FAST RETAILING

FAST RETAILING CO., LTD.
迅銷有限公司*

Interim Report 2013/14

2013.12.1–2014.2.28

Stock Code: 6288

* For identification purpose only

Contents

Corporate Profile

Board of Directors

Executive Director

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

Non-Executive Directors

Mr. Toru Murayama *(Outside Director)*
Mr. Takashi Nawa *(Outside Director)*

Independent Non-Executive Directors

Mr. Toru Hambayashi *(Outside Director)*
Mr. Nobumichi Hattori *(Outside Director)*
Mr. Masaaki Shintaku *(Outside Director)*

Statutory Auditors

Mr. Akira Tanaka *(Kansayaku) (Standing Statutory Auditor)*
Mr. Masaaki Shinjo *(Kansayaku) (Standing Statutory Auditor)*
Mr. Takaharu Yasumoto *(Shagai Kansayaku) (Outside Statutory Auditor)*
Mr. Akira Watanabe *(Shagai Kansayaku) (Outside Statutory Auditor)*
Ms. Keiko Kaneko *(Shagai Kansayaku) (Outside Statutory Auditor)*

Joint Company Secretaries

Japan: Mr. Mitsuru Ohki
Hong Kong: Ms. Choy Yee Man

Auditors

Ernst & Young ShinNihon LLC

Principal Banks

Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama
Yamaguchi City
Yamaguchi 754-0894
Japan

Principal Place of Business in Japan

Midtown Tower 9-7-1
Akasaka Minato-ku
Tokyo 107-6231
Japan

Principal Place of Business in Hong Kong

704-705, 7th Floor, Miramar Tower,
No. 132 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

Hong Kong: 6288
Japan: 9983

Website Address

http://www.fastretailing.com

Financial Highlights

Financial Summary

Accounting period	Six months ended 28 February 2013	Six months ended 28 February 2014	Fiscal year ended 31 August 2013
Net sales (Millions of yen)	614,841	764,349	1,143,003
Ordinary income (Millions of yen)	107,760	107,584	148,979
Net income (Millions of yen)	65,449	64,557	90,377
Comprehensive income (Millions of yen)	152,336	72,713	205,329
Total net assets (Millions of yen)	540,439	637,494	579,591
Total assets (Millions of yen)	806,479	948,522	885,800
Basic net income per share (yen)	642.52	633.52	887.12
Diluted net income per share (yen)	641.86	632.79	886.31
Equity ratio (%)	64.6	64.7	63.2
Net cash from operating activities (Millions of yen)	112,089	103,677	99,439
Net cash (used in) investing activities (Millions of yen)	(41,741)	(25,271)	(63,901)
Net cash (used in) financing activities (Millions of yen)	(8,103)	(20,656)	(23,945)
Cash and cash equivalents at end of period (Millions of yen)	342,151	358,419	295,622

Accounting period	Three months ended 28 February 2013	Three months ended 28 February 2014
Net sales (Millions of yen)	296,698	375,296
Net income (Millions of yen)	26,976	22,708
Basic net income per share (yen)	264.81	222.84

(Notes) 1. The Company has prepared interim consolidated financial statements, and therefore has not included information regarding changes in key management indices for the submitting company.

2. Net sales does not include consumption taxes, etc.

Business Description

There were no significant changes in the nature of business engaged in by the Group (the Company and its subsidiaries) during the six months ended 28 February 2014.

Important changes concerning subsidiaries are as follows:

(UNIQLO International)
Newly consolidated subsidiaries:

UNIQLO Pennsylvania LLC
UNIQLO Massachusetts LLC

(Global Brands)
Newly consolidated subsidiaries:

GU (Shanghai) Trading Co., Ltd.*
Comptoir des Cotonniers (Shanghai) Trading Co., Ltd.*
PRINCESSE TAM.TAM (SHANGHAI) TRADING CO., LTD.*
J BRAND Japan Co., LTD.
J BRAND EUROPE LTD

Excluded from consolidation:

LTH GmbH

(Others)
Newly consolidated subsidiaries:

Theory Holdings LLC
FAST RETAILING UK LTD
UNIQLO GLOBAL INNOVATION CENTER INC.

* The English names of all subsidiaries established in the People's Republic of China are translated for identification purpose only.

Management Discussion and Analysis

Business Review

1. Business and Operational Risks

No new business-related risks have arisen during the six months ended 28 February 2014.

There have been no important changes concerning business-related risks as stated in the securities report for the preceding consolidated fiscal year.

2. Significant Contract in Business Operation

None.

3. Financial Analysis

(1) Results of Operations

FAST RETAILING CO. LTD. and its subsidiaries (collectively, "the Group") reported the following cumulative second-quarter consolidated results for the period from September 1, 2013 to February 28, 2014: consolidated net sales of ¥764.3 billion (+24.3% year-on-year), operating income ¥103.2 billion (+6.8% year-on-year), ordinary income of ¥107.5 billion (-0.2% year-on-year) and net income of ¥64.5 billion (-1.4% year-on-year). All Group operations reported rising net sales and operating income, with UNIQLO International reporting a particularly strong expansion in both net sales and operating income over the six-month period. In terms of non-operating income, the Group reported a year-on-year fall in foreign exchange profits of ¥6.4 billion. This factor was largely responsible for the slight year-on-year contractions in the second-quarter consolidated figures for ordinary income and net income.

The Group's medium-term vision is to become the world's number one apparel manufacturer and retailer. In pursuit of this aim, we are committed to promoting globalization, Group-wide cooperation, and reignited entrepreneurship. We have focused much of our efforts on building up our UNIQLO International operations by accelerating the pace of new store openings outside of Japan. We have also opened global flagship stores and hotspot stores in major cities around the world in order to boost awareness and visibility of the UNIQLO brand and to strengthen our global operational base. Within our Global Brands segment, we have been actively expanding our GU casualwear brand, and our Theory fashion label.

