FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司*

Third Quarterly Report 2013/14

2014.3.1–2014.5.31

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	Nine months ended 31 May 2013	Nine months ended 31 May 2014	Fiscal year ended 31 August 2013
Net sales (Millions of yen)	885,814	1,088,004	1,143,003
Ordinary income (Millions of yen)	142,034	141,163	148,979
Net income (Millions of yen)	88,421	84,836	90,377
Comprehensive income (Millions of yen)	239,452	85,535	205,329
Total net assets (Millions of yen)	613,827	635,078	579,591
Total assets (Millions of yen)	910,991	955,707	885,800
Basic net income per share (Yen)	867.97	832.50	887.12
Diluted net income per share (Yen)	867.14	831.70	886.31
Equity ratio (%)	65.1	63.8	63.2
Net cash from operating activities (Millions of yen)	100,842	113,203	99,439
Net cash (used in) investing activities (Millions of yen)	(53,541)	(39,314)	(63,901)
Net cash (used in) financing activities (Millions of yen)	(22,236)	(35,774)	(23,945)
Cash and cash equivalents at end of period (Millions of yen)	314,168	339,020	295,622

Accounting period	Three months ended 31 May 2013	Three months ended 31 May 2014
Net sales (Millions of yen)	270,972	323,654
Net income (Millions of yen)	22,971	20,279
Basic net income per share (Yen)	225.46	198.98

(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 nine months ended 31 May 2014.

Important changes concerning subsidiaries are as follows:

(UNIQLO International)
Newly consolidated subsidiaries:

UNIQLO Pennsylvania LLC
UNIQLO Massachusetts LLC
UNIQLO AUSTRALIA PTY LTD

Excluded from consolidation:

UNIQLO FRANCE S.A.S.

(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
Theory HL Brentwood, Inc.

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 nine months ended 31 May 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

The Group reported the following cumulative third-quarter consolidated results for the period spanning 1 September 2013 – 31 May 2014: consolidated net sales of ¥1.088 trillion (+22.8% year-on-year), operating income of ¥136.2 billion (+9.9% year-on-year), ordinary income of ¥141.1 billion (-0.6% year-on-year) and net income of ¥84.8 billion (-4.1% 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 income over the nine-month period. In terms of non-operating income, the Group reported a year-on-year contraction in foreign exchange profits of ¥12.5 billion. This factor was largely contributed by the slight year-on-year contractions in the 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, strengthening our overall Group management and reigniting our entrepreneurial spirit. We have focused much of our efforts on building our global UNIQLO 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 low-priced GU casualwear brand, and our Theory fashion label.

UNIQLO Japan

UNIQLO Japan reported gains in both net sales and income during the nine months ended 31 May 2014, with net sales reaching ¥569.4 billion (+5.1% year-on-year) and operating income ¥94.8 billion (+7.3% year-on-year). A 2.4% gain in same-store sales helped boost the cumulative third-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 8, to 841 stores at the end of May 2014 compared to end of May 2013. This figure excludes the operation's 21 franchise stores. Breaking down the 2.4% gain in same-store sales, customer visits decreased by 0.5% year-on-year, while the average customer spending increased by 2.8%. On the profit side, the gross profit margin improved by 1.7% year-on-year for the nine months ended 31 May 2014, with strong sales of core spring/summer ranges and new seasonal items enabling us to maintain discounting at the planned level. On the other hand, the selling, general and administrative expenses to net sales ratio increased by 1.3% over the nine months ended 31 May 2014, mainly due to higher in-store personnel costs for part-time and temporary workers, and higher distribution and warehouse costs related to the company's decision to boost inventory of basic year-round items.

UNIQLO International

UNIQLO International performed as planned during the nine months ended 31 May 2014, generating significant gains in both net sales and income. UNIQLO International reported total net sales of ¥327.7 billion (+71.3% year-on-year) and operating income of ¥34.3 billion (+75.1% year-on-year). UNIQLO International contributed over 30% of consolidated net sales over the nine-month period. UNIQLO operations in Greater China (Mainland China, Hong Kong and Taiwan), South Korea, and Europe all reported continued strong gains in same-store sales, and higher-than-expected rises in both net sales and income over the nine-month period. The total number of UNIQLO International stores expanded to 598 stores at the end of May 2014, a net increase of 188 stores compared to the end of May 2013.

UNIQLO Greater China exceeded company's expectations, generating significant gains in both net sales and income. UNIQLO opened 77 stores and closed 2 stores over the nine-month period, to bring the total number of UNIQLO stores in Greater China to 355 at the end of May 2014. UNIQLO South Korea also generated higher-than-expected gains in net sales and income, thanks to continued growth in same-store sales. South Korea has a total of 132 UNIQLO stores at the end of May 2014. UNIQLO Europe (U.K., France, Russia and Germany) generated higher-than-expected gains in both net sales and income during the nine months ended 31 May 2014. Our first UNIQLO store in Germany, a global flagship store opened in Berlin in April 2014 and has already generated favorable sales.

