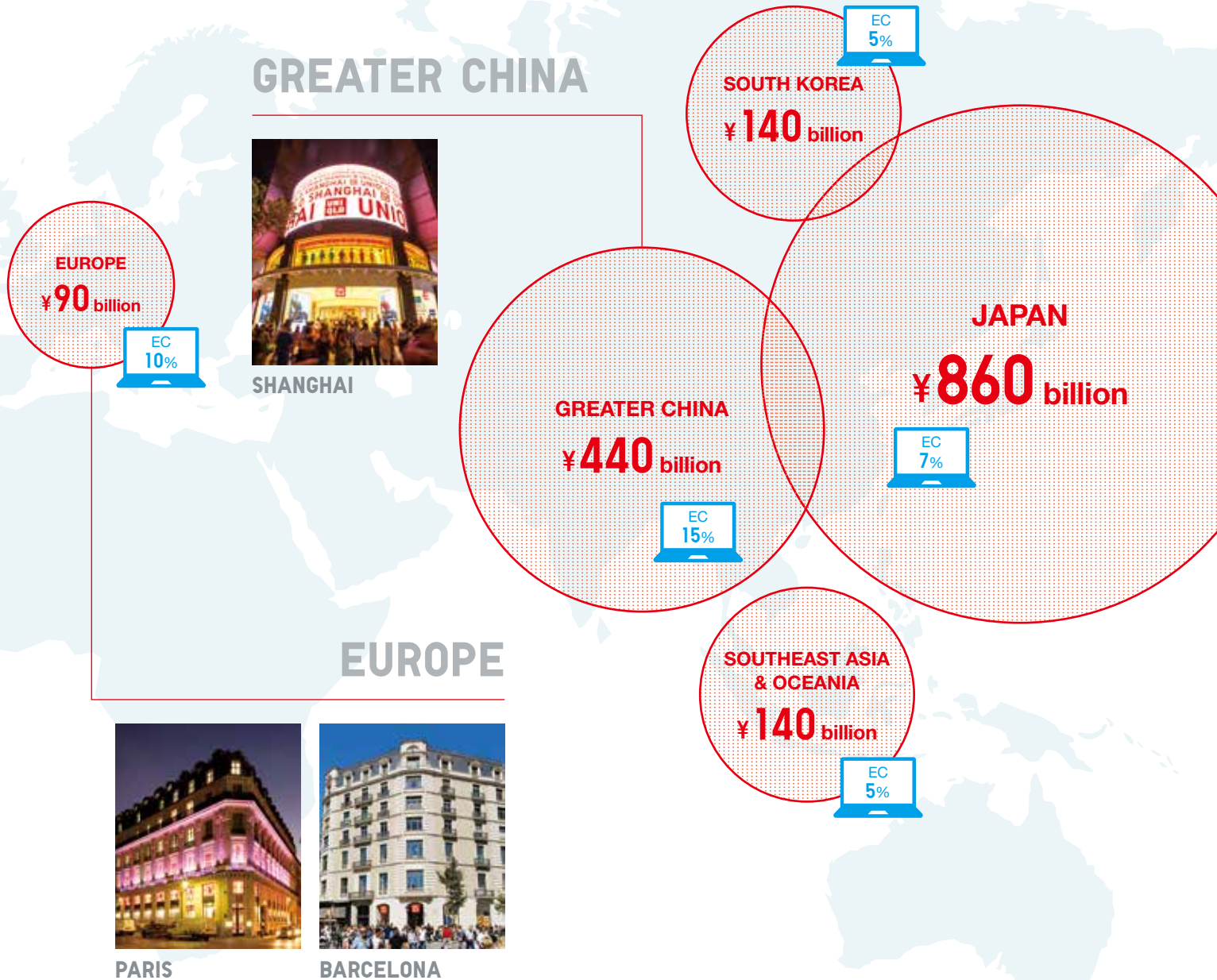


## Brand Building in Europe: New Urban Store Offensive

We are raising UNIQLO's brand profile by opening large, standout stores, in prime locations across the major cities of Europe. A lot of the world's most successful global fashion brands have strong European roots. I would argue that you can't achieve worldwide success without building a strong brand in Europe, with its long history at the forefront of global fashion.

We opened the first Spain UNIQLO store in fall 2017, and the first stores in Sweden and the Netherlands in fall 2018. All these new stores are housed in traditional historic buildings in prime urban locations. We are keen to create stores that embrace and complement the buildings they are housed in, and that present an exquisite blend of European and Japanese culture. We find that these blended backdrops enhance UNIQLO's image as a fresh brand from Japan and create a buzz in the local community.

### FY2018 UNIQLO Revenue & Online Sales Ratio





# JAPAN



SHINJUKU



OSAKA



GINZA



SHINSAIBASHI

# NORTH AMERICA



NEW YORK

NORTH AMERICA  
¥90 billion

EC  
20%

## Increasing Brand Visibility and E-commerce Key to US Success

UNIQLO USA was well managed over the past year, and is set to head into profitable territory now that the CEO and local staff have successfully strengthened the operation's management structure.

The United States is the world's biggest market, but UNIQLO brand visibility is still too low to be genuinely successful. We need to raise UNIQLO's profile in the US by opening large, well-designed stores in major cities in the same way we've done in Europe. However, given the country's extensive

landmass, it is extremely important to nurture close links between online and physical store operations as we expand the store network. Our e-commerce operation is growing rapidly every year thanks to more online sizes and an attractive range of semi-order-made items. Online sales now account for over 20% of total sales. Given that shopping malls are declining rapidly in the US, we cannot create a successful business by opening lots of mall stores and attempting to compete on price with countless other apparel brands. Instead, we must open large, beautiful stores in prime locations that enable customers to fully appreciate the UNIQLO LifeWear concept and the intrinsic quality of UNIQLO products.



UNIQLO Ginza store (global flagship store)

# UNIQLO Japan: Creating a New Retail Industry

## Online-to-Offline Services Catching On in Japan

Online-to-offline (O2O) links are common in geographically large markets such as Mainland China, and we are now seeing a rapid increase in O2O in Europe and the United States as well. With our strong store network in Japan, and our desire to fundamentally expand our online operations, effectively managing O2O and building a new business that closely links online and physical store operations will be extremely important for us.

Launched in FY2018, our UNIQLO store pickup and convenience store pickup services are already being used for around one-third of online purchases. It is extremely convenient for customers to be able to pick up their online order at a UNIQLO store or convenience store near them. If you pick up an item purchased online at a local UNIQLO, you can try it on then and there in the store. You also get easy access to joint-collection items that previously were only available in our larger stores. I intend to expand O2O services, which create fun, convenient shopping experiences whether buying online or in store.

## Strong Community Ties Raise Profitability

The immediate outlook for the Japanese apparel market is tough. A declining population and ageing society means the nation's marketplace continues to shrink. However, following the introduction of our easy-to-understand everyday prices in spring 2016, many customers found renewed appreciation for UNIQLO's high-quality clothing and exceptional value.

To maintain good revenue and high profitability,

every store must tailor its product range to best satisfy local customer needs, as well as strive to cut costs. Achieving effective "Koten Keiei" (local store management) is more important now than ever. We understand that experienced employees with a rich knowledge of local needs are vital to the realization of community-focused business and Koten Keiei. That is exactly why UNIQLO introduced a local store employee system. Today, there are 10,000 locally-stationed full-time employees—one-third of the UNIQLO Japan retail workforce. These valued members of UNIQLO form the foundation of our community-focused operations.

# GU: A New Fashion Brand from Japan

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## Experience Breeds Excellence

While GU operating profit declined for the second straight year, I believe the brand is now ready to take center stage and show its true strength. In my opinion, there is a considerable need for fashion items at roughly half or two-thirds the price of UNIQLO products in Japan, and other countries in Asia as well.

I think GU will be back on track soon. Over the past two years, it got too caught up in chasing fashion trends, which resulted in disjointed product concepts. Now, GU has shown it is able to follow the fundamental management principle of creating products that satisfy customer needs.

The GU brand seeks to offer fun fashion at low prices, so it is vital that it does just that. From now on, GU will focus on selling mass volumes of truly on-trend items. In fact, GU could benefit even more than UNIQLO from new practices and processes introduced under Fast Retailing's transformative Ariake Project. The project is using digitalization to radically change the way we collect and analyze all sorts of global fashion information, and it facilitates the early capture and mass commercialization of the latest fashion trends. GU has everything to gain from this approach.





# Managerial Thinking at Every Level

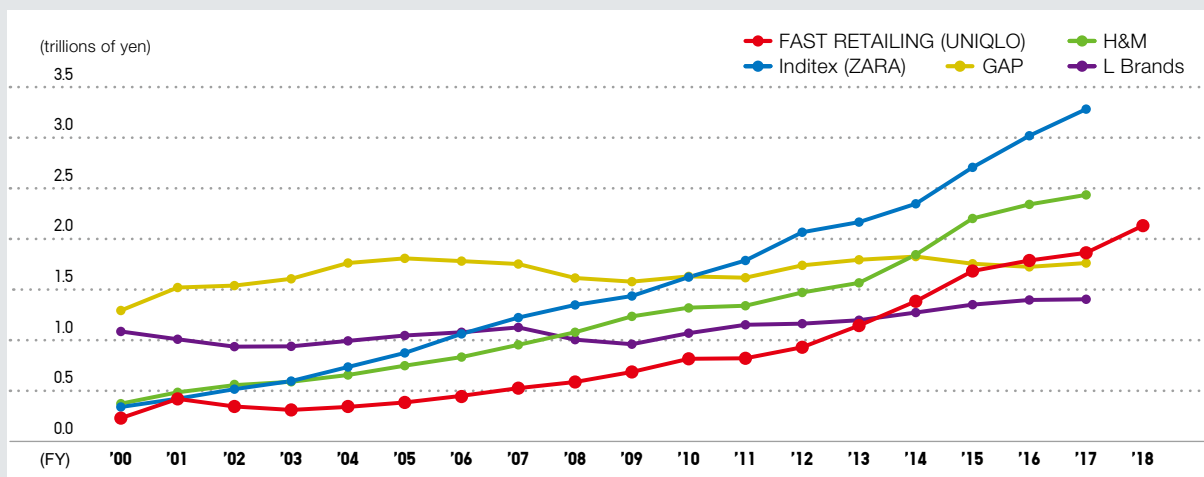
## Aiming to Become the World's Number One

Today, Fast Retailing is the world's third largest apparel retailer in terms of sales, sitting behind Inditex, the operator of the ZARA brand, and H&M. While UNIQLO co-exists and competes with these global brands, it is also competing with multiple local brands. Although the ZARA and H&M brands focus on developing fast fashion items, UNIQLO is gaining a loyal customer following for its LifeWear concept—high-quality, well-designed, and comfortable everyday essentials. I am determined to help Fast Retailing achieve strong and consistent growth as a global brand, and to achieve our dream of becoming the world's best-selling apparel retailer.

## Encouraging All Staff to Think Like Managers

Our mission statement—"Changing clothes. Changing conventional wisdom. Change the world."—stems from a desire to provide customers with great clothing and impeccable service. To achieve that mission, we need to develop into a company that urges all employees to explore their individual creativity to promote innovation. We must also inspire employees worldwide to work passionately under our "Global One" and "Zenin Keiei" management principles. Global One encourages all Group businesses to share their success stories and global best practices with each other. Zenin Keiei encourages all Fast Retailing staff, from in-store part-timers to top managers, to adopt a managerial mindset when thinking about how to provide customers with the best products and the best service.

Sales at Leading Apparel Retailers



\*Compiled from individual annual report data and calculated using exchange rates as of end August 2018.



**THE FAST RETAILING WAY**—FR Group Corporate Philosophy

**Changing clothes.  
Changing conventional wisdom.  
Change the world.**

**GROUP MISSION**

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing great clothes
- To enrich people's lives through our unique corporate activities, and to grow and develop our company in unity with society

## Separating Business Execution and Supervision

To help strengthen our corporate governance, Fast Retailing has adopted a method in which the majority of Fast Retailing Board members are independent external directors. We have also introduced a system that clearly separates daily business execution from the Board's supervisory functions, as well as expedites our decision-making.

I turn 70 this year, and so it is natural that I am nurturing the next generation of leaders—people who will become executives or members of our management team. We need managers who can operate comfortably and effectively on the global stage, and work together with local staff to expand operations—those who embrace challenges and analyze past mistakes to improve outcomes. We can't enjoy lasting success by copying industry trends. So, we are training new business execution teams to preempt global and industry changes and evolve our business.

## Promote ESG Activities, Make the World a Better Place

While our corporate activities are designed to achieve a stable expansion of our business, they also aim to enrich the lives of customers worldwide and contribute to the happiness of society.

The Fast Retailing Group produces and sells 1.3 billion items of clothing each year. We are aware of the broader impact of our business activities, and the importance of taking positive action to promote environmental protection at sewing factories and fabric producers. We ensure safe working environments for partner factory workers, uphold human rights, and alleviate the impact of business activities on local communities. Investors are also starting to scrutinize companies more strictly on their ESG record. At Fast Retailing, we strive to fulfill the expectations of all stakeholders by pursuing varied and proactive ESG activities. We remain committed to making the world a better place through clothes.

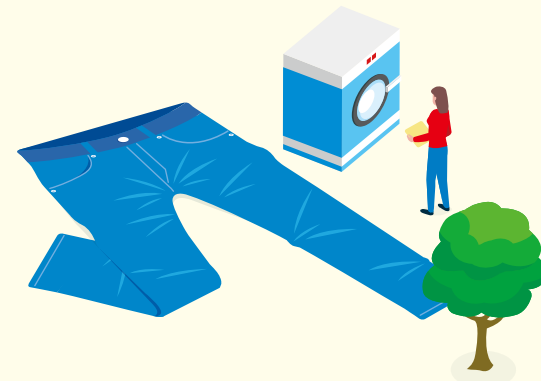
# SUSTAINABILITY

## Building a Sustainable Society through Clothes

Truly great clothes are simple, quality garments with high functionality that last a long time. Clothes that complement rather than compete with nature, that are made from revolutionary technologies, and that have minimum impact on the environment.

Fast Retailing's ultimate goal is to spread happiness across society by creating great clothing.

Fast Retailing will continue to harness the power of our clothing business to deliver the joy, happiness and satisfaction of wearing great clothes to people worldwide. We are fully committed to the development of a sustainable society.









**6**  
Corporate Governance

**1**  
Create New Value Through Products and Services

**2**  
Respect Human Rights in Our Supply Chain

**5**  
Support Employee Fulfillment

# 6 Key Areas of Focus

**3**  
Respect the Environment

**4**  
Strengthen Communities

Fast Retailing seeks to build sustainable operations by resolving social and environmental issues not only in our own company, but across our entire supply chain. We have defined six areas of focus to address as part of our sustainability activities. We have set concrete targets and commitments in each area and launched aggressive activities to achieve those targets.

When determining these six areas, we referred to the United Nations' Sustainable Development Goals (SDGs), investors' key Environmental, Social, Governance (ESG) indicators, customer expectations, and potential impacts.

# 1 Create New Value through Products and Services

We will create new value by improving the quality and functionality of clothing and addressing social, environmental, and other problems. Our sustainability-related activities include: promoting environmentally conscious production processes; sourcing materials ethically; donating secondhand clothes to refugees and displaced persons worldwide through our All-Product Recycling Initiative; and operating social businesses in Bangladesh.



## All-Product Recycling Initiative: 30.29 Million Items Donated to Refugees and Displaced Persons

Under our All-Product Recycling Initiative, UNIQLO and GU stores in 18 countries and regions worldwide accept clothes that customers no longer wear for delivery to people in need. The clothing is then sorted, with the wearable items (approximately 80%) being donated to refugees, displaced persons, and other people in need through UNIQLO's global partnership with the Office of the United Nations High Commissioner for Refugees (UNHCR) and other organizations. By the end of August 2018, we had donated a total of 30.29 million items. The remaining 20% of the clothing is shredded, any metal is removed, and then it is compressed together with paper and plastics for reuse as plastic fuel (RPF\*). RPF is an alternative to coal and fossil fuels, used in special boilers operated by major paper manufacturers.