UNIQLO Japan

UNIQLO Japan reported gains in both net sales and operating income during the six months ended February 28, 2014, with net sales reaching ¥405.5 billion (+4.7% year-on-year) and operating income ¥70.2 billion (+1.8% year-on-year). A 2.2% gain in same-store sales helped boost the second-quarter performance. Sales per store also increased as a direct result of our "scrap and build" strategy to increase the average size of our sales floors by replacing smaller outlets with large-format stores. The total number of UNIQLO stores in Japan increased by 3 to 831 stores at the end of February 2014 compared to end February 2013. This figure excludes the operation's 18 franchise stores. Breaking down the 2.2% gain in same-store sales, customer visits increased by 0.5% year-on-year, while the average customer spending also increased by 1.7%. On the profit side, the gross profit margin improved by 0.8% year-on-year in the first half year. Meanwhile, the selling, general and administrative expenses to net sales ratio increased 1.3% due to a number of factors: higher in-store personnel costs for part-time and temporary workers, rising advertising and promotion costs, and an increase in distribution and warehousing costs related to the company's decision to boost inventory of basic year-round items.

UNIQLO International

UNIQLO International performance outstripped the company's forecasts to generate significant gains in both net sales and operating income during the six months ended February 28, 2014. UNIQLO operations outside Japan generated total net sales of ¥232.0 billion (+77.6% year-on-year) and operating income of ¥28.0 billion (+75.1% year-on-year). Furthermore, this strong performance was not limited to one geographical area. Instead, UNIQLO operations in Greater China (Mainland China, Hong Kong and Taiwan), South Korea, the United States of America and Europe all reported above-target results for the period. UNIQLO operations in Southeast Asia also performed favorably and as planned. The total number of UNIQLO International stores increased by 175 stores year-on-year to 534 stores at the end of February 2014.

UNIQLO Greater China operations outstripped company expectations during the six months ended February 28, 2014, generating significant gains in both net sales and operating income. UNIQLO opened 46 stores and closed 1 store in this region over the six-month period, to bring the total number of UNIQLO stores in Greater China to 325 at the end of February 2014. UNIQLO's brand image enjoyed a huge boost in China with the opening of the biggest ever UNIQLO global flagship store in September 2013 in Shanghai. The store boasts an impressive sales floor area spanning 6,600 square meters. UNIQLO South Korea also generated higher-than-expected gains in net sales and operating income thanks to strong sales of core basic items. We opened 13 new stores and closed 2 stores in South Korea, bringing the total number of UNIQLO stores in that country to 116 at the end of February 2014. Operating losses at UNIQLO USA contracted dramatically in the first half year, thanks to a double-digit gain in combined net sales generated by our UNIQLO New York Fifth Avenue and two other prominent New York stores, and thanks to favorable results from the 10 new UNIQLO stores opened in various shopping malls in fall 2013. UNIQLO Europe also reported double-digit gains in same-store sales. On the immediate horizon, we plan to enter the German market for the first time by opening a global flagship store in Berlin on April 11. We also scheduled to open our first store in Australia on April 16 in Melbourne.

Global Brands

Our Global Brands segment reported rising net sales and operating income during the six months ended February 28, 2014, with net sales reaching ¥125.3 billion (+31.0% year-on-year) and operating income rising to ¥9.2 billion (+7.7% year-on-year). Our GU casualwear brand reported a gain in both net sales and operating income, but the result was slightly below our expectations. This shortfall was caused by heavy discounting on excess stock of outerwear in the second quarter. GU opened 40 new stores and closed 4 stores over the six-month period, bringing the total number of stores to 250 at the end of February. Our Theory fashion label reported a rise in net sales, but operating income contracted slightly as the lackluster U.S. economy continued to dampen department store sales, and both the Japanese and American Theory operations reported increases in advertising and personnel expenses.

Our J Brand premium denim label was also adversely affected by poor conditions in the U.S. economy, and reported a lower-than-expected performance over the six months ended February 28, 2014. Meanwhile, Comptoir des Cotonniers generated higher-than-expected gains in both net sales and operating income, while Princesse tam.tam performed roughly in line with expectations.

Corporate Social Responsibility ("CSR") and Environmental Protection

The basic policy underlying the Group's CSR activities consists of "Fulfilling our social responsibility", "Contributing to society", and "Solving social issues and creating new value", and the Group's activities are rooted both at the global and local levels.

"CSR Report 2014", a summary of the Group's CSR activities in the year ended August 2013, was published in January. Activity reports and improvement initiatives were featured in relation to the four areas identified as our priority issues (Production, Environment, Community and Human Resources). We also proactively disclose information in store and on our website, etc. to promote accountability to and communication with our diverse stakeholders.

In the Social Business in Bangladesh, which aims to solve social issues such as problems associated with poverty and sanitation, six Grameen UNIQLO stores were launched between July 2013 (the opening of the first store) and the end of December, against a backdrop of frequent general strikes associated with the general election. We aim to make a contribution to the local region by providing employment and offering high-quality products at a price that a large number of people can afford.

In addition, the All-Product Recycling Initiative, in which UNIQLO and GU products are collected from customers and delivered to people who are in need of clothing, has collected more than 28,970,000 items cumulatively at stores in 10 countries, and has donated 11,290,000 items to 45 countries (as at 30 September 2013). We are engaged in aid activities around the world, including the donation of 550,000 articles of clothing to the Zaatari refugee camp in Jordan, Syria in December.

(2) Financial Positions

Total assets as at 28 February 2014 were ¥948.5 billion, which was an increase of ¥62.7 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥70.1 billion in cash and deposits.

Total liabilities as at 28 February 2014 were ¥311.0 billion, which was an increase of ¥4.8 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥13.4 billion in income taxes payable and a decrease of ¥5.1 billion in notes and accounts payable—trade.

Total net assets as at 28 February 2014 were ¥637.4 billion, which was an increase of ¥57.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥49.2 billion in retained earnings and an increase of ¥3.5 billion in foreign currency translation adjustments.

(3) Cash Flows Information

Cash and cash equivalents (hereinafter referred to as “funds”) as at 28 February 2014 had increased by ¥62.7 billion relative to the end of the preceding consolidated fiscal year, to ¥358.4 billion.

(Operating Cash Flows)

Net cash from operating activities for the six months ended 28 February 2014 was ¥103.6 billion, which was a decrease of ¥8.4 billion relative to the six months ended 28 February 2013. The principal factor was income before income taxes and minority interests of ¥108.1 billion.

(Investing Cash Flows)

Net cash used in investing activities for the six months ended 28 February 2014 was ¥25.2 billion, which was a decrease of ¥16.4 billion relative to the six months ended 28 February 2013. The principal factors were the acquisition of property, plant and equipment amounted to ¥18.8 billion, purchases of intangible assets amounted to ¥2.9 billion and payment for lease and guarantee deposits amounted to ¥2.8 billion.

(Financing Cash Flows)

Net cash used in financing activities for the six months ended 28 February 2014 was ¥20.6 billion, which was an increase of ¥12.5 billion relative to the six months ended 28 February 2013. The principal factor was dividends amounted to ¥15.1 billion paid in cash.

(4) Operational and Financial Assignment

There have been no important changes during the six months ended 28 February 2014 concerning issues that must be addressed by the Group.

(5) Research and Development

Not applicable.

(6) Important Facilities

The following are the important facilities that were included in the planning as of the end of the preceding consolidated fiscal year that were newly completed during the six months ended 28 February 2014.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO TAIWAN LTD.*	UNIQLO International store	UNIQLO Xinzhuang Zhongzheng Road Store	Taipei, Taiwan	October 2013
FAST RETAILING (SHANGHAI) TRADING CO.,LTD.*	UNIQLO International store	UNIQLO Shanghai Store	Shanghai, China	September 2013

The following is planned new establishment and/or removal of important facilities as at 28 February 2014.

<Subsidiaries in Japan>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO CO., LTD	UNIQLO Japan Store	UNIQLO Ikebukuro Sunshine 60 Dori Store	Toshima-ku, Tokyo	March 2014
UNIQLO CO., LTD	UNIQLO Japan Store	UNIQLO Okachimachi Store	Taito-ku, Tokyo	April 2014

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
Fast Retailing (China) Trading Co., Ltd.*	UNIQLO International store	UNIQLO Victoria Plaza store	Guangzhou, China	March 2014
UNIQLO EUROPE LIMITED	UNIQLO International store	UNIQLO TAUENTZIEN	Berlin, Germany	April 2014
UNIQLO FRANCE S.A.S.	UNIQLO International store	Francs Bourgeois	Paris, France	April 2014

* The English names of all subsidiaries established in the People’s Republic of China and Taiwan are translated for identification purpose only.

Information about the Reporting Entity

1. Stock Information

(1) Number of Shares

(i) Total number of shares

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

(Note) There are no provisions for preemptive rights under the Companies Act of Japan, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

(ii) Shares Issued

Type	As at February 28 2014	Number of shares issued as of submission date (Shares) (April 14, 2014)	Name of financial instrument exchange of listing, or authorised financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of the Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

(Note) Hong Kong Depositary Receipts ("HDRs") are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

(2) Subscription Rights to Shares

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan. The following are share subscription rights issued during the three months ended 28 February 2014.

(i) 4th Share subscription rights A type

Date of resolution of the board of directors	October 10, 2013
Number of stock options (Shares)	7,564
Number of share subscription rights for treasury stock (Shares)	—
Type of shares upon exercise of share subscription rights	Common stock
Number of shares issued upon exercise of share subscription rights (Shares)	7,564
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From December 3, 2016 to December 2, 2023
Fair value on the grant date and amount of paid in capital per share upon exercise of share subscription rights (Yen)	Fair value on the grant date: 37,109 Paid-in capital: 18,555
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorising resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganisation	(Note)

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

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

(ii) 4th Share subscription rights B type

Date of resolution of the board of directors	October 10, 2013
Number of stock options (Shares)	29,803
Number of share subscription rights for treasury stock (Shares)	—
Type of shares upon exercise of share subscription rights	Common stock
Number of shares issued upon exercise of share subscription rights (Shares)	29,803
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From January 3, 2014 to December 2, 2023
Fair value on the grant date and amount of paid in capital per share upon exercise of share subscription rights (Yen)	Fair value on the grant date: 37,514 Paid-in capital: 18,757
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorising resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganisation	(Note)

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

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

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

Not applicable.

(4) Content of Rights Plan

Not applicable.

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

Dates	Increase/ decrease of total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase/ decrease of capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase/ decrease of capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
December 1, 2013 to February 28, 2014	—	106,073,656	—	10,273	—	4,578

(Note) There was no increase or decrease of the total number of shares issued, capital stock or capital reserve during the three months ended 28 February 2014.

(6) Principal Shareholders

As at February 28, 2014

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Tadashi Yanai	Shibuya-ku, Tokyo	22,987	21.67
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	11,239	10.60
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	8,979	8.46
TTY Management B.V.	9-7-1 Akasaka, Minato-ku, Tokyo	5,310	5.01
Kazumi Yanai	Shibuya-ku, Tokyo	4,781	4.51
Koji Yanai	Shibuya-ku, Tokyo	4,780	4.51
Fight & Step Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	4,750	4.48
Mastermind Co., Ltd.	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
BNP Paribas Securities (Japan) Limited	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	3,410	3.22
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	2,654	2.50
Total	—	72,504	68.35

(Notes)
1. The number of shares held is rounded down to the nearest unit of thousand shares.
2. The shares held by The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are all held in conjunction with trust business.
3. According to the report of large shareholdings (report of change of composition) submitted on September 24, 2013 by Nomura Securities Co., Ltd. and the two parties of NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at September 13, 2013. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	289	0.27
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	599	0.57
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	5,618	5.30

4. According to the report of large shareholdings (report of change of composition) submitted on January 10, 2014 by Nomura Securities Co., Ltd. and the two parties of NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at December 31, 2013. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	961	0.91
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	750	0.71
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	5,880	5.54

5. In addition to the foregoing, 4,162,482 shares of treasury stock are held by the Company (3.92% of the total number of authorised shares).