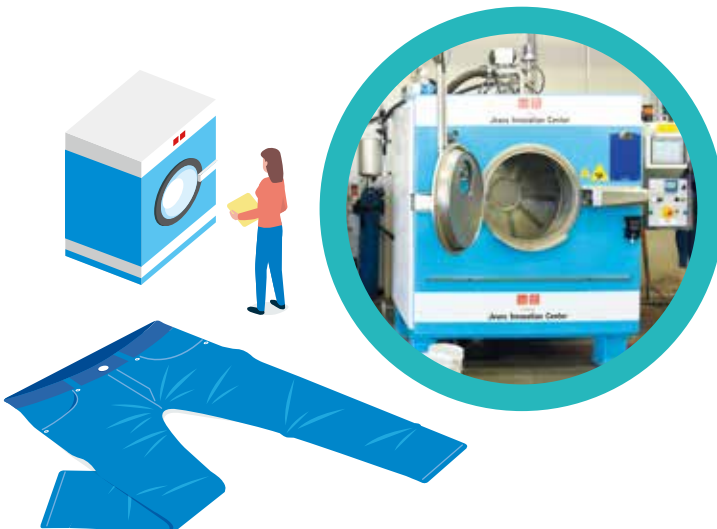
\*Recycled Paper and Plastic Fuel



## Slash Water Use in Jeans Processing, Reduce Environmental Impact

Creating a washed or distressed look for jeans requires large volumes of water. We used to soak and wash jeans in water, before our Jeans Innovation Center (JIC) established a revolutionary new technology that enabled us to create the same look using over 90% less water\*. This new technique combines superior specialist jeans technology with a wash machine that uses nanobubbles and ozone molecules. UNIQLO started producing and selling Men's Regular Fit jeans made using this advanced technology in the 2018 Fall/Winter season. In 2019, we intend to produce 10 million items, or approximately one third of Fast Retailing's total jeans production, using this technology.

\*On average; comparing UNIQLO Men's Regular Fit Jeans in 2017 and 2018





# 2 Respect Human Rights in Our Supply Chain



We believe it is our duty to uphold the basic human rights of all people who work in our supply chain, protect their physical and mental health, and help provide them with a sense of security and safety. Fast Retailing has strong relationships with its partner factories. All partners are asked to comply with our Code of Conduct for Production Partners, and we conduct regular onsite monitoring to ensure strict compliance.

## Monitoring Working Environments Across Our Supply Chain

Fast Retailing asks independent organizations to conduct regular inspections of human rights violations, working environments, and environmental safety at our partner sewing factories and main fabric suppliers based on the Code of Conduct for Production Partners. Each factory is informed of the inspection result. If required, Fast Retailing members visit factories and work with factory staff to implement appropriate improvement measures.



### Monitoring Results (As of August 31, 2018)

Grade	Description	FR Group (UNIQLO)			
		FY2015	FY2016	FY2017	FY2018
A	No violations	5 (1)	55 (25)	67 (31)	61 (33)
B	One or more minor violations	202 (115)	239 (125)	250 (139)	233 (135)
C	One or more major violations	171 (73)	160 (65)	196 (84)	229 (97)
D	One or more severe violations	75 (28)	44 (14)	49 (13)	84 (34)
E	Highly unethical, serious offense (immediate review of contract)	19 (10)	13 (6)	14 (6)	5 (1)
Number of factories monitored		472 (227)	511 (235)	576 (273)	612 (300)

In FY2018, we requested factories that had received a D grade for significant code violations to make improvements within three months. We then conducted follow-up monitoring and reduced volumes at factories that had not instigated sufficient improvements. We discussed factory management and employment conditions at E-grade partner factories in our Business Ethics Committee, and, after checking the factory's willingness to improve the situation, either revised or ceased production orders.

## Protecting Employee Rights, Greater Transparency

Fast Retailing has set up hotlines in every partner factory, so that we can gain a clear understanding of any issues relating to working environments across the supply chain and seek to rectify them. In Shanghai, Ho Chi Minh City, Dhaka, Jakarta, Tokyo, and other locations, we have set up Worker

Advice Program hotlines for employees at major partner factories to contact Fast Retailing directly. We are also strengthening disclosure. In 2017, we began releasing the list of UNIQLO and GU sewing factories, and the list of UNIQLO major fabric suppliers from November 2018.

# 3 Respect the Environment

Fast Retailing works to reduce environmental impact by eliminating waste in our business operations and across our supply chain, as well as by striving to use resources effectively. Fast Retailing has defined concrete targets and commitments and has started initiatives to achieve those aims in five focused environmental areas: address climate change; improve energy efficiency; manage water resources; improve waste management and resource efficiency; and manage chemical substances.



## Reduce Energy, Greenhouse Gas Emissions at Stores

In order to alleviate climate change and protect biodiversity, we are working to reduce greenhouse gas emissions across all our operations and product cycles from production through disposal. Our target is to reduce greenhouse gas emissions at UNIQLO Japan stores by 10% per unit area by FY2020 (compared to FY2013 levels). By the end of FY2017, emissions were already down by 7%. By the end of FY2018, we had

introduced LED lighting in 88.8% of UNIQLO Japan stores.

Our UNIQLO Shenzhen Mixc World Store, opened in March 2018, is equipped with enough electricity-generating solar panels on its roof to generate 14% of its annual energy needs.

We intend to continue making energy usage in our stores even more efficient so we can further reduce greenhouse gas emissions.



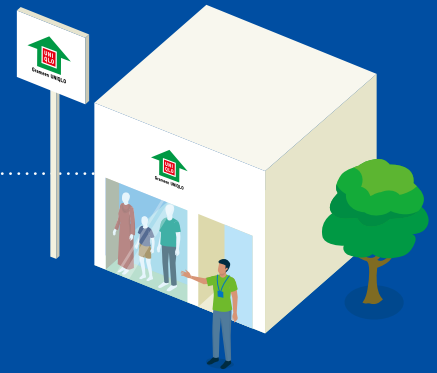
## HIGG Index Verifies Environmental Impact of Fabric Mills

Fast Retailing introduced the HIGG Index (the Sustainable Apparel Coalition's environmental self-assessment tool) into UNIQLO's major fabric mill partners in 2015. We investigate and evaluate each factory's environmental impact and work with them to pinpoint possible improvements. Fabric manufacturing uses lots of water and energy, so we are keen to monitor and evaluate its environmental impact. We also operate a HIGG Index training program. The HIGG Index evaluates fabric manufacturers on seven environmental factors: environmental management systems; energy usage and greenhouse gas emissions; water usage; waste water; atmospheric emissions; waste matter; and chemical substance management.

To further reduce environmental impact, we launched the UNIQLO Responsible Mill Program, which calls for a 10% reduction in energy usage and a 15% reduction in water usage at major UNIQLO mills by 2020 (compared to 2016 levels). We help factories that may not be able to fully achieve this target by working with outside experts to help improve factory operations.

# 4 Strengthen Communities

Fast Retailing cannot thrive as a global business without stable economic and social conditions for local communities in the markets where our stores are located. The same goes for our manufacturing bases. Fast Retailing seeks to grow and prosper with surrounding communities by drawing on its people, knowledge, store, and product resources to help address local problems and conduct proactive outreach activities.



## Our Social Business in Bangladesh

Bangladesh is one of our manufacturing bases. In 2010, we launched a social business there in cooperation with Grameen Bank, and, in 2011, set up the Grameen UNIQLO Ltd. joint venture company. Grameen UNIQLO seeks to create new employment opportunities and nurture the local textile and retail industry in Bangladesh by conducting the entire clothes-making business, from production through retail. At the end of August 2018, Grameen UNIQLO had a network of 15 stores.



## Employee Participation in Social Responsibility Activities

Fast Retailing employees participate in a variety of social responsibility projects. For example, employees go to refugee camps and disaster zones to deliver secondhand clothing collected from customers in UNIQLO and GU stores directly to refugees and displaced persons through our All-Product Recycling Initiative.

Employees also visited 388 schools across Japan in FY2018 under the UNIQLO and GU Japan Power of Clothing Project outreach program for children. UNIQLO and GU store managers and other Fast Retailing staff offer lessons that help children learn more about international refugee issues. The children hear what life is like for refugees and how donated clothing can make a difference. By setting up their own clothing drives, the children experience the joy of doing something to help others around the world, and deepen their understanding of international issues.





# 5 Support Employee Fulfillment

Our people are the most important part of our business, and our corporate philosophy commits to “respect and support individuals to foster both corporate and personal growth.” As we grow as a company, each individual develops their professional skills, which in turn fosters personal growth and greater enthusiasm in the workplace. We seek to further strengthen this positive cycle by promoting three major initiatives: (1) equality, diversity, and inclusion; (2) employee training and development; and (3) employee well-being.



## Corporate Vision-Sharing Convention

Ensuring workers can grow and experience self-fulfillment through their work is very important to us, and we are working especially hard to nurture global leaders who can operate comfortably anywhere in the world. The Fast Retailing Management and Innovation Center (FRMIC), an internal training organization, conducts a variety of employee education programs, including concentrated programs for management candidates selected from individual countries and regions, new store manager training, and long-term human resource training programs.

We also hold a convention twice a year—attended by approximately 5,000 global store managers and head office staff—to share Fast Retailing’s corporate philosophy and vision with employees from around the world. The convention is also an effective way of promoting our cohesive Global One and Zenin Keiei management framework, which encourages the adoption of managerial mindsets and global best practices.



## Supporting Women in the Workplace

We are constantly transforming our human resource systems to support female employees as they build careers and balance family life events. In FY2018, women made up 36% of total management positions\* within the Fast Retailing Group. We will continue to promote flexible work systems that include working from home and shorter working hours.

\* Includes store managers above a certain grade and area managers (sales), as well as team leaders, general managers, and corporate officers (head office).

# 6 Corporate Governance (Appropriate Management)

In line with Fast Retailing's corporate auditor governance model, the majority of our Board of Directors is made up of external directors in order to enhance the Board's independence and strengthen its oversight ability. Our executive officer system aims to separate management supervision and execution functions to ensure swift and effective business operations. Individual committees support the Board by facilitating frank, open, and timely discussions and decision making.



## Board of Directors

Having a majority of external directors on the Board ensures stronger supervision of decision making by our company president and executive officers. Our external directors contribute a broad range of superior expertise as former senior managers of global companies or leading specialists in fields such as M&A and financial management, and offer objective opinions that are reflected in important management decisions.

In FY2018, the Board discussed a variety of topics including our fiscal year budget, approval of corporate results, UNIQLO USA business, the Ariake Project, a ¥250 billion corporate bond issue, and Code of Conduct revisions. Individual officers responsible for each important aspect of our groupwide Ariake Project—such as the automation of the Ariake warehouse, RFID-driven logistics reform, and radical new information gathering capabilities in collaboration with Google—gave multiple detailed progress reports to the Board. The Board met 13 times in FY2018. The attendance rate was 98.7% for directors and 96.9% for auditors.

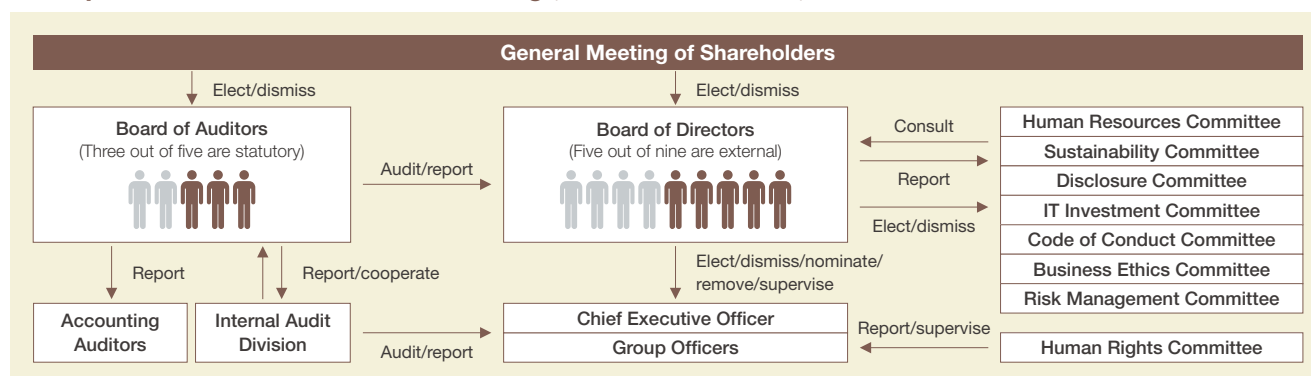
## Board of Auditors

The Board of Auditors monitors the performance of the Directors of the Board. The majority of members are external statutory auditors with certified accounting or legal backgrounds. Each member works to ensure transparent auditing and supply objective guidance drawn from his or her specialized experience. The Board of Auditors met 14 times in FY2018 (97.1% attendance).

## Internal Control

We aim to establish internal control systems wherever we operate by promoting full compliance, building risk management frameworks, protecting confidential information, and pursuing thorough internal auditing. In March 2018, we revised our Fast Retailing Group Code of Conduct to make it easier for all global employees to understand and embrace. We also set up a Human Rights Committee in July and a Risk Management Committee in September to help manage operational risks and strengthen internal control systems.

### ■ Corporate Governance at Fast Retailing (As of November 30, 2018)



## Role and Activities of Committees

### Human Resources Committee

The Human Resources Committee, chaired by an external director, discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board.

### Sustainability Committee

The Sustainability Committee discusses and prepares Fast Retailing's overall sustainability strategy, annual sustainability report, environmental protection activities, social responsibility activities, and diversity initiatives. Committee members consist of external directors, auditors, and other experts.

### Disclosure Committee

The Disclosure Committee, chaired by the Tokyo Stock Exchange (TSE) information disclosure officer, improves transparency of information disclosure relating to operations, financial affairs, etc. The committee is responsible for timely disclosure to the TSE and the Stock Exchange of Hong Kong, and of voluntary disclosure of information that may materially impact investor and shareholder investment decisions.

### IT Investment Committee

This committee discusses and advises on the IT investments that drive the Group's information system reform. It investigates the efficacy of individual investments, and the appropriateness of IT investment budgets submitted by external specialist organizations.

### Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and make improvements. It advises on educating executives and employees about the CoC and on the operation of the internal reporting system (hotline).

### 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 or suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys.

### Human Rights Committee

This committee was launched in July 2018, and is chaired by an external professional. To ensure business is conducted appropriately in accordance with our human rights policy, this committee pursues human rights due diligence (determining and evaluating the dangers of infringing human rights through business activities, improvement measures, and educational frameworks), offers advice and education, investigates human rights violations, and consider relief measures.

### Risk Management Committee

This committee identifies latent risks in business activities on a regular basis. To strengthen the detection and management of material risks, the committee analyzes and evaluates the impact and frequency of risks to business, discusses countermeasures, and acts to prevent or contain risk.

## Composition of Committees (As of November 30, 2018)

●=Committee Member

		Human Resources Committee	Sustainability Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee	Human Rights Committee	Risk Management Committee
Internal Director	Tadashi Yanai	●	●	●	Chairperson				
	Takeshi Okazaki	Observer	●	Chairperson	●			●	Chairperson
	Kazumi Yanai								
	Koji Yanai								
External Directors	Toru Hambayashi	Chairperson							
	Nobumichi Hattori								
	Masaaki Shintaku				Observer				
	Takashi Nawa	●	●					●	●
Internal Full-time Auditors	Naotake Ohno								
	Akira Tanaka	●	●			●	Observer	●	Observer
External Statutory Auditors	Masaaki Shinjo			Observer	Observer		●		Observer
	Takaharu Yasumoto						●		
	Keiko Kaneko					●		●	
	Takao Kashitani	●					●		
Number of Group Officers, External Experts, etc.		2	6	3	4	5	5	6	8

Note: The head of the Sustainability Department chairs the Sustainability Committee and the Business Ethics Committee. The Code of Conduct Committee is chaired by the head of the Legal Department, and the Human Rights Committee is chaired by an external expert. External directors and auditors provide perspectives based on their individual professional backgrounds.



## Messages from Our Directors

### Continue Industry Transformation to Increase Corporate Value

We are working hard to create a new industry and transform ourselves into a digital consumer retailing company. Driven by our corporate mission to change clothes, change conventional wisdom, and change the world, we seek to achieve speedier, more transparent management and further increase our corporate value. We are dedicated to fundamentally enriching people's lives by spearheading initiatives to realize a sustainable society, and to grow as a company that delivers joy and happiness to people all over the world.

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Tadashi Yanai was appointed President and CEO in 1984, and his current position of Chairman, President and CEO in September 2005. Main concurrent positions: Chairman, President and CEO, UNIQLO CO., LTD.; Director and Chairman, G.U. CO., LTD.; Director, LINK THEORY JAPAN CO., LTD.; External Director, SOFTBANK GROUP CORP.; External Director, Nippon Venture Capital Co., Ltd.

**Tadashi Yanai**



**Toru Hambayashi**

External Director

Independent Director



### Create a Responsible, Accountable Public Company

Tadashi Yanai has a strong sense of morality, but it is extremely important that the company transitions from a “my company” under Mr. Yanai to a more public “your company.” It is my job to strictly evaluate on behalf of company stakeholders whether the company is growing sustainably within a healthy and correct framework, and offer candid advice to aid Fast Retailing in its quest to become the world's No.1 brand.