(7) Voting Rights

(i) Shares issued

As at February 28, 2014

Class	Number of shares (Shares)	Number of voting rights (Number)	Remarks
Non-voting shares	—	—	—
Shares subject to restrictions on voting rights (treasury stock)	—	—	—
Shares subject to restrictions on voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,162,400	—	—
Shares with full voting rights (other)	Common stock 101,864,500	1,018,645	(Note) 1
Shares less than one unit	Common stock 46,756	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,018,645	—

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

2. Common stock in the "Shares less than one unit" column includes 82 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at February 28, 2014

Name or trade name of holder	Holder's address	Number of shares held in own name (Shares)	Number of shares held in other's name (Shares)	Total number of shares held (Shares)	Percentage of total number of shares issued (%)
Fast Retailing Co., Ltd.	717-1 Sayama, Yamaguchi City, Yamaguchi	4,162,400	—	4,162,400	3.92
Total	—	4,162,400	—	4,162,400	3.92

2. Board of Directors

Since submission of the securities report for the preceding consolidated fiscal year, there has been no change in directors during the six months ended 28 February 2014.

Financial Section

1. Preparation of Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group were presented by reference to the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, which is hereinafter referred to as “Consolidated Quarterly Financial Statements Rules”).

2. Review Certification

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, the quarterly and interim consolidated financial statements of the Group for three months and six months ended 28 February 2014, respectively, are reviewed by Ernst & Young ShinNihon LLC.

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

1. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheet

(Millions of yen)

	Notes	As at 31 August 2013	As at 28 February 2014
ASSETS			
Current assets			
Cash and deposits		147,429	217,545
Notes and accounts receivable – trade		34,187	33,333
Short-term investment securities		148,215	141,141
Inventories	*1	166,654	163,502
Deferred tax assets		4,002	4,662
Income taxes receivable		8,980	1,365
Forward currency contracts		113,641	110,531
Others		17,486	18,774
Allowance for doubtful accounts		(488)	(523)
Total current assets		640,109	690,332
Non-current assets			
Property, plant and equipment		90,405	104,487
Intangible assets			
Goodwill		31,691	29,354
Others		46,423	47,344
Total intangible assets		78,115	76,699
Investments and other assets	*2	77,170	77,002
Total non-current assets		245,690	258,189
Total assets		885,800	948,522
LIABILITIES			
Current liabilities			
Notes and accounts payable – trade		121,951	116,781
Short-term loans payable		1,862	1,244
Current portion of long-term loans payable		3,632	4,335
Income taxes payable		26,005	39,445
Provision		10,081	7,766
Others		90,432	92,170
Total current liabilities		253,966	261,743
Non-current liabilities			
Long-term loans payable		21,926	20,075
Provision		75	80
Others		30,240	29,128
Total non-current liabilities		52,243	49,283
Total liabilities		306,209	311,027

(Millions of yen)

	As at 31 August 2013	As at 28 February 2014
NET ASSETS		
Stockholders' equity		
Capital stock	10,273	10,273
Capital surplus	5,963	6,260
Retained earnings	482,109	531,382
Treasury stock, at cost	(15,851)	(15,810)
Total stockholders' equity	482,495	532,105
Accumulated other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	(6,978)	(5,044)
Deferred gains/(losses) on hedges	71,005	69,886
Foreign currency translation adjustments	12,875	16,386
Total accumulated other comprehensive income	76,901	81,228
Subscription rights to shares	1,170	2,028
Minority interests	19,024	22,131
Total net assets	579,591	637,494
Total liabilities and net assets	885,800	948,522

(2) Interim Consolidated Statements of Income

Six months ended 28 February

(Millions of yen)

	Note	Six months ended 28 February 2013	Six months ended 28 February 2014
Net sales		614,841	764,349
Cost of sales		310,876	387,559
Gross profit		303,965	376,790
Selling, general and administrative expenses	*1	207,306	273,586
Operating income		96,658	103,204
Non-operating income			
Interest and dividend income		259	327
Foreign exchange gains		11,129	4,728
Others		364	582
Total non-operating income		11,754	5,638
Non-operating expenses			
Interest expenses		243	494
Others		409	763
Total non-operating expenses		652	1,257
Ordinary income		107,760	107,584
Extraordinary gains			
Gains on sales of non-current assets		66	878
Total extraordinary gains		66	878
Extraordinary losses			
Loss on retirement of non-current assets		170	72
Expenses incurred upon acquisition		739	—
Others		336	257
Total extraordinary losses		1,246	329
Income before income taxes and minority interests		106,580	108,133
Total income taxes		38,827	39,843
Income before minority interests		67,753	68,289
Minority interests		2,303	3,731
Net income		65,449	64,557

Quarterly Consolidated Statement of Income

Three months ended 28 February

(Millions of yen)

	Three months ended 28 February 2013	Three months ended 28 February 2014
Net sales	296,698	375,296
Cost of sales	154,381	198,123
Gross profit	142,317	177,173
Selling, general and administrative expenses	102,269	138,001
Operating income	40,048	39,171
Non-operating income		
Interest and dividend income	146	206
Foreign exchange gains	8,034	—
Others	199	273
Total non-operating income	8,381	479
Non-operating expenses		
Interest expenses	152	204
Foreign exchange losses	—	119
Others	277	416
Total non-operating expenses	429	739
Ordinary income	48,000	38,911
Extraordinary gains		
Gains on sales of non-current assets	41	1
Total extraordinary gains	41	1
Extraordinary losses		
Loss on retirement of non-current assets	54	43
Expenses incurred upon acquisition	739	—
Others	189	52
Total extraordinary losses	982	96
Income before income taxes and minority interests	47,058	38,816
Total income taxes	19,057	14,896
Income before minority interests	28,001	23,920
Minority interests	1,024	1,211
Net income	26,976	22,708