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Appointed November 2005. Former President of Nichimen Corp. and Chairman of Sojitz Holdings Corp. (currently Sojitz Corp.). Currently serving as an External Director at UNITIKA LTD. and DAIKYO INCORPORATED, Advisor to MAEDA CORP. and The Association for the Promotion of International Trade, Japan.

## Maximize Corporate Value

As Fast Retailing tackles new stages of corporate development, the Board of Directors' role as a key collective that consistently highlights and considers risk-side factors grows more important each year. I use my experience at a major United States investment bank to objectively judge how capital markets perceive Fast Retailing's corporate value, and suggest how to best increase that value. I am committed to providing further broad support going forward.

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Appointed November 2005. Formerly worked at Goldman Sachs. Currently a research specialist in M&A and corporate value evaluation. Also serves as Visiting Professor at Waseda Graduate School of Finance, Accounting and Law; External Auditor at Frontier Management Inc.; External Director at Hakuodo DY Holdings Inc.; and Visiting Professor at the Graduate School of Business Administration at Keio University.



**Nobumichi Hattori**

External Director

Independent Director

## Masaaki Shintaku

External Director

Independent Director



## Invest in New Fields, Accelerate Corporate Evolution

Fast Retailing has worked to form a cohesive corporate Group and promote globalization. Now, it is transforming itself into a digital consumer retail company, and making solid investments in new fields including distribution overhaul and IT systems. Nurturing talented managers to act as dynamic drivers of growth is vital at this time, and the company is steadily attracting personnel who eagerly embrace new challenges. The Board will work as a unified team to help accelerate progress and future growth.

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Appointed November 2009. Previously Executive Vice President of Oracle Corp. (US) and Chairman of Oracle Corp. (Japan). Currently Vice Chairman of Special Olympics Nippon Foundation and an External Director at Works Applications Co., Ltd.

## Takashi Nawa

External Director

Independent Director



## Become a Global Leader on Sustainability Issues

Fast Retailing is shifting its corporate stance to focus more actively on environmental, social and governance (ESG) issues and initiatives. As a global company, Fast Retailing has the ability to act as a powerful and inspiring leader on ESG issues in its industry, and, as a member of the Sustainability Committee, I seek to improve Fast Retailing's corporate value from an ESG perspective.

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Appointed November 2012. Previously a director of McKinsey & Company. Currently works as a professor in the Graduate School of International Corporate Strategy at Hitotsubashi University, and serves as President of Genesys Partners and External Director at NEC Capital Solutions Limited, DENSO CORPORATION and Ajinomoto Co., Inc.

## Apply Wider Industrial Experience for a Broader Management Perspective

When I myself was in senior management, I was always keen to implement ideas suggested by external directors. Mr. Yanai is certainly open to new ideas. All successful management teams must develop a broad perspective and show a keen interest in conditions beyond their own immediate industry. I fulfill my role as an external director by frankly conveying my opinions to Mr. Yanai to ensure management transparency and firm risk management.

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Appointed November 2018. Formerly Director, Senior Managing Executive Officer, Deputy President, Head of Marketing, and President & COO of Daiwa House Industry Co., Ltd. Currently serves as Special Advisor to the same firm.

## Naotake Ono

External Director

Independent Director





**Takeshi Okazaki**



## See Things from the Front Line to Deepen Board Debate

As Group Executive Vice President and CFO, my role involves both executing and supervising corporate management. I am perfectly positioned to explain what is actually happening within our company to fuel deeper, reality-focused debate in Board meetings. I intend to follow the policy of the Board, help direct the management team of which I am a part, and ensure correct management from the perspective of customers and other stakeholders.

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Appointed Director in November 2018. Worked at the Long-Term Credit Bank of Japan and as a partner at McKinsey & Company. Joined Fast Retailing in August 2011. Currently Director of UNIQLO CO., LTD. and G.U. CO., LTD., and Group Executive Vice President & CFO of FAST RETAILING CO., LTD.

## Create a Platform to Support Sustainable Corporate Growth

I want to help create a solid platform to support consistent future growth by upholding the Fast Retailing corporate culture, strengthening governance and respecting our social contributions. As a member of the founding family, I believe it is my duty to take a long-term view and seek to bolster Fast Retailing's global growth. As a company director, my job is not only to voice opinions, but also to implement them to achieve our ideals as a company.

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Appointed Director in November 2018. Joined FR in September 2009 after working at Goldman Sachs Group, Inc. and Link Theory Holdings (US) Inc. (currently Theory LLC). Currently serves as Chairman of Theory LLC and UNIQLO USA LLC, CEO of J BRAND HOLDINGS, LLC, Executive Officer at the Fast Retailing Group.

**Kazumi Yanai**



**Koji Yanai**



## Caring Management, Stronger Governance

I learned much about our corporate culture from first-hand experience in global marketing, the Ariake Project, and human-resource management. This experience at the front lines of Fast Retailing convinced me of the ultimate importance of people-focused, caring management. I frequently question what my role as a director and member of the founding family should be, and believe my role to focus on helping achieve consistent corporate growth and stronger governance.

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Appointed Director in November 2018. Joined FR in September 2012 after working at Mitsubishi Corporation being seconded to Mitsubishi Corporation's food subsidiary Princes Limited, UK. Served as General Manager of Global Marketing at UNIQLO CO., LTD. Currently Executive Officer of Fast Retailing Group.

## Messages from Our Auditors

### Offer Candid Opinions on Diverse Issues

I intend to use my former experience in accounting audits and corporate revitalization to fulfill the heavy responsibility of being an external statutory auditor. Mr. Yanai applies his own unique creativity and perspective to build up the business, but he listens attentively when people point out pertinent problems. I can give advice as an accountant and tax counselor, but I also intend to offer candid opinions on various issues beyond the jurisdiction of an external statutory auditor.

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Appointed November 2018. Director of Brain Group (Kashitani Accounting Office) and President of Brain Core Co., Ltd. and FP Brain Co., Ltd.; and External Director at Japan Freight Railway Company.

**Takao Kashitani**

External Statutory Auditor

Independent Director





**Takaharu Yasumoto**

External Statutory Auditor

Independent Director

Mr. Yanai's management style involves setting challenging targets and nurturing large numbers of capable managers and employees to achieve rapid growth. Managers must effectively allocate resources from people and physical goods to infrastructure, finances, and information. There is never a single right answer, but, as a strict and conscientious auditor, I can offer advice and support to help Fast Retailing grow into an even better company.

Appointed November 1993. Currently President of Yasumoto CPA Office; Internal Auditor at UNIQLO Co., Ltd. and LINK THEORY JAPAN CO., LTD.; and External Statutory Auditor at ASKUL Corp. and FRONTEO, Inc.



**Keiko Kaneko**

External Statutory Auditor

Independent Director

Fast Retailing sometimes faces new issues and unforeseen challenges in its international operations. Statutory auditors should support Fast Retailing's swift, determined pursuit of future growth opportunities by offering advice from various specialist standpoints to minimize risk. The best way I can help Fast Retailing is to be vigilant and consistent in supporting the creation of solid systems and procedures.

Appointed November 2012. Currently a partner in the Anderson Mori & Tomotsune law firm. Also serves as Statutory Auditor at UNIQLO CO., LTD. and External Statutory Auditor at The Asahi Shimbun Company.



**Akira Tanaka**

Internal Full-time Corporate Auditor

Our stores are the most important part of Fast Retailing business, so I make a point of visiting stores and listening attentively to what managers and staff have to say. I will continue to offer proactive advice on such issues as personnel training to promote company growth and maximize employee satisfaction.

Appointed November 2006. Served as Deputy President of McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings Company (Japan) Ltd.). Became Managing Director of FAST RETAILING CO., LTD. in November 2003. Currently Councilor at the Special Olympics Nippon Foundation.



**Masaaki Shinjo**

Internal Full-time Corporate Auditor

My role is to serve as a full-sweep antenna, detecting risks and problems across our operations. I work closely with our external statutory auditors as well as our accounting auditor and Internal Audit Department, and draw on my broad experience at Fast Retailing to offer proactive suggestions in a variety of areas.

Appointed Director in November 2018. Joined Fast Retailing in September 2009 after working at Goldman Sachs Group, Inc. and Link Theory Holdings (US) Inc. (currently Theory LLC). Currently serves as Chairman of Theory LLC and UNIQLO USA LLC, CEO of J BRAND HOLDINGS, LLC, Executive Officer at the Fast Retailing Group.



# SNAPSHOT

- Achieved a record performance. Revenue: ¥2.13 trillion (+14.4% YoY), operating profit: ¥236.2 billion (+33.9%), profit attributable to owners of the parent: ¥154.8 billion (+29.8%).
- UNIQLO International revenue surpassed UNIQLO Japan revenue for the first time.
- UNIQLO International operating profit rose 62.6% YoY, drawing level with UNIQLO Japan.
- Strong performances from Greater China, Southeast Asia & Oceania, and South Korea. UNIQLO USA loss halved. UNIQLO Europe profitability greatly improved.
- UNIQLO Japan operating profit rose sharply, up 24.1% YoY.
- GU profit dipped on sluggish sales of items featured in advertising campaigns.

GLOBAL BRANDS  
¥154.4 billion

GU\*  
¥211.8 billion

UNIQLO INTL  
¥896.3 billion

UNIQLO JAPAN  
¥864.7 billion

Revenue by Business Segment

GLOBAL BRANDS

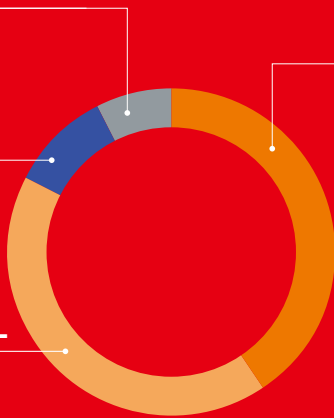
7.3%  
(¥154.4 billion)

GU  
10.0%  
(¥211.8 billion)

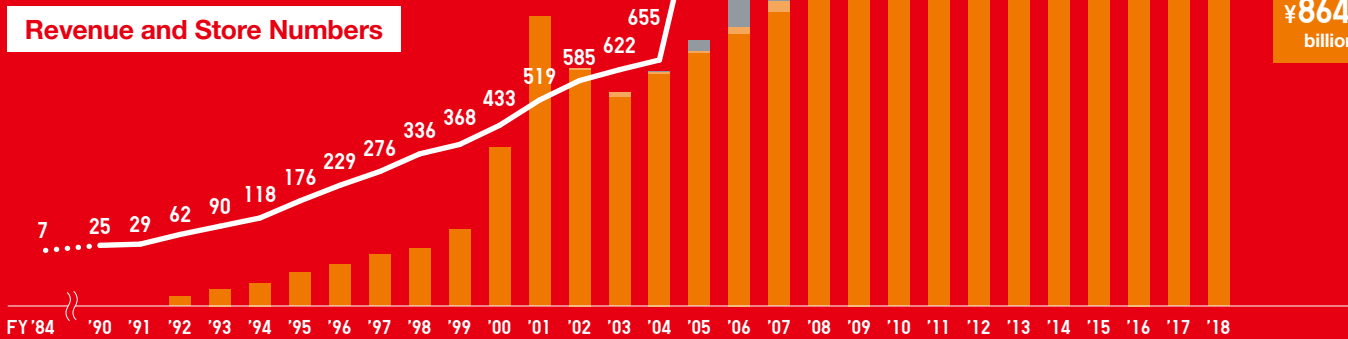
UNIQLO INTERNATIONAL  
42.1%  
(¥896.3 billion)

UNIQLO JAPAN

40.6%  
(¥864.7 billion)



Revenue and Store Numbers




\*GU was previously reported under the Global Brands business segment. In FY2017, we began disclosing GU performance as a separate, independent business segment.

## UNIQLO JAPAN

### FY2018 Results

Revenue    ¥ **864.7** billion     YoY  
+ 6.7%

Operating profit    ¥ **119.0** billion     YoY  
+24.1%

### Future Outlook

- ▶ Maintain strong price competitiveness in a shrinking Japanese market through easily recognizable everyday price strategy. Aim for stable future growth. Create a new retail industry to help fuel online sales growth by seamlessly linking physical and online store operations.
- ▶ Advance Ariake Project to raise operating profit margin to 15% over the medium term. Actively transform entire supply chain to improve accuracy of demand forecasts and sales plans, facilitate timely production increases, and improve distribution efficiency.

## UNIQLO INTERNATIONAL

### FY2018 Results

Revenue    ¥ **896.3** billion     YoY  
+26.6%

Operating profit    ¥ **118.8** billion     YoY  
+62.6%

### Future Outlook

- ▶ Drive future segment growth through Greater China, Southeast Asia & Oceania. Open 100 stores in Greater China and 50 stores in Southeast Asia & Oceania annually.
- ▶ Increase brand visibility by opening stores in prime urban locations worldwide. Follow recent first store openings in Spain, Sweden, and the Netherlands with more first stores in Europe (Denmark: spring 2019, Italy: fall 2019) and Asia (India, Vietnam: fall 2019).

## GU

### FY2018 Results

Revenue    ¥ **211.8** billion     YoY  
+ 6.4%

Operating profit    ¥ **11.7** billion     YoY  
-13.1%

### Future Outlook

- ▶ Apply Ariake Project methods to build a new supply chain that can swiftly grasp, analyze, and reflect the latest trends in product design and volume planning.
- ▶ Continue store openings across Japan. Pursue new opportunities in Greater China, South Korea, and other promising markets. Grow GU into a ¥1 trillion operation over the mid to long term by expanding the brand in Asia.

## GLOBAL BRANDS

### FY2018 Results

Revenue    ¥ **154.4** billion     YoY  
+ 9.5%

Operating profit    ¥ **-4.1** billion     YoY  
— %

### Future Outlook

- ▶ Maintain stable Theory growth in both the United States and Japan.
- ▶ Grow PLST, which originated under the Theory operation, as a new reasonably priced brand.
- ▶ Implement structural reforms at Comptoir des Cottonniers, Princesse tam.tam, and J Brand to improve profit outlook.

**UNIQLO**

**UNIQLO,  
FUELING  
CLOTHING  
INNOVATION**





Seamless down has no stitches for the wind to get through so it is super warm. The durable water-repellent fabric and stylish silhouette are key to this product's success.



# THE WAY TO

## Evolve, Empower, Engage

UNIQLO is able to produce such an amazing number of unique products because our business model unifies the entire clothes-making process—from planning and design through production, distribution, and retail. UNIQLO's market share is expanding worldwide as it develops radical new materials together with the world's best fabric technology innovators and creates basic designs using superior natural materials. UNIQLO LifeWear is high-quality, innovative clothing that is universal in design and comfort. It is made for everyone, everywhere. UNIQLO leverages today's increasingly digital world to communicate directly with customers and quickly transform their desires into actual products.

## 01 | Secure Cost-effective, World-class Materials

We can offer world-class cashmere, supima cotton, merino wool, and other quality fabrics at reasonable prices. We do this by procuring the very best materials straight from the source. Our materials development team negotiates directly with natural materials manufacturers and fabric makers all over the world to secure a stable, long-term supply of high-quality materials. UNIQLO is able to procure materials under more favorable conditions and achieve much larger cost savings than other companies because we place mass orders.

# EXCEL

## THE SECRETS OF UNIQLO'S STRENGTH

## 02 | New Functional Materials Drive New Demand

We have perfected our unique heat-generating HEATTECH material through a long partnership with leading synthetic materials manufacturer Toray Industries. Our cool-feel AIRism summer innerwear, our Ultra Light Down jackets (made of lightweight, fluff-free, high-density material), and our BLOCKTECH items (featuring an ultra-thin wind-proof film) are all the result of the same essential inventiveness and ingenuity. Developing these innovative high-function materials and products has helped generate entirely new sources of demand.

## 03 | Simple, Elegant, Quality Clothing

Unlike many other apparel manufacturers, UNIQLO focuses on creating simple, everyday clothing that can be worn by people of all ages. UNIQLO enjoys strong demand from a broad customer base. Our clothing is the epitome of simplicity, elegance, and quality. UNIQLO has established a network of product development centers in Tokyo, New York, London, Paris, Shanghai, and Los Angeles, which gather relevant fashion information from all corners of the globe and use it to fuel clothing research and design.

## 04 | High Quality, Every Time

UNIQLO is proud of its consistently high-quality products, which are based on the unrivaled traditional knowledge of Japan's textile industry and UNIQLO's own "takumi" (skilled artisan) teams. Takumi teams visit partner factories to impart technical expertise directly, build strong mutual trust, and ensure committed and thorough quality management. We also work together with partner factories to create working environments that comply with international standards.

## 05 | Fun, Easy Shopping in Stores and Online

To us, everyone in the world is a UNIQLO customer. With our vast range of men's, women's, kids', and baby wear, shopping at UNIQLO is a fun family event. Our well-organized displays make it easy for customers to find what they want, and they appreciate our attentive in-store service. When shopping online, customers can select from a full range of special joint collections, exclusive online ranges, and semi-tailored clothing designed to satisfy every need.

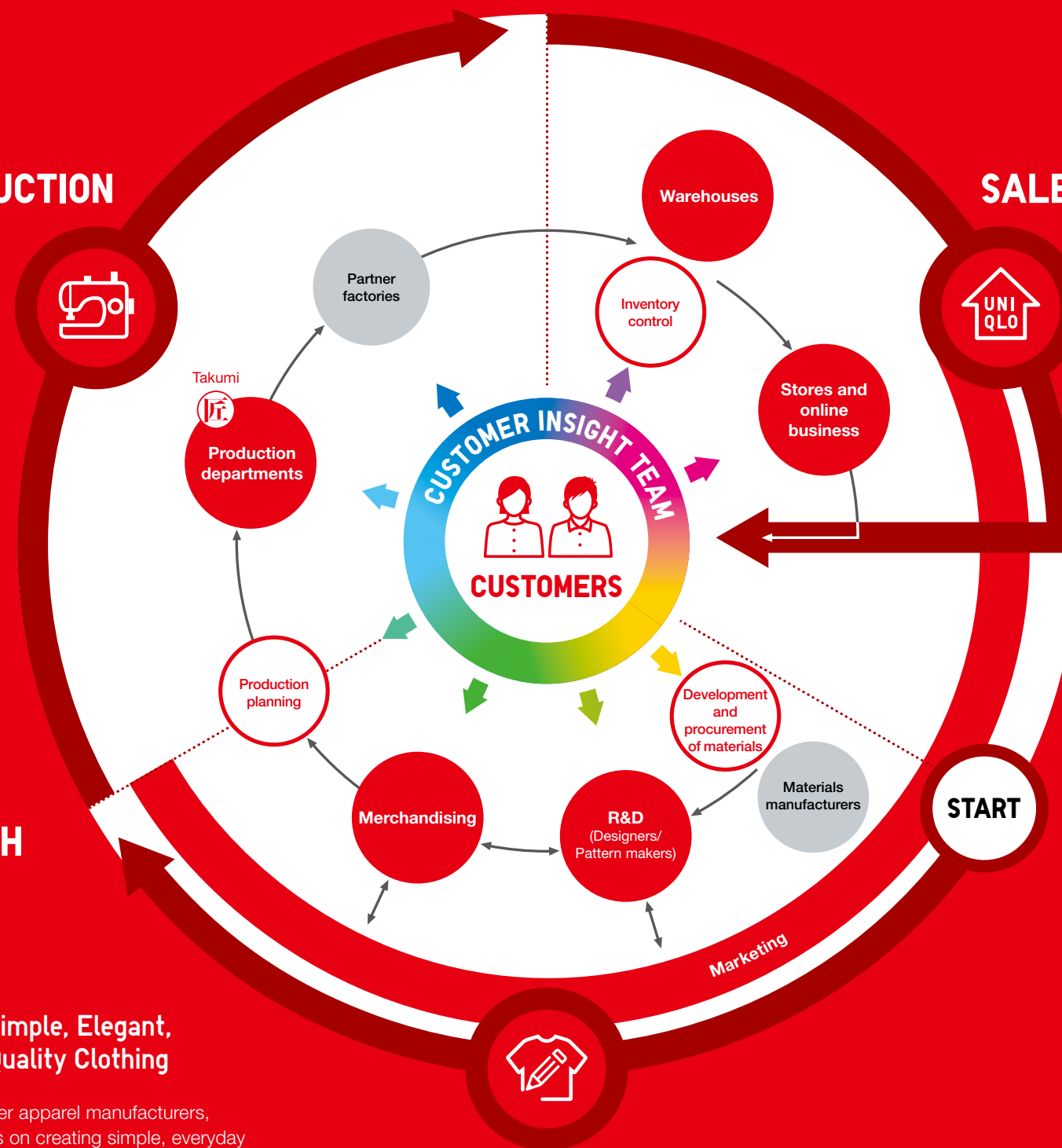
## 06 | A Business Model Focused on Customer Needs

Customer feedback is reflected directly in new product development. UNIQLO's customer insight team investigates and analyzes large volumes of shopper comments. This analysis helps us improve minute details on our core ranges to achieve ultimate comfort, and quickly incorporate new trends into product development. For instance, we have been able to create a new popular product range by turning women's boafleece into trendy items that look and feel like sheep's wool.

### PRODUCTION

### SALES

### DESIGN







# EXCITE



# PLANNING

- START
- ▶ PRODUCT CONCEPT
- ▶ SELECT AND PROCURE MATERIALS
- ▶ DESIGN SAMPLES

## 01

Christophe Lemaire  
Artistic Director,  
UNIQLO Paris R&D Center

### Research & Development (Designers/Pattern Makers)

UNIQLO's R&D centers continually research the latest in new materials and global fashions. One year before a product's intended launch, the R&D department holds a concept meeting with representatives from the merchandising, marketing, and materials development teams to determine the right design concept for each season. Designers then prepare designs and refine samples. Even after a design is decided, its color and silhouette can be refined multiple times before the final design is approved.

### Merchandising

Merchandisers play a vital role in the product creation process, from design through production. Merchandisers communicate closely with all departments before determining the planning, designs, materials, and marketing required for each season. Deciding product lineups and production volumes throughout the year is another important part of the merchandiser's role. Many UNIQLO products are manufactured in huge batches of approximately one million items each. Merchandisers also closely monitor sales levels and decide whether to increase or reduce production during a season.

### Development and Procurement of Materials

UNIQLO can secure stable, high-volume supplies of top-quality materials at a low cost by negotiating directly with materials manufacturers and placing large-volume orders. The materials used for our core items are particularly important. Our in-depth research and experimentation generates multi-layered improvements in the functionality, feel, silhouette, and texture of our clothes. For example, we work closely with the denim industry's reputed Kaihara Corporation to source denim to specific spinning standards and dyeing specifications. We also partner with Toray Industries, a world-leading synthetic fiber manufacturer, to create innovative high-function materials and products such as HEATTECH.







02

# PRODUCTION

▶ FINALIZE DESIGNS

▶ SET PRODUCTION VOLUMES

▶ START PRODUCTION

## Production Network

UNIQLO does not own any factories. We outsource all production to partner factories in China and other countries. We have built relationships of strong trust with our partner factories over many years, and hold annual conventions to promote dialogue with factory managers. We monitor working conditions and environmental protection at textile manufacturers and major fabric suppliers, and help factories implement improvements as needed. Maintaining a win-win relationship with partner factories ensures the production of high-quality products.

As UNIQLO expands globally, we have formed business relationships with partner factories not only in China, but also in countries such as Vietnam, Bangladesh, and Indonesia.

## Production Department

UNIQLO has about 450 production-team staff and textile takumi (skilled artisans) in Shanghai, Ho Chi Minh City, Dhaka, Jakarta, Istanbul, and Bangalore. Production teams visit partner factories weekly to resolve production quality or management issues. For quality improvements, customer concerns are communicated to the production department.

### ■ UNIQLO Production Offices



## UNIQLO Takumi Teams

“By offering instruction on dyeing technology at UNIQLO’s partner factories, I can encourage workers to embrace a new production management philosophy and improve the factories they work in. Our cultures may be different, but our aim is the same—to make truly good products. I am proud to be passing on expert Japanese techniques to the next generation of technicians.”



Dyer Takumi  
**Kazuaki Iida**



03

# SALES

▶ SHIP TO INDIVIDUAL COUNTRIES

▶ START TV COMMERCIALS

▶ START ADDITIONAL PRODUCTION

## Inventory Control

The inventory control department maintains the optimum level of store inventory. It does this by monitoring sales and stock on a weekly basis, and then dispatching necessary inventory and new products to fulfill orders. At the end of each season, merchandisers and the marketing department work together to coordinate the timing of any price changes to help ensure that inventory sells out.



Promotional flyer

## Marketing

Each season, UNIQLO conducts promotional campaigns for core products such as HEATTECH, Ultra Light Down, AIRism, and Bratops. During the campaigns, UNIQLO advertises the products' unique qualities and noteworthy features on TV and in other media. In Japan, we use email, social media, and weekly flyers in the Friday editions of national newspapers to attract customers with limited-period special pricing on key ranges.



TV commercial

## Stores

UNIQLO Japan had 827 stores (including 43 franchise stores) at the end of August 2018. UNIQLO International expanded to 1,241 stores, including 726 in Greater China (Mainland China, Hong Kong, and Taiwan), 186 in South Korea, 198 in Southeast Asia & Oceania, 78 in Europe, and 53 in North America. New store openings have been especially rapid in Greater China and Southeast Asia.



Roadside UNIQLO store



**UNI  
QLO.com**



## Online Sales

Online sales are increasingly important. In Mainland China and the United States, both geographically large markets, online sales account for approximately 15% and over 20% of overall sales respectively. In Japan, online sales accounted for ¥63.0 billion (7.3%) of total sales in FY2018. We aim to achieve 30% annual online sales growth in Japan by enabling customers to collect online purchases from nearby UNIQLO stores or convenience stores. We are expanding global online sales by offering exclusive online sizes and products, and semi-order-made goods.

▶ IN-STORE AND ONLINE SALES

CUSTOMERS

## Customer Insight Team

Our customer insight team is vital to our effort to improve core ranges by analyzing huge volumes of requests and comments from customers. Already, this analysis has helped improve many products such as seamless down, boa sweatshirts, pajamas, and BLOCKTECH coats. Going forward, we will seek to develop new products that fulfill customer desires by strengthening cooperation with specialist IT firms to further enhance our customer information analysis capabilities.







# JAPAN

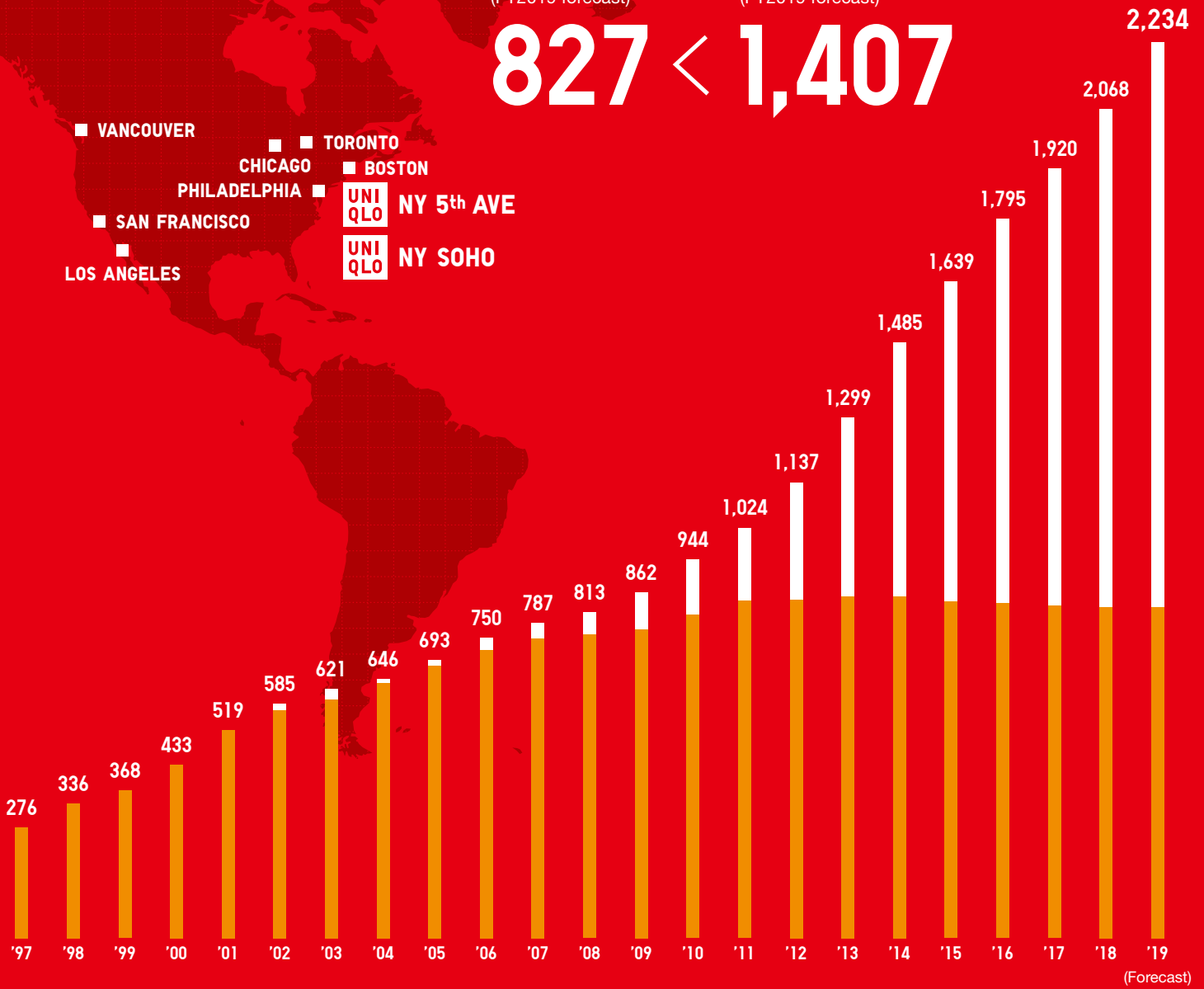
UNIQLO Japan Stores  
(FY2019 forecast)

# INTERNATIONAL

UNIQLO International Stores  
(FY2019 forecast)

# 827 < 1,407

- VANCOUVER
- TORONTO
- CHICAGO
- BOSTON
- PHILADELPHIA
- UNIQLO NY 5th AVE
- SAN FRANCISCO
- UNIQLO NY SOHO
- LOS ANGELES



## TOKYO

## LONDON

## SINGAPORE

## OSAKA



# Greater China FY2022 Revenue to Hit One Trillion Yen

## MAINLAND CHINA







**Greater China Store Network**  
**768 STORES**  
 +84 YoY  
 (December 31, 2018)

China also generated double-digit growth in online sales in FY2018, raising the proportion of online sales to 15% of total sales.

Going forward, we will be looking to further expand growth of physical and online stores in tandem. We expect the Greater China network to surpass 1,000 stores by the end of August 2021. Same-store sales will continue to grow strongly as UNIQLO brand visibility extends nationwide. At the same time, we will be looking to the e-commerce operation for 30% of total sales.

As smartphone penetration continues to expand rapidly in Mainland China, UNIQLO is using social media, online apps, and other digital marketing to convey new product information. Digital marketing is also proving very effective for deepening understanding of the UNIQLO LifeWear concept. Mainland China's interest in fashion continues to rise each year against a backdrop of spectacular economic development. UNIQLO was selected by *CBN weekly* as a "Top Brand in China" for the seventh consecutive year, and was again ranked the No.1 foreign apparel brand.

We will continue to improve our products and services to help UNIQLO become a vital brand for everyday living for the 1.4 billion consumers in the Greater China region.

UNIQLO Greater China, which is made up of Mainland China, Hong Kong, and Taiwan, reported significant increases in revenue and profit in FY2018, with revenue totaling ¥439.8 billion (+26.9% year on year) and operating profit reaching ¥73.7 billion (+47.1%). The operating profit margin increased 2.3 points to 16.7%.

Sales were especially strong in Mainland China as more Chinese consumers embraced the UNIQLO LifeWear concept. Our decision to introduce tailored product mixes in different regions of Mainland China facilitated the timely delivery of the items that customers needed most. For example, UT graphic T-shirts and Kando pants sold especially well. Mainland



Shenzhen Mixc World store (China)

# Southeast Asia & Oceania: Our New Driver of Growth



**Southeast Asia & Oceania Store Network**

**213** STORES

+35 YoY  
(December 31, 2018)



In fall 2018, we opened the UNIQLO Manila store in the Philippines, the largest global flagship store in Southeast Asia. Housed in Manila’s newest prime shopping mall, the location, with its vibrant, bustling atmosphere and abundant international clientele, was perfect for helping strengthen UNIQLO Southeast Asia as our latest driver of international growth.

UNIQLO Southeast Asia & Oceania is developing into a highly profitable operation, with revenue reaching ¥140.0 billion and the operating profit margin increasing to approximately 15% in FY2018. The region has high potential for growth. Individual markets within Southeast Asia have their own climates, cultures, religions, and fashion tastes, so we created a specialist planning team to help compile product mixes to satisfy local needs. Our decision to increase the number of essential everyday ranges for year-round hot climates—such as T-shirts, polo shirts, short pants, and UT graphic T-shirts—and to develop comparatively low-priced regional lines have helped strengthen our

HANA TAJIMA

LifeWear for the modern woman: The joint collection between UNIQLO and UK-born fashion designer Hana Tajima offers an exciting blend of traditional values and modern design.