Interim Consolidated Statement of Comprehensive Income

Six months ended 28 February

(Millions of yen)

	Six months ended 28 February 2013	Six months ended 28 February 2014
Income before minority interests	67,753	68,289
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	6,691	1,934
Deferred gains/(losses) on hedges	65,033	(1,118)
Foreign currency translation adjustments	12,858	3,609
Total other comprehensive income	84,583	4,424
Comprehensive income	152,336	72,713
Comprehensive income attributable to:		
Shareholders of FAST RETAILING CO., LTD.	147,457	68,883
Minority interests	4,879	3,830

Quarterly Consolidated Statement of Comprehensive Income

Three months ended 28 February

(Millions of yen)

	Three months ended 28 February 2013	Three months ended 28 February 2014
Income before minority interests	28,001	23,920
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	4,885	(158)
Deferred gains/(losses) on hedges	45,412	(17,166)
Foreign currency translation adjustments	9,624	(2,387)
Total other comprehensive income	59,922	(19,711)
Comprehensive income	87,923	4,208
Comprehensive income attributable to:		
Shareholders of FAST RETAILING CO., LTD	85,058	4,209
Minority interests	2,864	(1)

(3) Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 28 February 2013	Six months ended 28 February 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes and minority interests	106,580	108,133
Depreciation and amortisation	10,370	13,889
Amortisation of goodwill	2,322	3,054
Increase/(decrease) in allowance for doubtful accounts	(633)	(13)
Increase/(decrease) in other provisions	(2,917)	(2,544)
Increase/(decrease) in provision for retirement benefits	0	4
Interest and dividend income	(259)	(327)
Interest expenses	243	494
Foreign exchange losses/(gains)	(6,446)	(3,972)
Losses on retirement of non-current assets	170	72
Decrease/(increase) in notes and accounts receivable — trade	(6,247)	2,153
Decrease/(increase) in inventories	1,505	7,453
Increase/(decrease) in notes and accounts payable—trade	17,164	(8,388)
Decrease/(increase) in other assets	(467)	1,840
Increase/(decrease) in other liabilities	5,849	2,006
Others, net	1,470	(898)
Subtotal	128,704	122,957
Interest and dividend income received	259	306
Interest paid	(246)	(499)
Income taxes paid	(26,666)	(28,793)
Income taxes refund	10,038	9,706
Net cash from operating activities	112,089	103,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(10,783)	(18,867)
Proceeds from sales of property, plant and equipment	126	1,318
Purchases of intangible assets	(2,771)	(2,983)
Payments for lease and guarantee deposits	(2,234)	(2,855)
Proceeds from collection of lease and guarantee deposits	864	264
Increase in construction assistance fund receivables	(1,141)	(1,468)
Decrease in construction assistance fund receivables	867	850
Increase in guarantee deposits received	30	148
Decrease in guarantee deposits received	(142)	(244)
Acquisitions, net of cash acquired	(26,771)	—
Payments for purchase of shares of consolidated affiliates	—	(744)
Others, net	214	(689)
Net cash used in investing activities	(41,741)	(25,271)

(Millions of yen)

	Note	Six months ended 28 February 2013	Six months ended 28 February 2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in short-term loans payable		(1,360)	(702)
Additions to long-term loans payable		14,870	—
Repayment of long-term loans payable		(6,017)	(2,317)
Cash dividends paid		(13,240)	(15,183)
Cash dividends paid to minority interests		(891)	(633)
Repayments of lease obligations		(1,665)	(1,697)
Others, net		201	(123)
Net cash used in financing activities		(8,103)	(20,656)
Effect of exchange rate changes on cash and cash equivalents		13,885	4,365
Net increase/(decrease) in cash and cash equivalents		76,129	62,115
Cash and cash equivalents at beginning of period		266,020	295,622
Increase in cash and cash equivalents from newly consolidated subsidiaries		1	681
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*1	342,151	358,419

Changes of principal subsidiaries and Application of the Equity Method of Accounting

(1) Changes of principal subsidiaries

Since J BRAND Japan Co., Ltd. and Theory Holdings LLC were newly incorporated during the three months ended 30 November 2013, and since GU (Shanghai) Trading Co., Ltd., Comptoir des Cotonniers (Shanghai) Trading Co., Ltd. and PRINCESSE TAM. TAM (SHANGHAI) TRADING CO., LTD. commenced operations during the three months ended 30 November 2013 and have increased in importance, and therefore they are consolidated during the period. Since LTH GmbH was liquidated during the three months ended 30 November 2013, it has been excluded from consolidation. Also, since FAST RETAILING UK LTD and J BRAND EUROPE LTD were newly incorporated during the three months ended 28 February 2014, and since UNIQLO Pennsylvania LLC, UNIQLO Massachusetts LLC and UNIQLO Design Studio, NewYork, Inc commenced operations during the three months ended 28 February 2014 and have increased in importance, therefore they are consolidated during the period. In January 2014, the name of UNIQLO Design Studio, NewYork, Inc was changed to UNIQLO GLOBAL INNOVATION CENTER INC..

(2) Number of consolidated subsidiaries:

107

(Change in accounting policy)

The Company previously calculated quarterly income tax expenses in the same method as applied for the year-end closing. However, effective from the three month period ended 28 February 2014, income tax expenses are calculated by reasonably estimating the effective tax rate based on the expected income before income taxes and minority interests (net of the effects of deferred taxes) for the fiscal year to which the six-month period pertains, and multiplying income before income taxes and minority interests for the pertaining period by the estimated effective tax rate. Following the secondary listing on the Stock Exchange of Hong Kong Limited, in the opinion of the directors, this change in the accounting policy enables the Group to provide useful and timely information for a broad spectrum of users of the financial statements and their needs. This change has not been applied retrospectively because its effect is minor.