UNIQLO Manila global flagship store

# PHILIPPINES

product mix and expand our customer reach.

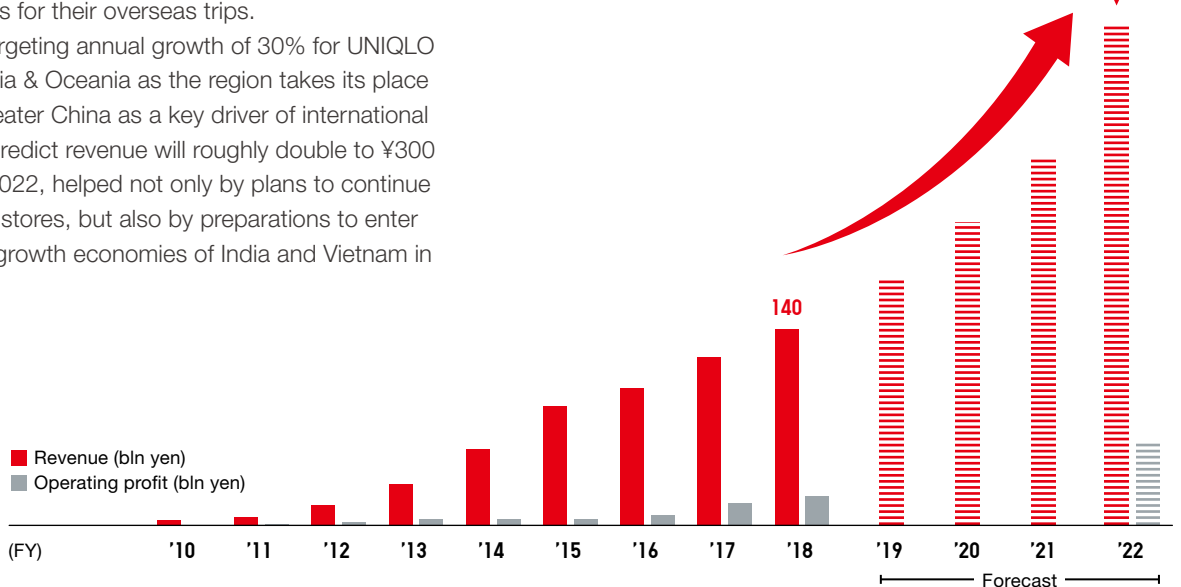
Our collaboration with UK-born designer Hana Tajima is perfect for markets with large Muslim populations such as Malaysia and Indonesia because it offers inclusive, modest designs that complement existing UNIQLO styles. Despite year-round high temperatures, we also offer a lineup of full Fall/Winter products in the region. Our Ultra Light Down ranges have proved extremely popular among people in Southeast Asia who are opting for light, easy-to-wear UNIQLO items for their overseas trips.

We are targeting annual growth of 30% for UNIQLO Southeast Asia & Oceania as the region takes its place alongside Greater China as a key driver of international growth. We predict revenue will roughly double to ¥300 billion by FY2022, helped not only by plans to continue opening new stores, but also by preparations to enter the dynamic growth economies of India and Vietnam in fall 2019.

## Southeast Asia & Oceania Growth Strategy

**Aim for Sales over ¥300 billion**

**¥300 billion**







# UNIQLO MEETS STOCKHOLM

SWEDISH FUNCTIONALITY. INNOVATION AND DESIGN AT UNIQLO



# SWEDEN

UNIQLO BOOKSHELF  
BY UNIQLO  
ART & DESIGN  
BOOKS  
AVAILABLE  
ON THE  
1ST FLOOR



# Build European Presence with Prime Urban Stores



Europe Store Network

**84** STORES

+16 YoY  
(December 31, 2018)

UNIQLO Europe generated significant revenue growth in FY2018, thanks to an especially strong performance in Russia, France, and the United Kingdom. By the end of August 2018, our European network had expanded to 78 stores. We will open more standout UNIQLO stores in major cities to increase awareness among European customers of UNIQLO LifeWear, our core concept for ultimate everyday clothing inspired by Japanese culture. Our specific aim is to raise the UNIQLO brand profile by focusing on opening new stores in prime urban locations.

The first UNIQLO store in Spain, opened in Barcelona in September 2017, has produced impressive results, and helped establish a firm position for the UNIQLO brand. That was followed in August

2018 by the extremely successful opening of our first store in Sweden, which attracted a queue of 1,000 customers on opening day. Housed in a historical modernist building designed by the famous Swedish architect Sven Markelius in 1969, the store's fresh blend of Japanese and European culture appeals to Swedish customers.

In September 2018, we opened our first store in the Netherlands in the heart of Amsterdam. The store's relaxed atmosphere and dedicated one-floor display of popular UT graphic T-shirts struck a chord with customers.

We are currently proceeding with plans to open our first store in Denmark (Copenhagen) in spring 2019, and our first store in Italy (Milan) in fall 2019.



GU





# GU Annual Sales Top ¥200 billion

GU's FY2018 sales topped ¥200 billion, bringing this fun, low-priced fashion brand into the same league as other large apparel firms. FY2018 revenue reached ¥211.8 billion and operating profit ¥11.7 billion. While we still have room for improvement, we believe there is great potential for GU. To improve profitability and communicate the GU brand message "YOUR FREEDOM"—which emphasizes freedom of expression through clothing—concept we introduced a new product mix with a strong focus on mass trend fashion from the 2018 Fall/Winter season and strengthened TV marketing.

We are keen to apply the Fast Retailing Group's transformative Ariake Project methods to GU to achieve strong business improvement. Amassing and analyzing global fashion information and creating new systems will enable GU to develop more products that really hit the mark, and to improve production volume accuracy. We are also conducting a fundamental review of material procurement and production methods to sharpen the brand's commanding price competitiveness. We are addressing various supply-chain processes, such as ordering materials early and in bulk, to keep costs down.

At the end of August 2018, GU had 393 stores in Japan. We are opening multiple joint UNIQLO-GU

stores, where customers can get UNIQLO's innovative casualwear and GU's fun fashion under one roof. GU's international expansion is also progressing well, with the network reaching 20 stores by the end of August 2018.

We are determined to build GU into a unique, fast-moving brand from Japan, with targeted sales of ¥1 trillion, and clothes that make the most of the moment and the most of your mood.



The GU STYLE STUDIO, opened in Tokyo's trendy Harajuku fashion district in November 2018, is a next-generation store with an exciting mix of the physical and the virtual. It offers a new type of personalized fashion experience. Customers have fun creating and dressing their own avatar with different outfits, which they can then purchase instantly via the GU app.



GU Yokohama Northport Mall store

# GLOBAL BRANDS



## Theory

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Theory **P L S T**

HELMUT LANG

**Elegant,  
Contemporary  
Fashion Wins Hearts**

Launched in New York in 1997, Theory is a leader in contemporary fashion that offers elegant style for the modern consumer. The brand's acclaimed comfort stems from its perfectly fitting designs and superior materials. The PLST label, which originated in Japan under the Theory umbrella, is also winning strong support as a fashionable, reasonably priced brand. At the end of August 2018, Theory boasted 537 stores (including 87 PLST stores) and sales of ¥110 billion.



## J Brand

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# J BRAND

## Innovative Premium Denim from L.A.

J Brand is a Los Angeles-based fashion label specializing in premium denim. It is recognized for its high-quality fabrics, beautiful silhouettes, and perfect fit. J Brand products are sold in well-known department stores and specialty boutiques in over 20 countries, with a large presence in the United States. UNIQLO and other brands are building upon J Brand technology to create revolutionary products at the Fast Retailing Jeans Innovation Center.

## Princesse tam.tam

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# PRINCESSE tam•tam PARIS

## A Graceful French Brand that Celebrates You

Princesse tam.tam (PTT) is a French brand renowned for original prints and bright colors. Benefiting from the skills of France's corsetry industry, PTT garments are finely crafted to the smallest detail. The PTT brand concept of "lingerie that lets your own personality shine through" resonates with customers everywhere. PTT items are sold in leading European department stores and boutiques, as well as in an increasing number of shops worldwide.

## Comptoir des Cotonniers

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COMPTOIR DES  
COTONNIERS

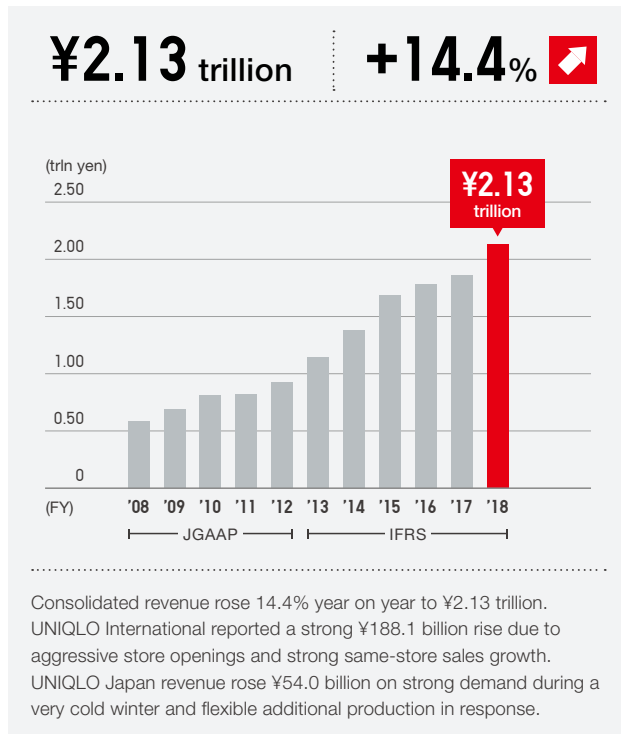
## Refined, Natural Fashion Full of French Esprit

Founded in 1995 with boutiques in Paris and Toulouse, the Comptoir des Cotonniers (CDC) women's fashion brand offers timeless but relaxed collections full of French esprit that appeal to the modern city woman. A high-quality yet affordable luxury brand, CDC's naturally elegant clothing features quality fabrics and sharp silhouettes and is perfect for any occasion. At the end of August 2018, CDC had a total of 320 stores worldwide, with a large presence in France.

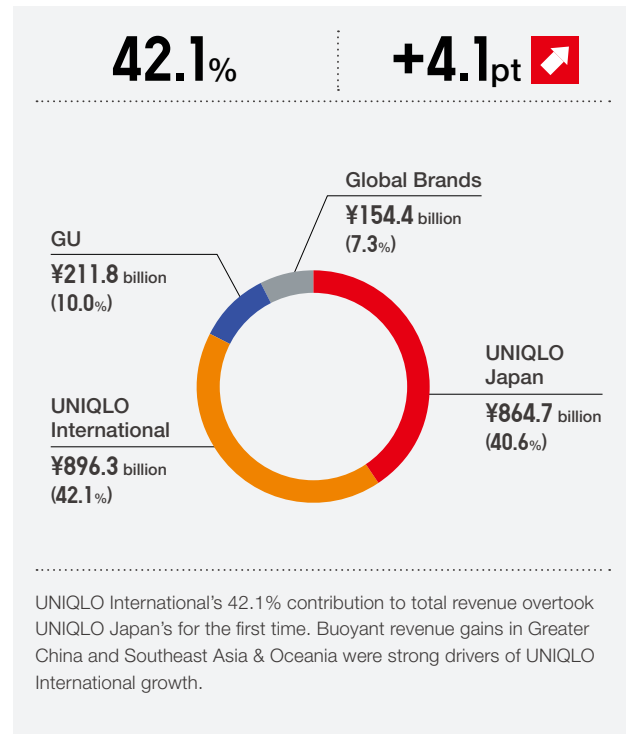


# FY2018 FINANCIAL HIGHLIGHTS

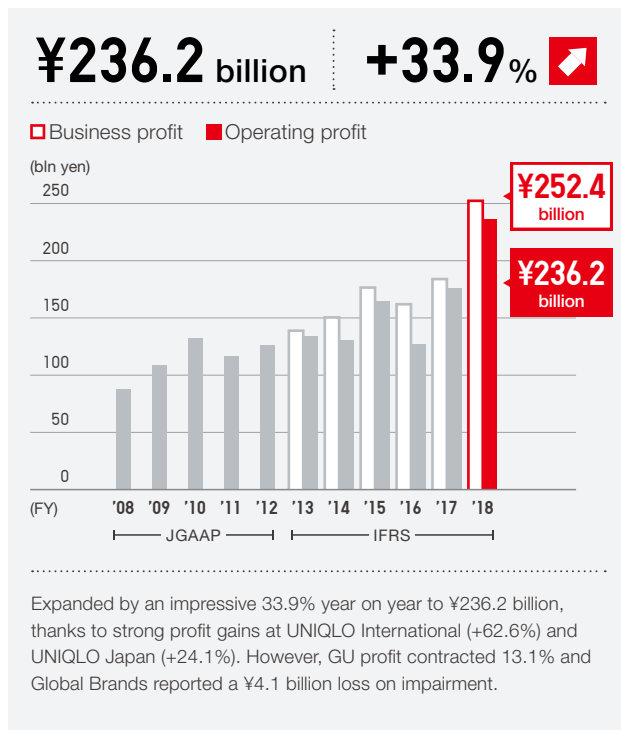
## Revenue



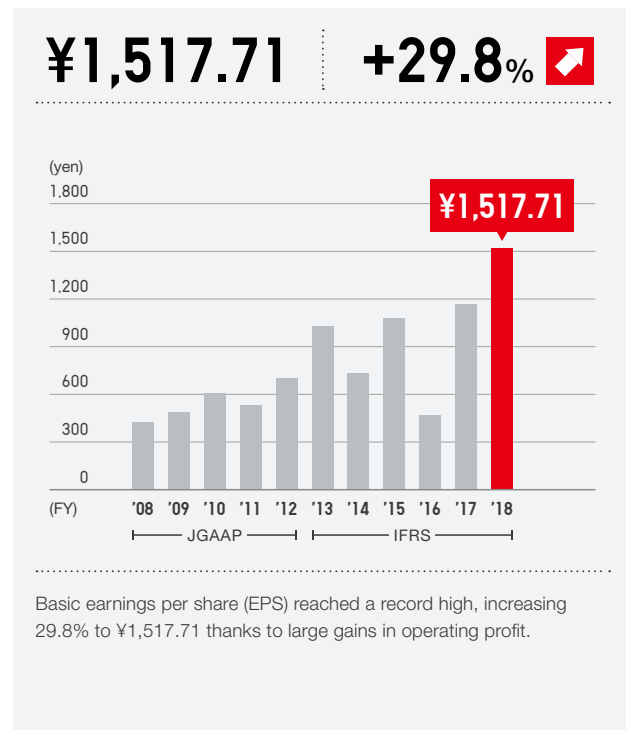
## UNIQLO International's Contribution to Revenue



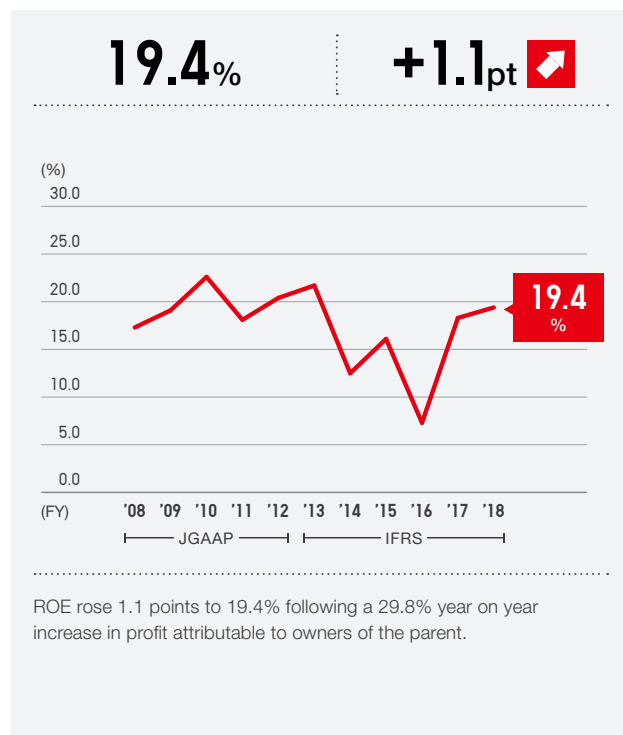
## Operating Profit



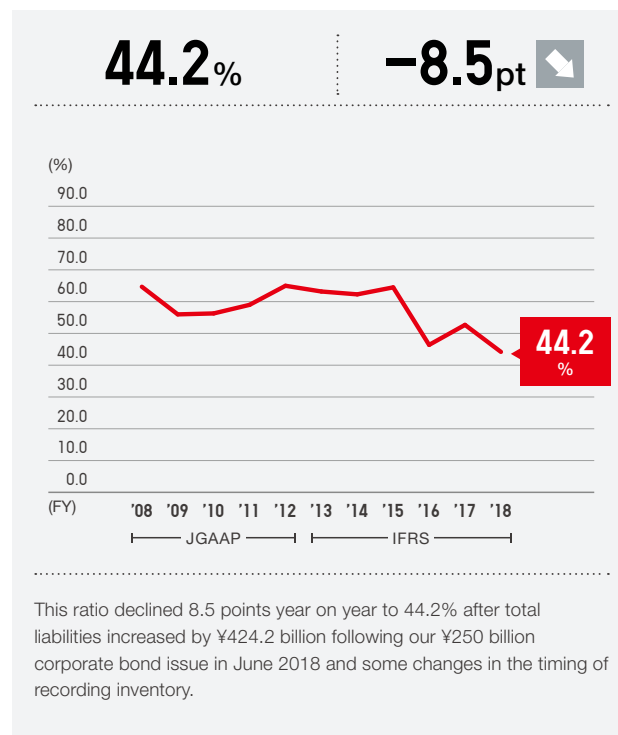
## Earnings per Share



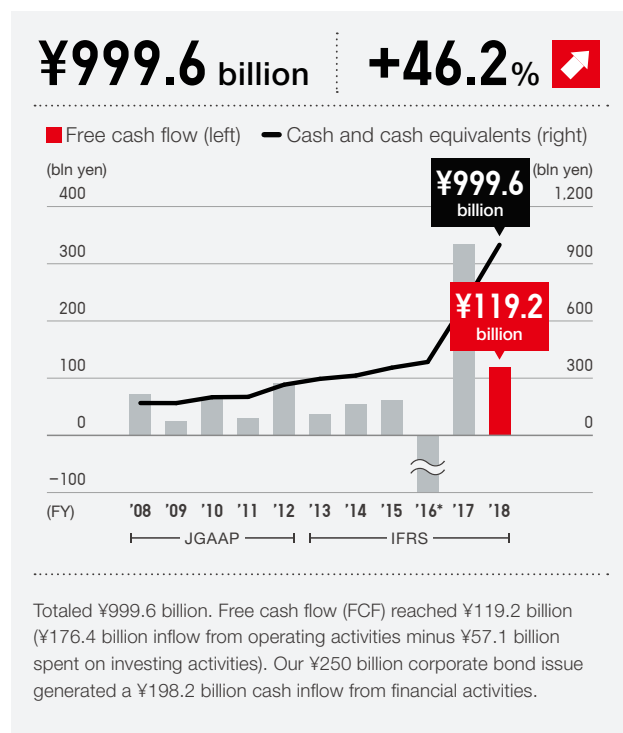
## Ratio of Profit to Equity Attributable to Owners of the Parent



## Ratio of Equity Attributable to Owners of the Parent to Total Assets

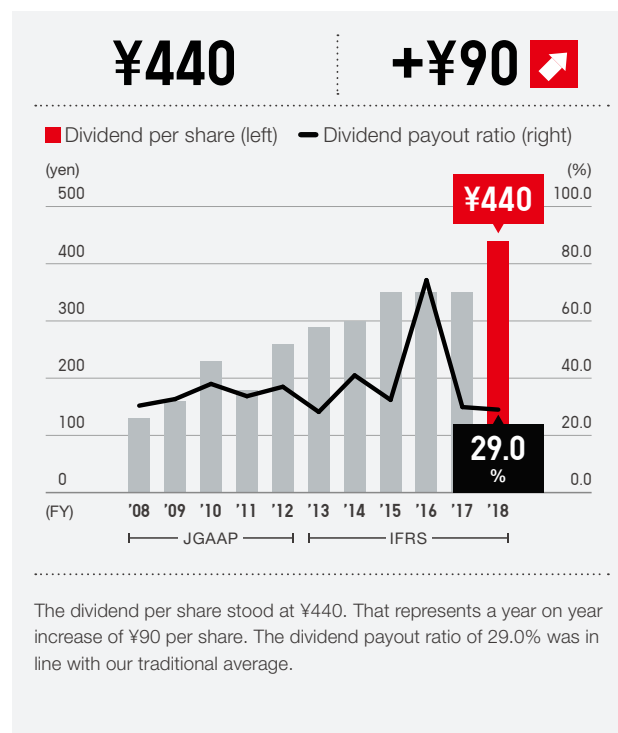


## Cash and Cash Equivalents



\*The negative FCF in FY2016 included a ¥186.5 billion investment in deposits with over three month maturities.

## Cash Dividends



\*The unusually high FY2016 dividend payout ratio was caused by an appreciation in the yen, which generated a net ¥37.0 billion finance cost and a sharp decline in EPS.



# FINANCIAL INFORMATION

## FINANCIAL SUMMARY

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

Millions of yen

Note: JGAAP term/IFRS term

	JGAAP			
	2009	2010	2011	2012
<b>For the year</b>				
Net sales/Revenue	¥ 685,043	¥ 814,811	¥ 820,349	¥ 928,669
Operating income/Operating profit	108,639	132,378	116,365	126,450
EBITDA*1	112,621	152,141	141,716	150,687
Income before income taxes and minority interests/ Profit before income taxes	95,487	116,867	93,881	123,390
Net income/Profit attributable to owners of the parent	49,797	61,681	54,354	71,654
Net cash provided by operating activities/ Net cash from operating activities	59,214	88,623	57,158	127,643
Net cash from/(used in) investing activities	(34,273)	(23,389)	(26,643)	(35,313)
Free cash flow*2	24,941	65,234	30,515	92,330
Net cash from/(used in) financing activities	(16,847)	(28,897)	(26,156)	(29,056)
Cash and cash equivalents*3	169,574	200,462	202,104	266,020
Depreciation and amortization	9,765	12,229	18,755	18,573
Capital expenditures*4	22,601	28,018	33,993	40,184
<b>At year-end</b>				
Total assets	¥ 463,285	¥ 507,287	¥ 533,777	¥ 595,102
Total net assets/Total equity	261,413	287,987	319,911	394,892
Interest-bearing debt	35,400	28,834	28,263	23,194
<b>Reference indices</b>				
Operating income margin/Operating profit margin (%)	15.9%	16.2%	14.2%	13.6%
ROE/Ratio of profit to equity attributable to owners of the parent (%)	19.1	22.6	18.1	20.4
Equity ratio/Ratio of equity attributable to owners of the parent to total assets (%)	56.0	56.3	59.0	65.0
Debt-equity ratio (%)	13.6	10.1	9.0	6.0
Dividend payout ratio (%)	32.7	38.0	33.7	37.0
<b>Per share data (actual yen, dollar amount)</b>				
Net income/Profit attributable to owners of the parent (EPS)	¥ 488.96	¥ 605.99	¥ 533.93	¥ 703.62
Net assets/Equity attributable to owners of the parent	2,550.86	2,804.34	3,091.17	3,797.04
Cash dividends	160.00	230.00	180.00	260.00
<b>Other data (at fiscal year-end)</b>				
Number of shares outstanding	106,073,656	106,073,656	106,073,656	106,073,656
Market capitalization (¥ billion, \$ million)*5	¥ 1,182.7	¥ 1,228.3	¥ 1,535.9	¥ 1,938.0
Number of subsidiaries	96	90	98	91
Total number of stores	2,258	2,203	2,088	2,222
Directly-operated stores in Japan	[1,454]	[1,370]	[1,213]	[1,250]
Directly-operated stores overseas	[397]	[474]	[491]	[589]
Franchise stores	[407]	[359]	[384]	[383]
Commercial complexes	4	4	4	4
Total sales floor space (m <sup>2</sup> )*6	740,489m <sup>2</sup>	847,523m <sup>2</sup>	938,896m <sup>2</sup>	1,170,353m <sup>2</sup>
Number of full-time employees*7	11,037	11,596	14,612	18,854

\*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

Thousands of  
US dollars\*5

IFRS								
2013	2014	2015	2016	2017	2018	YoY	2018	
¥1,142,971	¥1,382,935	¥1,681,781	¥1,786,473	¥1,861,917	¥2,130,060	+14.4%	\$19,179,363	
134,101	130,402	164,463	127,292	176,414	236,212	+33.9	2,126,894	
157,708	161,210	202,221	164,089	216,102	281,267	+30.2	2,532,581	
155,732	135,470	180,676	90,237	193,398	242,678	+25.5	2,185,110	
104,595	74,546	110,027	48,052	119,280	154,811	+29.8	1,393,942	
99,474	110,595	134,931	98,755	212,168	176,403	(16.9)	1,588,361	
(62,584)	(56,323)	(73,145)	(245,939)	122,790	(57,180)	—	(514,862)	
36,890	54,272	61,786	(147,184)	334,958	119,223	(64.4)	1,073,499	
(24,226)	(44,060)	(41,784)	201,428	(50,836)	198,217	—	1,784,778	
296,708	314,049	355,212	385,431	683,802	999,697	+46.2	9,001,414	
23,607	30,808	37,758	36,797	39,688	45,055	+13.5	405,687	
39,681	58,814	62,461	52,387	59,755	69,380	+16.1	624,712	
¥ 901,208	¥ 992,307	¥1,163,706	¥1,238,119	¥1,388,486	¥1,953,466	+40.7%	\$17,589,286	
589,726	636,041	774,804	597,661	762,043	902,777	+18.5	8,128,736	
37,259	37,561	38,035	283,465	281,512	544,502	+93.4	4,902,782	
11.7%	9.4%	9.8%	7.1%	9.5%	11.1%	1.6 pts.	11.1%	
21.7	12.5	16.1	7.3	18.3	19.4	1.1	19.4	
63.3	62.3	64.5	46.4	52.7	44.2	(8.5)	44.2	
6.5	6.1	5.1	49.7	38.7	63.5	24.8	63.5	
28.2	41.0	32.4	74.3	29.9	29.0	(0.9)	29.0	
¥ 1,026.68	¥ 731.51	¥ 1,079.42	¥ 471.31	¥ 1,169.70	¥ 1,517.71	+29.8%	\$ 13.67	
5,598.12	6,067.40	7,366.07	5,634.35	7,175.35	8,458.52	+17.9	76.16	
290.00	300.00	350.00	350.00	350.00	440.00	+25.7	3.96	
106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656	—	106,073,656	
¥ 3,383.7	¥ 3,452.6	¥ 5,225.7	¥ 3,854.7	¥ 3,338.1	¥ 5,495.6	+64.6%	\$ 49,483	
102	112	119	120	121	130	+9	130	
2,449	2,753	2,978	3,160	3,294	3,445	+151	3,445	
[1,331]	[1,406]	[1,444]	[1,463]	[1,367]	[1,376]	+9	[1,376]	
[743]	[1,072]	[1,240]	[1,405]	[1,607]	[1,715]	+108	[1,715]	
[375]	[275]	[294]	[292]	[320]	[354]	+34	[354]	
4	4	4	4	4	4	—	4	
1,387,367m <sup>2</sup>	1,835,095m <sup>2</sup>	2,030,031m <sup>2</sup>	2,188,688m <sup>2</sup>	2,392,618m <sup>2</sup>	2,671,629m <sup>2</sup>	+279,011m <sup>2</sup>	2,671,629m <sup>2</sup>	
23,982	30,448	41,646	43,639	44,424	52,839	+8,415	52,839	

\*4 Assets held under finance leases have been included in the capital expenditures disclosure starting in FY2017.

\*5 Calculations are based on the closing share price of ¥51,810 at the end of August 2018 and an exchange rate of ¥111.06 to US \$1.

\*6 Total sales floor space includes only directly operated stores.

\*7 From FY2018, total number of employees will include permanent staff and contract employees with legally stipulated working hours. The total does not include executive officers.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Group  
Performance  
in FY2018**

(Year to August 31, 2018)

- Record results achieved. Revenue: ¥2.1300 trillion (+14.4% YoY), operating profit: ¥236.2 billion (+33.9%). UNIQLO International and UNIQLO Japan both contributed to rising profits.
- UNIQLO International revenue surpassed UNIQLO Japan revenue for the first time. UNIQLO International operating profit now similar to that of UNIQLO Japan.
- Annual dividend per share increased by ¥90 YoY to ¥440.

**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. Meanwhile, international trade tensions clouded the outlook for the global economy.

UNIQLO operations flourished against this broad economic backdrop, helping the Fast Retailing Group achieve another record performance in FY2018. Consolidated revenue reached ¥2.1300 trillion (+14.4%) and consolidated operating profit increased to ¥236.2 billion (+33.9%).

UNIQLO International reported especially strong gains in both revenue and profit, as a growing affinity for the UNIQLO brand across Greater China, South Korea, and Southeast Asia & Oceania fueled strong sales. Efforts to reduce discounting and control costs started to bear fruit. As a result, in FY2018 UNIQLO International revenue surpassed UNIQLO Japan revenue for the first time, and UNIQLO International operating profit matched that of UNIQLO Japan. UNIQLO Japan also achieved significantly higher profit in FY2018 on the back of strong same-store sales growth. Sales were boosted by very cold winter weather and timely additional production that satisfied the resulting extra demand. Meanwhile, GU reported an increase in revenue, but a fall in operating profit for the second consecutive year.

Under other income/expenses, we recorded impairment losses of ¥12.3 billion on Global Brands and UNIQLO stores, and store closure and retirement losses of ¥1.4 billion. We also recorded a net finance income of ¥6.4 billion resulting from a positive balance of interest income net of income expense, and an increase in the yen

**■ Number of Stores by Business Segment**

(Unit: Stores)

(FY)	2017		2018	
	End Aug.	End Aug.	Opened	Closed
<b>UNIQLO Japan</b>	831	<b>827</b>	18	22
Directly operated	790	<b>784</b>	15	21
Large-scale	209	<b>215</b>	9	3
Standard	581	<b>569</b>	6	18
Franchise	41	<b>43</b>	3	1
<b>UNIQLO International</b>	1,089	<b>1,241</b>	167	15
Mainland China	555	<b>633</b>	89	11
Hong Kong	25	<b>28</b>	3	0
Taiwan	65	<b>65</b>	2	2
South Korea	179	<b>186</b>	8	1
Singapore	24	<b>26</b>	2	0
Malaysia	41	<b>48</b>	7	0
Thailand	34	<b>40</b>	6	0
The Philippines	40	<b>51</b>	11	0
Indonesia	12	<b>18</b>	6	0
Australia	12	<b>15</b>	3	0
U.S.	44	<b>48</b>	5	1
Canada	2	<b>5</b>	3	0
U.K.	10	<b>11</b>	1	0
France	19	<b>25</b>	6	0
Russia	20	<b>31</b>	11	0
Germany	5	<b>5</b>	0	0
Belgium	2	<b>3</b>	1	0
Spain	0	<b>2</b>	2	0
Sweden	0	<b>1</b>	1	0
<b>GU</b>	372	<b>393</b>	30	9
<b>Global Brands</b>	1,002	<b>984</b>	42	60
Theory*	538	<b>537</b>	32	33
Comptoir des Cotonniers*	333	<b>320</b>	8	21
Princesse tam.tam*	131	<b>127</b>	2	6
<b>Total</b>	3,294	<b>3,445</b>	257	106

\*Including franchise stores

Note: This table excludes Mina mall and GRAMEEN UNIQLO stores.

**■ Performance by Group Operation**

(FY)		2017			2018		
		Billions of yen	YoY change Billions of yen	% change	Billions of yen	YoY change Billions of yen	% change
<b>UNIQLO Japan</b>	Revenue	¥810.7	¥10.9	+1.4	¥864.7	¥ 54.0	+6.7
	Operating profit	95.9	(6.5)	(6.4)	119.0	23.1	+24.1
<b>UNIQLO International</b>	Revenue	708.1	52.7	+8.1	896.3	188.1	+26.6
	Operating profit	73.1	35.7	+95.4	118.8	45.7	+62.6
<b>GU</b>	Revenue	199.1	11.3	+6.0	211.8	12.6	+6.4
	Operating profit	13.5	(8.6)	(39.0)	11.7	(1.7)	(13.1)
<b>Global Brands*</b>	Revenue	141.0	0.2	+0.2	154.4	13.4	+9.5
	Operating profit	0.5	13.1	—	(4.1)	(4.6)	—

\*Global Brands includes Theory, Comptoir des Cotonniers, Princesse tam.tam, and 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.



value of foreign-currency denominated assets. Consequently, profit attributable to owners of the parent increased by 29.8% to ¥154.8 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 both UNIQLO International and GU. Our Greater China and Southeast Asia & Oceania operations are both becoming key pillars of UNIQLO International growth. We continue to open more UNIQLO stores in each market where we already have a presence. We are also working to consolidate UNIQLO's position as a key global brand by opening more global flagship stores and large-format stores in major cities worldwide. As for GU, we intend to open more Japan stores as well as develop GU's international presence, primarily in Greater China and South Korea.