(Specific accounting procedures adopted for preparation of interim consolidated financial statements)

Calculation of tax expenses:
Income tax expenses were calculated by reasonably estimating the effective tax rate based on the expected income before income taxes and minority interests (net of the effects of deferred taxes) for the fiscal year to which the six-month period pertains and multiplying income before income taxes and minority interests for the pertaining period by the estimated effective tax rate.

Notes to Interim Consolidated Financial Information

Notes to Interim Consolidated Balance Sheet

* 1 Components of inventories are as follows:

	As at 31 August 2013	As at 28 February 2014
	(Millions of yen)	(Millions of yen)
Products	163,072	159,527
Supplies	3,581	3,975
Total	166,654	163,502

* 2 Allowance for doubtful accounts deducted directly from the carrying amount of assets:

	As at 31 August 2013	As at 28 February 2014
	(Millions of yen)	(Millions of yen)
Investments and other assets	78	76

Note to Interim Consolidated Statement of Income

* 1 Major components of selling, general and administrative expenses are as follows:

	Six months ended 28 February 2013	Six months ended 28 February 2014
	(Millions of yen)	(Millions of yen)
Salaries	50,085	66,786
Rental expenses	55,271	71,108
Depreciation and amortisation	10,370	13,889
Amortisation of goodwill	2,322	3,054

Note to Interim Consolidated Statement of Cash Flows

* 1 A reconciliation of cash and cash equivalents as stated in the interim consolidated balance sheet to the balance as stated in the consolidated statement of cash flows is as follows:

	Six months ended 28 February 2013	Six months ended 28 February 2014
	(Millions of yen)	(Millions of yen)
Cash and deposits	143,724	217,545
Time deposits with maturities over three months	(37)	(266)
Cash equivalents included in short-term securities	198,463	141,141
Cash and cash equivalents	342,151	358,419

Notes to stockholders' equity

I. For the six months ended 28 February 2013

1. Dividends

(1) Dividend paid during the six months ended 28 February 2013:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors on 5 November 2012	Common stock	13,241	130	31 August 2012	26 November 2012	Retained earnings

(2) Declaration date for dividend recorded during the six months ended 28 February 2013 with an effective date in a following period:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors on 11 April 2013	Common stock	14,263	140	28 February 2013	13 May 2013	Retained earnings

2. Significant changes in stockholders' equity

Not applicable.

II. For the six months ended 28 February 2014

1. Dividends

(1) Dividend paid during the six months ended 28 February 2014:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors on 4 November 2013	Common stock	15,284	150	31 August 2013	22 November 2013	Retained earnings

(2) Declaration date for dividend recorded during the six months ended 28 February 2014 with an effective date in a following period:

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors on 10 April 2014	Common stock	15,286	150	28 February 2014	12 May 2014	Retained earnings

2. Significant changes in stockholders' equity

Not applicable.

Segment information

I. For the six months ended 28 February 2013

1. Information about net sales, income or loss by reportable segments is as follows:

(Millions of yen)

	Reportable Segments			Total	Others (Note 2)	Adjustments (Note 3)	Interim Consolidated Statement of Income (Note 4)
	UNIQLO Japan	UNIQLO International	Global Brands (Note 1)				
Net sales	387,246	130,663	95,726	613,636	1,205	—	614,841
Segment income	68,996	16,022	8,585	93,604	52	3,000	96,658

(Notes)
1. J Brand business (distribution of J BRAND's clothing), which the Group acquired during the six months ended 28 February 2013 is included in the segment of Global Brands.
2. "Others" include real estate leasing business, etc.
3. "Adjustments" include amortisation of goodwill amounted to ¥2,322 million, which has not been allocated to individual reportable segments.
4. Total segment income is adjusted to reconcile with operating income of the Interim Consolidated Statement of Income.

2. Information about impairment losses on non-current assets and goodwill by reportable segments

(Significant impairment losses on non-current assets)
Not applicable.

(Significant changes in goodwill)
Not applicable.

(Significant gain on negative goodwill)
Not applicable.

II. For the six months ended 28 February 2014

1. Information about net sales, income or loss by reportable segments is as follows:

(Millions of yen)

	Reportable Segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Consolidated Statement of Income (Note 3)
	UNIQLO Japan	UNIQLO International	Global Brands				
Net sales	405,592	232,037	125,367	762,997	1,351	—	764,349
Segment income	70,213	28,049	9,247	107,511	16	(4,323)	103,204

(Notes)
1. "Others" include real estate leasing business, etc.
2. "Adjustments" include amortisation of goodwill amounted to ¥3,054 million, which has not been allocated to Individual reportable segments.
3. Total segment income is adjusted to reconcile with operating income in the Interim Consolidated Statement of Income.

2. Information about impairment losses on non-current assets and goodwill by reportable segments

(Significant impairment losses on non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

Per share information

The basis for calculation of basic net income per share for the period and diluted net income per share for the period is as follows:

	Six months ended 28 February 2013	Six months ended 28 February 2014
(1) Basic net income per share for the period (Yen)	642.52	633.52
(Basis of Calculation)		
Net income (Millions of yen)	65,449	64,557
Net income not attributable to common stockholders (Millions of yen)	—	—
Net income attributable to common stockholders (Millions of yen)	65,449	64,557
Average number of common stock during the period (Shares)	101,863,996	101,901,611
(2) Diluted net income per share for the period (Yen)	641.86	632.79
(Basis of Calculation)		
Adjustment to net income (Millions of yen)	—	—
Increase in number of common stock (Shares)	104,346	118,553
Significant changes in potential shares excluded from the computation of diluted net income per share for the period, because they do not have dilutive effects	—	—

2. Others

Dividends

The Company resolved to pay a dividend from retained earnings at the meeting of the Board of Directors convened on April 10, 2014.

The total amount of the dividend and amount per share are stated under “Financial section 1. Interim Consolidated Financial Statements, Notes to stockholders’ equity.”