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 14.4% year on year to ¥2.1300 trillion, a ¥268.1 billion increase. This breaks down into ¥188.1 billion from UNIQLO International, ¥54.0 billion from UNIQLO Japan, ¥13.4 billion from Global Brands, and ¥12.6 billion from GU. UNIQLO International revenue rose strongly as an additional 152 stores (Greater China: +81, Southeast Asia & Oceania: +35, Europe: +22, South Korea: +7, North America: +7) expanded the network to 1,241 stores. Additionally, Greater China, Southeast Asia, and all other regions reported growth in same-store sales. UNIQLO Japan full-year same-store sales grew 6.2% year on year as extremely cold weather boosted sales of warm clothing in the first half, while AIRism and T-shirt ranges sold well in the second half. While GU full-year same-store sales declined, GU revenue increased as the GU network expanded by 21 stores.

## 3 Gross Profit Margin

Gross profit rose 15.5% year on year to ¥1.0499 trillion. The gross profit margin grew 0.5 point to 49.3% thanks to a 1.1 point improvement in gross profit margin at UNIQLO International, as more accurate sales planning across the board led to less discounting. UNIQLO Japan's gross profit margin improved 0.4 point. While procurement costs rose on the back of a continued weakening in internal yen-based exchanged rates, the strong sales environment helped reduce discounting.

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

SG&A expenses totaled ¥797.4 billion. The SG&A to net sales ratio declined 1.5 points year on year to 37.4%, following a successful Group-wide cost-cutting drive. SG&A ratios improved significantly at both UNIQLO Japan (-1.6 points) and UNIQLO International (-1.5 points).

## 5 Other Income/Expenses

Other expenses net of other income totaled -¥16.2 billion in FY2018 (FY2017: -¥7.6 billion), due primarily to the recording of a ¥12.3 billion impairment loss (FY2017: ¥9.3 billion). That impairment losses included: ¥7.7 billion for Comptoir des Cotonniers, ¥1.6 billion for Theory, and ¥1.3 billion for UNIQLO stores. In addition, we recorded a ¥1.4 billion foreign exchange losses (FY2017: ¥2.1 billion gains) on some temporary advances paid by overseas subsidiaries, and ¥1.4 billion in retirement and store closure losses (FY2017: ¥2.7 billion) relating to store closures.

## 6 Operating Profit

Operating profit increased 33.9% year on year to ¥236.2 billion. Operating profit margin improved 1.6 points to 11.1%.

### Breakdown of SG&A Expenses

(FY)	2016			2017			2018		
	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	¥ 71,611	¥ 313.6	+4.6	¥ 70,937	¥ (674)	(0.9)	¥ 70,310	¥ (627)	(0.9)
Rental expenses	171,356	491.8	+3.0	174,034	2,678	+1.6	191,813	17,779	+10.2
Depreciation and amortization	36,797	(96.1)	(2.5)	39,688	2,891	+7.9	45,055	5,367	+13.5
Outsourcing	33,602	427.7	+14.6	33,244	(358)	(1.1)	41,005	7,761	+23.3
Salaries	242,033	1,121.8	+4.9	252,520	10,487	+4.3	285,105	32,583	+12.9
Others	147,555	850.2	+6.1	154,790	7,235	+4.9	164,186	9,396	+6.1
Total	¥702,956	¥3,109.3	+4.6	¥725,215	¥22,259	+3.2	¥797,476	¥72,261	+10.0

## 7 Finance Income/Costs

Finance income net of finance costs totaled ¥6.4 billion (FY2017: ¥16.9 billion) thanks to the recording of a ¥4.3 billion net interest income, and a ¥2.1 billion foreign exchange gain after the depreciation in the yen from ¥110 to ¥111 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 ¥73.3 billion. The effective corporate tax rate was 30.2%, 0.6 point lower than Japan's statutory 30.8% rate, due to a growing contribution from UNIQLO International, which is subject to comparatively lower tax rates.

## 9 Profit Attributable to Owners of the Parent and Dividend

Profit attributable to owners of the parent totaled ¥154.8 billion (+29.8%). Basic earnings per share increased ¥348.01 to ¥1,517.71. The annual dividend increased ¥90 to ¥440 per share (dividend payout ratio 29.0%). The rise in profit attributable to owners of the parent resulted in a 1.1 point increase in return on equity (ROE) to 19.4%.

## 10 Results by Business Segment

**UNIQLO Japan** UNIQLO Japan reported rising revenue and profit in FY2018. Revenue totaled ¥864.7 billion (+6.7%) and operating profit ¥119.0 billion (+24.1%). Full-year same-store sales increased 6.2% year on year (1H: +8.4%, 2H: 3.3%). The extremely large first-half same-store sales growth was due to strong sales of HEATTECH and down clothing ranges during an exceptionally cold winter. UNIQLO Japan was able to order timely production increases of strong-selling items to satisfy additional demand. Warmer weather from March onwards fueled strong sales of AIRism, UT graphic T-shirts, DRY-range T-shirts and other summer ranges in the second half. Full-year online sales rose 29.4% to ¥63.0 billion, constituting 7.3% of total revenue.

On the profit front, the gross profit margin rose 0.4 point, as strong sales of winter ranges and consequent reduced discounting of excess inventory more than offset the impact of weaker internal yen exchange rates. Meanwhile, the SG&A ratio fell 1.6 points on lower advertising, distribution, and personnel expenses.

We opened 15 new directly operated stores and closed 21 stores (one of which reopened as a franchise store), bringing the UNIQLO Japan network to 784 stores (excluding 43 franchise stores) at the end of FY2018.

**UNIQLO International** UNIQLO International reported considerable increases in revenue and profit. Revenue totaled ¥896.3 billion (+26.6%) and operating profit ¥118.8 billion (+62.6%). As a result, UNIQLO International revenue surpassed, and operating

profit matched, that of UNIQLO Japan for the first time. Operating profit margins improved across regional operations thanks to more accurate sales planning and cost controls. UNIQLO Greater China continued to grow strongly, with revenue expanding to approximately half the UNIQLO Japan total. Growth at UNIQLO Southeast Asia & Oceania also gathered speed.

UNIQLO Greater China reported significant rises in revenue and profit, with revenue growing to ¥439.8 billion (+26.9%), operating profit to ¥73.7 billion (+47.1%), and operating profit margin to 16.7% (+2.3 points). Mainland China same-store sales grew throughout the period thanks to a deepening embrace of the UNIQLO LifeWear concept, tailored product mixes for the different climate regions within China, and favorable weather. Profitability also improved considerably as more accurate sales planning and cost control reduced discounting and business expense ratios. Operating profit also increased in Hong Kong and Taiwan on the back of higher gross profit margins and firmer cost control.

Successful management reforms at UNIQLO South Korea fueled higher same-store sales and a significant rise in operating profit.

UNIQLO Southeast Asia & Oceania reported continued double-digit growth in same-store sales on the back of strong sales of UT graphic T-shirts and shorts for summer, and buoyant traveler demand for Ultra Light Down jackets and other winter items. The operation's sales expanded to approximately ¥140.0 billion and the operating profit ratio improved to approximately 15%.

In North America, UNIQLO USA made steady progress on its business reforms. The new regional headquarters on the West Coast helped create appropriate local product ranges and store displays, resulting in higher same-store sales and a halving of operating losses.

Revenue and profit at UNIQLO Europe increased. We continued to build the UNIQLO brand in the region with the opening of our first stores in Spain in September 2017, Sweden in August 2018, and the Netherlands in September 2018.

The UNIQLO International network expanded by 152 stores to 1,241 stores at the end of FY2018.

**GU** GU reported rising revenue but falling profit. Revenue totaled ¥211.8 billion (+6.4%) and operating profit ¥11.7 billion (-13.1%). Full-year same-store sales declined following problems with the label's product mix and volume planning. Operating profit declined due to insufficient winter clothing inventory in the first-half, and lower-than-expected sales of advertising campaign items in the second half. These factors dampened the gross profit margin and inflated business expense ratios. The GU store network increased by 21 stores to 393 stores (including 20 international stores) in FY2018. We continued to expand GU's initial international presence in Shanghai, Taipei, and Hong Kong, and we opened the first GU store in South Korea in September 2018.

**Global Brands** Global Brands reported revenue of ¥154.4 billion (+9.5%), an operating loss of ¥4.1 billion. This decline was due to ¥9.9 billion in impairment losses, primarily on the France-based

Comptoir des Cotonniers label.

The Theory operation achieved higher revenue and profit on stable growth in the Theory brand in both Japan and the United States, and favorable expansion of the Japan-based PLST label. Theory has developed into a ¥110.0 billion operation spanning the United States, Japan, and Asia. Meanwhile, Comptoir des Cotonniers, Princesse tam.tam, and J Brand continued to report losses.

## 11 Balance Sheet

Total assets rose ¥564.9 billion to ¥1.9534 trillion. Current assets increased ¥540.4 billion to ¥1.6180 trillion (cash and cash equivalents: +¥315.8 billion, inventories: +¥175.1 billion).

Cash and cash equivalents rose on the back of our June 2018 corporate bond issue and a higher operating cash flow. The rise in inventories consisted of a ¥92.3 billion impact resulting from changes in the timing of inventory recording, and an ¥82.8 billion increase in real inventory (UNIQLO International: +¥44.6 billion, UNIQLO Japan: +¥32.9 billion, GU: +¥3.3 billion, Global Brands: +¥2.0 billion). UNIQLO International inventory increased in line with an expansion of the segment network by 152 stores and an early launch of winter ranges. UNIQLO Japan inventory increased due to larger orders of year-round core ranges and early orders of fall and winter stock.

Non-current assets increased by ¥24.4 billion to ¥335.3 billion, including a ¥18.0 billion increase in property, plant and equipment

and a ¥9.1 billion increase in intangible assets.

Current liabilities increased by ¥187.9 billion to ¥499.4 billion, due largely to a ¥160.0 billion increase in other financial liabilities. These resulted from higher period-end inventory levels and changes to the timing of inventory recording. Non-current liabilities increased by ¥236.2 billion to ¥551.2 billion due primarily to our corporate bond issue, and a ¥229.2 billion increase in financial liabilities.

Total equity increased by ¥140.7 billion to ¥902.7 billion. This includes both a ¥154.8 billion increase in retained earnings on the back of higher profits and a ¥38.2 billion dividend payout to the owners of the Parent. As a result, the ratio of equity attributable to owners of the Parent to total assets fell 8.5 points to 44.2%.

## 12 Cash Flow Information

In FY2018, net cash received from operating activities totaled ¥176.4 billion, net cash used in investing activities totaled ¥57.1 billion, and net cash generated by financing activities totaled ¥198.2 billion. As a result, free cash flow (net cash from operating activities + net cash from investing activities) totaled ¥119.2 billion. Overall, the balance of cash and cash equivalents increased by ¥315.8 billion to ¥999.6 billion.

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

### Cash from Operating Activities: ¥176.4 Billion

Net inflows included ¥242.6 billion under profit before income taxes and ¥142.2 billion under other liabilities. Working capital outflow, calculated from trade and other receivables, inventories, and trade and other payables, totaled ¥172.5 billion. Increases in other liabilities and inventory assets were temporarily inflated in FY2018 due to changes made to the timing of recording inventory.

Net income taxes paid totaled ¥85.8 billion.

### Cash Used in Investing Activities: ¥57.1 Billion

This figure consists primarily of ¥31.9 billion spent on acquiring property, plant, and equipment to grow UNIQLO International and Global Brands store networks, and ¥16.5 billion spent on intangible assets such as systems investment.

Consolidated capital expenditure totaled ¥69.3 billion (UNIQLO Japan: ¥9.9 billion, UNIQLO International: ¥26.3 billion, GU: ¥4.5 billion, Global Brands: ¥2.7 billion, systems investments, etc.: ¥25.8 billion).

### Cash from Financing Activities: ¥198.2 Billion

This includes a ¥249.3 billion inflow from our June 2018 corporate bond issue, and ¥38.2 billion spent on dividend payments.

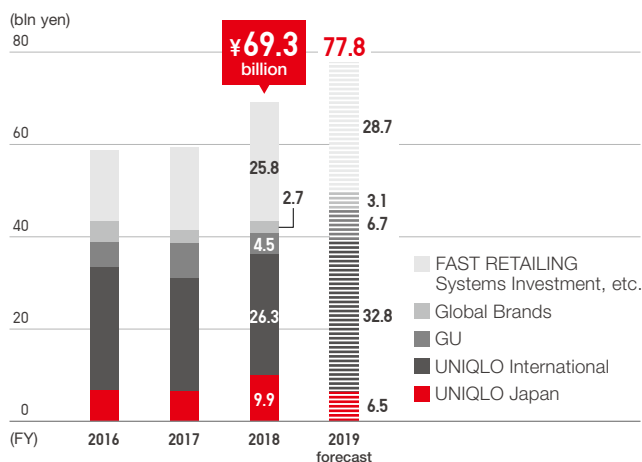
## Consolidated Subsidiaries (At end of August 31, 2018)

Company name	Share ownership
<b>Holding Company</b>	
FAST RETAILING CO., LTD.	100.0%
<b>Main Consolidated Subsidiaries</b>	
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., 130 consolidated subsidiaries and 4 associates accounted for using the equity method.



**Capital Expenditure (including finance leases)**



**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 ¥440 per share in FY2018 (+¥90 YoY). This translates into an annual dividend payout ratio of 29.0%.

**14 Outlook for FY2019 (as of January 10, 2019)**

We predict a third consecutive year of record consolidated performance with revenue reaching ¥2.3000 trillion (+8.0% YoY), operating profit ¥270.0 billion (+14.3%), profit before income taxes ¥270.0 billion (+11.3%), profit attributable to owners of the parent of ¥165.0 billion (+6.6%), basic earnings per share (EPS) of ¥1,617.33 and a ¥40 increase in the annual dividend to ¥480 per share (¥240 interim and year-end dividends).

We forecast significant gains in UNIQLO International revenue and profit, with Greater China and Southeast Asia & Oceania expected to generate especially strong revenue and profit gains. UNIQLO North America (USA & Canada) is predicted to move into the black. We intend to continue opening 100 new stores annually in Greater China and increase openings in Southeast Asia & Oceania to approximately 50 stores per year. In addition, UNIQLO International operating profit is predicted to far outstrip that of UNIQLO Japan in FY2019.

At UNIQLO Japan, we are aiming for modest rises in full-year revenue and profit. In the first quarter, revenue and profit declined on slow sales of winter items during the warm winter. Heavier discounting in the second quarter will likely result in a decline in first-half profit. However, we expect a large rebound in second-half profit on a lower cost of sales and strict cost controls. We predict same-store sales will expand by approximately 2% year on year, including a 30% increase in online sales.

GU sales improved in the first quarter thanks to our comprehensive product mix review and new focus on mass-trend items. We expect this to continue throughout the year, and anticipate a sharp profit rebound on improved gross margins and cost efficiencies.

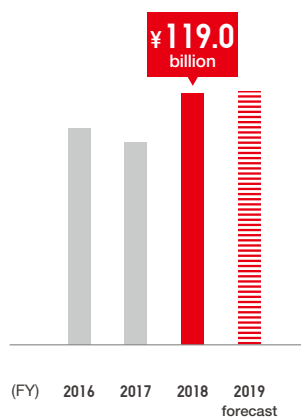
Global Brands is expected to report significantly higher profits on revenue and profit gains from our Theory label.

**15 Risk**

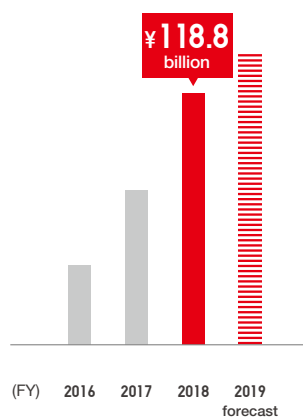
Risk factors that investors may regard as potentially having a significant impact on the businesses of the Company and the Group are stated below. The Company, aware of the possibility that these risks may occur, has planned preventive actions and thoroughgoing administrative procedures and strives to take appropriate measures when they occur. The 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 this report (November 30, 2018).