Report on Review of Interim Financial Information

The Directors
FAST RETAILING CO., LTD.

Introduction

We have reviewed the interim financial information included in the financial section, which comprises the interim consolidated balance sheet of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as at 28 February 2014 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month period then ended, and interim consolidated statements of cash flows for the six-month period then ended, and other explanatory notes (the "Interim Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with generally accepted accounting principles for quarterly consolidated financial statements in Japan (the "JGAAP"). Our responsibility is to express a conclusion on the Interim Financial Information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with JGAAP.

Ernst & Young ShinNihon LLC
Tokyo, Japan
14 April 2014

SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN JAPAN ("JGAAP")

The Interim Financial Information of the Group is prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refers to the accounting policies applied by the Group in preparing the Interim Financial Information in accordance with the prevailing JGAAP for the six months ended 28 February 2014. IFRS refers to International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Standards Interpretations ("IFRICs") and Standing Interpretations Committee Interpretations ("SICs") that are effective for annual financial period beginning on or after 1 September 2013.

This summary provides information about the differences between the Group's JGAAP interim consolidated financial statements and IFRS (net of tax) that, in the opinion of the directors, would have a material effect on total assets, total liabilities, total equity (total net assets) and net income of the Group. This summary is prepared assuming 1 September 2010 as the date of transition from JGAAP to IFRS, however, separate disclosure of the effects on the Financial Information of the Group on transition to IFRS as would have been required under IFRS 1 "First-time Adoption of International Financial Reporting Standards", is not provided.

Material quantifiable GAAP differences are summarised as follows:

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

	Notes	As at 28 February 2014 (Millions of yen)
Total assets under JGAAP		948,522
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	20,815
Impairment loss of goodwill	*(ii)*	(550)
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	697
Amortisation of intangible assets	*(iv)*	7,379
Employee benefits	*(v)*	732
Onerous contracts	*(vi)*	236
Advertising and promotion expenditure	*(vii)*	(692)
Consolidation — unconsolidated subsidiaries	*(x)*	(274)
Lease incentives	*(xi)*	391
Forward currency contracts	*(xii)*	3,472
Total assets under IFRS as adjusted for the above material quantifiable effects		980,728

	Notes	As at 28 February 2014 (Millions of yen)
Total liabilities under JGAAP		311,027
Material quantifiable effects for different accounting treatments:		
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	(2)
Employee benefits	*(v)*	2,432
Onerous contracts	*(vi)*	496
Advertising and promotion expenditure	*(vii)*	(167)
Consolidation — unconsolidated subsidiaries	*(x)*	247
Lease incentives	*(xi)*	1,868
Forward currency contracts	*(xii)*	1,330
Total liabilities under IFRS as adjusted for the above material quantifiable effects		317,231

	Notes	As at 28 February 2014 (Millions of yen)
Total equity (total net assets) under JGAAP		637,494
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	20,815
Impairment loss of goodwill	*(ii)*	(550)
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	699
Amortisation of intangible assets	*(iv)*	7,379
Employee benefits	*(v)*	(1,699)
Onerous contracts	*(vi)*	(260)
Advertising and promotion expenditure	*(vii)*	(525)
Consolidation — unconsolidated subsidiaries	*(x)*	(521)
Lease incentives	*(xi)*	(1,477)
Forward currency contracts	*(xii)*	2,142
Total equity (total net assets) under IFRS as adjusted for the above material quantifiable effects		663,497

	Notes	Six months ended 28 February 2014 (Millions of yen)
Net income for the period under JGAAP		64,557
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	3,054
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	(177)
Amortisation of intangible assets	*(iv)*	107
Employee benefits	*(v)*	(270)
Onerous contracts	*(vi)*	170
Advertising and promotion expenditure	*(vii)*	(216)
Foreign currency financial instruments	*(viii)*	1,865
Net investments in foreign operations	*(ix)*	(1,418)
Consolidation — unconsolidated subsidiaries	*(x)*	(384)
Lease incentives	*(xi)*	(345)
Forward currency contracts	*(xii)*	1,451
Net income for the period under IFRS as adjusted for the above material quantifiable effects		68,394

Notes:

(i) Amortisation of goodwill

Under JGAAP, goodwill is amortised using the straight-line method over an appropriate period (within 20 years).

Under IFRS, goodwill is not amortised but is subject to impairment review annually, or more frequently if events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 "Impairment of Assets". Detailed information about impairment is described in the following note (ii).

Accordingly, the Group reversed the accumulated amortisation of goodwill recognised under JGAAP.

(ii) Impairment loss of goodwill

Under JGAAP, goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment is identified, goodwill is allocated to the asset groups of the combined businesses to which it relates and any impairment is determined using a two-step approach. First, the entity estimates the sum of the undiscounted cash flows expected to be generated by the asset groups of the multiple businesses to which the goodwill relates (the "Asset Groups") and any subsequent disposal value of the assets within that Asset Groups (the "total of the Asset Groups' cash flows"). Second, if the total of the Asset Groups' cash flows on an undiscounted basis is less than the carrying amount of the Asset Groups, an impairment loss is recognised. The amount of the impairment loss is measured as the excess of the carrying amount of the Asset Groups over the total of the Asset Groups' cash flows on a discounted basis. The reversal of previous impairments of goodwill is prohibited.

Under IFRS, goodwill is reviewed for impairment at least annually, at the same time each year, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. When the recoverable amount (the higher of fair value less disposal costs and value in use) of the cash-generating unit ("CGU") (or group of CGUs), including the goodwill, is less than the carrying amount of that CGU (or group of CGUs), including goodwill, an impairment loss is recognised to the extent of the difference of the carrying amount of the CGU (or group of CGUs) over the recoverable amount. The reversal of previous impairments of goodwill is prohibited.

Goodwill was tested for impairment during the six-month period ended 28 February 2014 and no impairment loss was recognised.

(iii) Changes of useful lives and method of depreciation of non-current assets

In the Group's JGAAP consolidated financial statements for the year beginning 1 September 2010, the prior year effect of changes in estimated useful lives of non-current assets were reflected in the balance of accumulated depreciation. In the year of change, the carrying amount of non-current assets is recalculated based on the revised accounting estimates and the impact thereof was recognised as non-recurring depreciation, an extraordinary loss in the consolidated statements of income. Generally, adjustments are only recognised for the assets whose useful lives are shortened.

Under IFRS, changes in useful lives and expected pattern of consumption of future economic benefits embodied in depreciable assets are accounted for as changes in accounting estimates. The reassessed useful lives are prospectively applied as the depreciation basis of the corresponding non-current assets. Further, at the transition date, adjustments to the carrying amount of non-current assets made in accordance with IFRS 1 are recognised in retained earnings.

The Group changed the estimated useful lives and depreciation method of non-current assets during the year ended 31 August 2011 and, as a result, the carrying amount of non-current assets decreased by JPY4,050 million. Under IFRS, a portion of the impact of the change under JGAAP corresponds to the transition date adjustment of non-current assets to IFRS values and also under IFRS, the revision of useful lives applies to the extension of useful lives rather than just shortening thereof.

(iv) Amortisation of intangible assets

Under JGAAP, there is no specific concept of intangible assets with indefinite useful lives. In principle, all intangible assets are amortised over their determined useful lives using the straight-line method.

Under IFRS, intangible assets with indefinite useful lives are not amortised.

In accordance with IFRS, the amortisation of certain trademarks, which in substance are intangible assets with indefinite useful lives, is reversed accordingly and these assets are tested for impairment on an annual basis. Impairment losses are recognised as the excess of the carrying amount over the recoverable amount.

(v) Employee benefits

Under JGAAP, accruals for employees' unused accumulating paid holiday are not required.

Under IFRS, the accounting treatment for employees' unused accumulating paid holiday is stipulated in IAS 19 "Employee Benefits" and an entity shall accrue for the expected cost of employees' unused accumulating paid holiday.

The Group accrued for employees' unused accumulating paid holiday in accordance with IFRS.

(vi) Onerous contracts

Under JGAAP, there are no specific guidelines on the accounting treatment for onerous contracts.

IFRS generally requires recognition of an onerous loss for all contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs under a contract are determined by considering the minimum cost to exit the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfill it.

The Group made relevant assessments and recognised provisions for onerous contracts under IFRS.

(vii) Advertising and promotion expenditure

Under JGAAP, advertising and promotion costs are expensed based on the terms of the advertising contract or the distribution of catalogues and others.

Under IFRS, advertising and promotion costs are expensed as incurred.

Deferred expenditure on advertising and promotion, which is recognised as an asset under JGAAP, is derecognised and expensed as incurred under IFRS.

(viii) Foreign currency financial instruments

Under JGAAP, the total changes in fair value of available-for-sale securities including foreign exchange movements, net of associated tax effects, are recognised in other comprehensive income. As an alternative treatment, the foreign exchange gains or losses associated with available-for-sale debt securities may be recognised in the consolidated statement of income.

Under IFRS, the portion of the change in fair value of monetary available-for-sale securities arising from foreign exchange movements is recognised as profit or loss in the consolidated statement of income.

The Group recognised the total change in fair value, including foreign exchange movements of available-for-sale debt securities, in other comprehensive income under JGAAP. The portion of the change arising from foreign exchange movements is reclassified to profit or loss in the consolidated statement of income under IFRS.

(ix) Net investments in foreign operations

Under JGAAP, there is no specific accounting standard relating to the treatment of exchange differences arising on items, other than shares, which are considered part of an entity's net investment in a foreign operation. Accordingly, foreign exchange differences corresponding to such items are recognised in the consolidated statements of income of the reporting entity.

Under IFRS, exchange differences arising on the translation of an entity's net investment (including shares and other items considered to represent equity) are recognised in other comprehensive income and accumulated as a separate component of equity. On disposal of the foreign operation, all such exchange differences relating to that particular foreign operation are reclassified to the consolidated statements of income.

Accordingly, exchange differences arising from the net investment in foreign operations under JGAAP are adjusted to other comprehensive income under IFRS.

(x) Consolidation — unconsolidated subsidiaries

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. However, unconsolidated subsidiaries with insignificant assets and revenues, for which exclusion from the scope of consolidation does not affect the overall reasonableness of the financial position and operating results of the Group, may be excluded from the scope of consolidation.

Under IFRS, a subsidiary that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Accordingly, such unconsolidated subsidiaries have been consolidated under IFRS.

(xi) Lease incentives

Under JGAAP, there is no specific guidance on the accounting treatment for lease incentives, such as a rent-free period.

Under IFRS, lease incentives shall be recognised by a lessee as part of the net consideration for the use of the leased asset and amortised over the lease term on a straight-line basis.

The Group recognised the lease liabilities, net of any incentives received, and amortised these accordingly over the lease term on a straight-line basis under IFRS.

(xii) Forward currency contracts

Under JGAAP, the principle treatment of cash flow hedge accounting is the same as IFRS. Under the JGAAP optional treatment for hedge accounting, foreign currency denominated receivables and payables are translated using the rates in the related forward currency contracts (the "Assignment method"). The hedging transaction must match the settlement dates of the foreign currency denominated receivables and payables and no deferred gains or losses are permitted on early settlement of the hedging instruments.

Under IFRS, the Assignment method for hedge accounting under JGAAP does not exist. The effective portion of the gain or loss arising from changes in the fair value of a hedging instrument that meets the criteria for cash flow hedge accounting is recognised directly in other comprehensive income. If the forward currency contracts expire, are sold, terminated or exercised, before the settlement dates of the corresponding hedged items, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the settlement of the corresponding hedged items.

The Group adopts the Assignment method for entities which meet the criteria of hedge accounting under JGAAP. Accordingly, the Group made the relevant adjustments.