**Operating Profit by Business Segment**

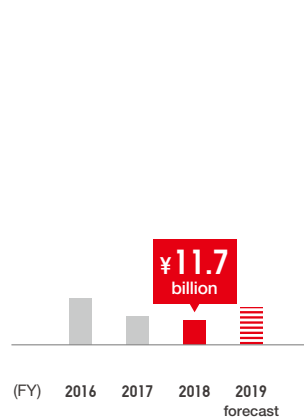
UNIQLO Japan



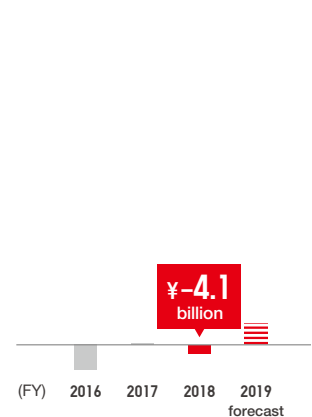
UNIQLO International



GU



Global Brands



## **(1) Risks specific to management strategy**

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

### **i) Management personnel risk**

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

### **ii) Competitive risks**

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

### **iii) Risk of dependency on production in specified geographic locations**

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

### **iv) Risks of corporate acquisitions**

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

### **v) Overseas business risks**

As the Group expands its business through M&A, we are steadily enhancing the Group's presence overseas. As we open more stores in countries across the world, overseas sales are accounting for a higher proportion of the Group's sales. In this business environment, if there are changes in laws or changes in taxation systems that have an adverse impact, unanticipated political developments, social turmoil due to terrorism, conflict or other disturbance, or significant fluctuations in exchange rates, or if the goods we sell do not match the market needs in those countries, or if the hiring and training of well-qualified management personnel and local staff who can smoothly manage our business in each country do not go according to plan, this could have a negative impact on earnings.

### **vi) Currency risks**

Most products sold through the UNIQLO business, which is the Group's core business, are denominated in US dollars. For products to be imported to Japan, we stabilize our purchasing costs by entering into forward currency agreements for about three years ahead to equalize exchange rates. If the dollar rises sharply against the key currencies of each country going forward, this could have a medium- to long-term negative impact on earnings of the UNIQLO 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 legal regulations in Japan and abroad such as product liability laws, pharmaceutical laws, consumer protection laws and labeling laws. The Group endeavors to establish product management systems for planning and production of products in accordance with the Groups own quality control standards covering the legal regulations of various countries, but if gross quality defects are found in products sold by the Group, such as contamination by hazardous materials or dyes containing toxins, this may require global product recalls, or compensation for harm to the health of customers, which may have a negative impact on earnings, as well as causing damage to customers' trust.

### **ii) Risk of leaks of business secrets or customer's personal information**

In the course of doing business such as mail order sales, the Group gathers information (including personal information) about customers, and it also handles trade secrets and other confidential information. We are fully aware of the impact of personal information leaks on the company's management and trust, and have established an Information Security Office to ensure management of confidential information held by the Group by working with the IT divisions and legal divisions in each country, while creating and strengthening appropriate management systems for trade secrets and information (particularly personal information) about customers, and periodically conducting activities to raise awareness, but in the event confidential information is lost, it may be necessary to take steps to recover the information, apologize to customers, and pay of compensation for damages, which may have a negative impact on earnings, as well as causing damage to customers' trust. Furthermore, if the Group is deemed by an administrative authority to have violated legal regulations restricting the transfer of personal information between countries and regions such as the EU General Data Protection Regulation (GDPR), this could lead to a decline in the trust of our customers, and the imposition of a hefty fine could have an adverse effect on earnings.

### **iii) Risk due to weather**

Global warming may cause a trend toward warmer winter weather, which may result in being 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**

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

### **v) Risks of disputes and litigation**

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

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

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

# HISTORY

## 1949.3

Men's Shop Ogori Shoji is founded in Ube City, Yamaguchi Prefecture, Japan.

## 1963.5

Ogori Shoji Co., Ltd. is established with capital of 6 million yen.

## 1984.6

The first UNIQLO store opens in Hiroshima (closed in August 1991).



## 1985.6

First UNIQLO roadside store opens.



## 1991.9

Company name is changed to FAST RETAILING CO., LTD.

## 1994.7

Company stock is listed on the Hiroshima Stock Exchange.

## 1998.2

Head office is constructed in Yamaguchi Prefecture, Japan.



## 1998.10

1,900-yen fleece campaign succeeds in attracting large public attention.



## 1998.11

First urban UNIQLO store opens in the fashionable Harajuku district of Tokyo (closed in 2012).



## 1999.2

Company stock is listed on the First Section of the Tokyo Stock Exchange.

## 2000.10

E-commerce business launches.

## 2001.9

First UNIQLO overseas store opens in London.



## 2002.4

UNIQLO Design Studio (current R&D Center) is established.



## 2002.9

First UNIQLO China store opens in Shanghai.

## 2004.1

Fast Retailing invests in Link International Co., Ltd. (now LINK THEORY JAPAN CO., LTD.), developer of Theory brand apparel.



## 2004.9

UNIQLO makes Global Quality Declaration, and cashmere campaign generates high level of consumer interest.



## 2004.12

UNIQLO Design Studio, New York, Inc. is established.

## 2005.9

First UNIQLO South Korea store opens in Seoul.

## 2005.9

First UNIQLO Hong Kong store opens in the Tsim Sha Tsui shopping district.

## 2005.11

Holding company structure is adopted at Fast Retailing.

## 2006.6

Strategic business partnership is established between UNIQLO and Toray Industries, Inc.

## 2006.9

UNIQLO All-Product Recycling Initiative commences.



## 2006.10

First GU store opens in Chiba Prefecture, Japan.

## 2006.11

First UNIQLO global flagship store opens in Soho, New York City.



## 2007.11

Global flagship store, UNIQLO 311 Oxford Street Store, opens in London.

## 2007.12

First UNIQLO France store opens in Paris.

## 2009.3

LINK THEORY JAPAN CO., LTD. becomes a subsidiary.

## 2009.4

First UNIQLO Singapore store opens.

## 2009.10

Global flagship store, Paris Opera Store, opens.



## 2010.4

First UNIQLO Russia store opens in Moscow.

## 2010.5

Global flagship store, UNIQLO West Nanjing Road Store, opens in Shanghai.



## 2010.10

Global flagship store, UNIQLO Shinsaibashi Store, opens in Osaka.



## 2010.10

First GU flagship store opens in Shinsaibashi, Osaka.

## 2010.10

First UNIQLO Taiwan store opens in Taipei.



## 2010.11

First UNIQLO Malaysia store opens in Kuala Lumpur.

## 2011.2

Global Partnership Agreement with UNHCR is established, reinforcing All-Product Recycling Initiative.

## 2011.9

First UNIQLO Thailand store opens in Bangkok.

## 2011.9

Global flagship store, UNIQLO Mingyao Department Store, opens in Taipei.

## 2011.10

Global flagship store, UNIQLO New York 5th Avenue Store, opens in New York City.



## 2011.11

Global flagship store, UNIQLO Myeongdong Central Store, opens in Seoul.

## 2012.3

Global flagship store, UNIQLO Ginza, opens in Tokyo.



## 2012.3

GU flagship store opens in Ginza, Tokyo.

## 2012.6

First UNIQLO Philippines store opens in Manila.

## 2012.9

Global hotspot store, BICQLO Shinjuku East Exit Store, opens in Tokyo.



## 2012.12

U.S.-based premium denim company J Brand Holdings, LLC is acquired.

## 2013.4

Global flagship store, UNIQLO Lee Theatre Store, opens in Hong Kong.

## 2013.6

First UNIQLO Indonesia store opens in Jakarta.

## 2013.9

First GU overseas store opens in Shanghai.

## 2013.9

Global flagship store, UNIQLO SHANGHAI, opens in China.



## 2014.3

Fast Retailing Hong Kong Depository Receipts (HDR) are listed on the Stock Exchange of Hong Kong.



## 2014.3

Global hotspot store, UNIQLO Ikebukuro Sunshine 60 Street Store, opens in Tokyo.

## 2014.4

First UNIQLO Australia store opens in Melbourne.

## 2014.4

First UNIQLO Germany store, Tauentzien global flagship, opens in Berlin.

## 2014.4

Global hotspot store, UNIQLO Okachimachi Store, opens in Tokyo.

## 2014.10

Global hotspot store, UNIQLO Kichijoji Store, opens in Tokyo.

## 2014.10

Global flagship store, UNIQLO OSAKA, opens in Osaka.

## 2015.10

First UNIQLO Belgium store opens in Antwerp.

## 2015.10

First store in the U.S. Midwest, the UNIQLO Michigan Avenue Store, opens in Chicago.



## 2016.4

Construction is completed on state-of-the-art distribution center in Ariake, Tokyo.

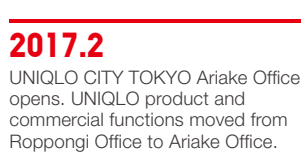


## 2016.9

UNIQLO Orchard Central Store opens as the first UNIQLO global flagship store in Southeast Asia.

## 2016.9

First UNIQLO Canada store opens in Toronto.



## 2017.2

UNIQLO CITY TOKYO Ariake Office opens. UNIQLO product and commercial functions moved from Roppongi Office to Ariake Office.



## 2017.9

First UNIQLO Spain store opens in Barcelona.



## 2018.6

Included in FTSE 4Good Index Series and FTSE Blossom Japan Index for responsible social investment.

## 2018.7

Appoints professional tennis player Roger Federer as UNIQLO Global Brand Ambassador.



## 2018.7

Fast Retailing announces a stronger strategic partnership with Shima Seiki Mfg. Ltd. for the mass production of WHOLEGARMENT™ products.

## 2018.8

First UNIQLO Sweden store opens in Stockholm.

## 2018.9

First GU Korea store opens in Lotte World Mall, Seoul.

## 2018.9

First UNIQLO the Netherlands store opens in Amsterdam.

## 2018.10

First UNIQLO Philippines store opens in Manila.



## 2018.10

Fast Retailing forms a logistics-related strategic global partnership with materials handling equipment firm Daifuku Co., Ltd.



## 2018.10

The Ariake distribution center starts operating as a fully automated dedicated online sales warehouse.

# INVESTOR INFORMATION (As of August 31, 2018)

## Stock Exchange Listing

Tokyo Stock Exchange (First Section)  
Securities Code: 9983

The Stock Exchange of Hong Kong (Main Board)  
Securities Code: 6288

## Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares (including treasury stock)	106,073,656
Number of shareholders (including holders of treasury stock)	7,410

## Distribution of Share Ownership



## Principal Shareholders

	Number of shares	Percentage* of total shares in issue (%)
Tadashi Yanai	22,987,284	22.53
The Master Trust Bank of Japan, Ltd.	19,153,500	18.77
Japan Trustee Services Bank, Ltd.	11,111,600	10.89
TTY Management B.V.	5,310,000	5.20
Kazumi Yanai	4,781,808	4.69
Koji Yanai	4,780,600	4.69
Fight & Step Co., Ltd.	4,750,000	4.66
Trust & Custody Services Bank, Ltd.	3,680,002	3.61
MASTERMIND Co., Ltd.	3,610,000	3.54
Teruyo Yanai	2,327,848	2.28

\*In addition to the above, the Company holds 4,053,872 shares of treasury stock.

## Stock Price and Trading Volume



## Information Available in the Investor Relations (IR) Section of Our Website

- You can access materials and videos of our latest business results, meetings and press conferences.**
- Monthly Retail Data** You can view monthly sales for UNIQLO Japan.
- IR Library** You can access the latest IR publications, including the Annual Report, Fact Book, and Securities Report.
- IR Calendar** You can access the schedule for monthly announcements, business results meetings, and other events.
- IR News** You can access the latest IR news and releases.
- CEO Message** You can access the latest message from the chairman of Fast Retailing.



<https://www.fastretailing.com/eng/ir/>

# CORPORATE INFORMATION (As of December 31, 2018)

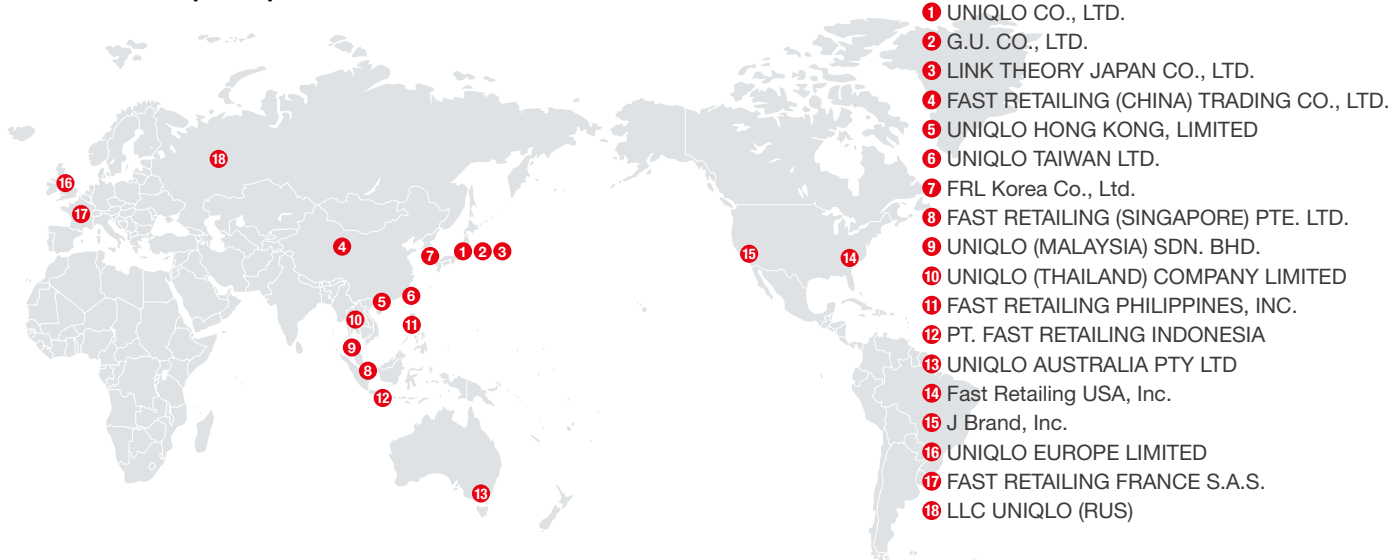
## ■ Corporate Data

Trade Name	FAST RETAILING CO., LTD.
Head Office	717-1 Sayama, Yamaguchi City Yamaguchi 754-0894, Japan
Roppongi Office	Midtown Tower, 9-7-1 Akasaka, Minato-ku Tokyo 107-6231, Japan
Ariake Office	6F UNIQLO CITY TOKYO, 1-6-7 Ariake, Koto-ku, Tokyo 135-0063, Japan
Established	May 1, 1963
Paid-in Capital	¥10,274 million
Line of Business	Control and management of overall Group activities as owner and holding company
Number of Full-time Employees (Consolidated)	52,839 (As of August 31, 2018)
Fiscal Year Ends	August 31
Annual Shareholders' Meeting	Late November
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan Telephone: 0120-232-711 (From Japan)
Number of Shares per Trading Unit	100 shares (Tokyo Stock Exchange) 300 HDR (The Stock Exchange of Hong Kong)

## ■ Board of Directors

Chairman, President & CEO	Tadashi Yanai
External Directors	Toru Hambayashi Nobumichi Hattori Masaaki Shintaku Takashi Nawa Naotake Ono
Internal Directors	Takeshi Okazaki Kazumi Yanai Koji Yanai
Internal Full-time Auditors	Akira Tanaka Masaaki Shinjo
External Statutory Auditors	Takaharu Yasumoto Keiko Kaneko Takao Kashitani

## ■ Main Group Companies



### ■ Contact Us

**FAST RETAILING CO., LTD.**  
[www.fastretailing.com/eng/](http://www.fastretailing.com/eng/)  
 Midtown Tower, 9-7-1 Akasaka, Minato-ku  
 Tokyo 107-6231, Japan  
 Telephone: +81-3-6865-0050  
 9AM-4PM Monday-Friday (except national holidays)

### ■ Forward-looking Statements

Statements in this annual report with respect to the Company's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's judgment in light of currently available information. Factors that could cause actual results to differ materially from our earnings forecasts include, without limitation, global economic conditions, our response to market demand for and competitive pricing pressure on products and services and currency exchange rate fluctuations.

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THE FAST RETAILING WAY—FR Group Corporate Philosophy

**CHANGING  
CLOTHES.  
CHANGING  
CONVENTIONAL  
WISDOM.  
CHANGE THE  
WORLD.**





Professional tennis player Roger Federer becomes a UNIQLO Global Brand Ambassador.



**FAST RETAILING**

**FAST RETAILING CO., LTD.**  
**[www.fastretailing.com](http://www.fastretailing.com)**