At UNIQLO USA, our prominent UNIQLO New York Fifth Avenue, Soho and 34th Street stores continued to generate double-digit growth in combined sales. Meanwhile, the 14 stores opened in various U.S shopping malls over the past nine months are performing well, with net sales proving especially strong in our West Coast stores. However, UNIQLO USA is still operating at a loss, due to the cost of opening increasing numbers of stores. UNIQLO operations in Southeast Asia and Oceania reported a lower-than-expected level of operating income during the nine months ended 31 May 2014, after net sales fell short of target in the third quarter from March to May 2014. However, the first Australian UNIQLO store, opened in Melbourne in April 2014, is performing well, with net sales exceeding our initial target.

Global Brands

The Global Brands segment reported rising sales and income during the nine months ended May 2014, with net sales reaching ¥188.8 billion (+25.2% year-on-year) and operating income expanding to ¥14.9 billion (+11.3% year-on-year). However, the gain in operating income was slightly lower than originally forecasted. There were two main reasons for this shortfall: GU did not sell as well as expected in the third quarter from March to May 2014, and the overall performance from our J Brand premium denim label also fell short of target in the third quarter. Over the nine months ended 31 May 2014, our low-priced GU casualwear brand reported rising net sales and a slight increase in operating income, while our Theory fashion brand reported rising net sales and steady operating income. Our France-based women's fashion brand, Comptoir des Cotonniers, generated larger-than-expected gains in both net sales and operating income, while our French corsetry, homewear and swimwear brand, Princesse tam.tam, reported an unexpected fall in income.

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 conducted globally and locally.

Already more than a year has passed since the 24 April 2013 collapse of the Rana Plaza building, a commercial facility located in Savar, an industrial suburb of Bangladesh's capital Dhaka. With the understanding that ensuring the safety of workers in our partner factories is one of our most important priorities, we have doubled our efforts in fire prevention and ensuring building safety. Reports on progress in our initiatives for improvement in the past year such as conducting voluntary inspections and signing the Accord on Fire and Building Safety in Bangladesh can be found on our website.

Approximately three years have passed since the Great East Japan Earthquake, and we are continuing our efforts to provide recovery support through the UNIQLO Recovery Assistance Project. Reports of recent activities and their progress can be found on our website.

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 29,150,000 items cumulatively at stores in 10 countries, and has donated 11,290,000 articles of clothing to 46 countries (as of 31 March 2014). Since the end of March this year, we have been running a clothing donation drive at all UNIQLO stores in Japan to deliver warm clothing to refugees in Syria who are in urgent need of clothing this winter.

(2) Financial Positions

Total assets as at 31 May 2014 were ¥955.7 billion, which was an increase of ¥69.9 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥75.7 billion in cash and deposits.

Total liabilities as at 31 May 2014 were ¥320.6 billion, which was an increase of ¥14.4 billion relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of ¥3.6 billion in provisions and an increase of ¥17.2 billion in current liabilities – others.

Total net assets as at 31 May 2014 were ¥635.0 billion, which was an increase of ¥55.4 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥54.2 billion in retained earnings.

(3) Cash Flows Information

Cash and cash equivalents (hereinafter referred to as "funds") as at 31 May 2014 had increased by ¥43.3 billion relative to the end of the preceding consolidated fiscal year, to ¥339.0 billion.

Net cash from operating activities for the nine months ended 31 May 2014 was ¥113.2 billion, which was an increase of ¥12.3 billion relative to the nine months ended 31 May 2013. The principal factor was income before income taxes and minority interests of ¥141.5 billion.

Net cash used in investing activities for the nine months ended 31 May 2014 was ¥39.3 billion, which was a decrease of ¥14.2 billion relative to the nine months ended 31 May 2013. The principal factor was the acquisition of property, plant and equipment amounted to ¥30.3 billion.

Net cash used in financing activities for the nine months ended 31 May 2014 was ¥35.7 billion, which was an increase of ¥13.5 billion relative to the nine months ended 31 May 2013. The principal factor was dividends amounted to ¥30.5 billion paid in cash.

(4) Operational and Financial Assignment

There have been no important changes during the nine months ended 31 May 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 newly completed during the nine months ended 31 May 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
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
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 EUROPE LIMITED	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 31 May 2014	Number of shares issued as of submission date (Shares) (As at 15 July 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

Not applicable

(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)
1 March 2014 to 31 May 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 31 May 2014.

(6) Principal Shareholders

There are no items to state, as the accounting period under review is the third quarter accounting period.

(7) Voting Rights

Concerning "Voting Rights" as of the end of the third quarterly accounting period ended 31 May 2014, it has not been possible to confirm and state the details entered in the register of shareholders. Therefore, the stated details are based on the register of shareholders as of the immediately preceding record date (28 February 2014).

(i) Shares issued

As at 31 May 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 31 May 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 nine months ended 31 May 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 nine months ended 31 May 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)

	Note	As at 31 August 2013	As at 31 May 2014
ASSETS			
Current assets			
Cash and deposits		147,429	223,227
Notes and accounts receivable – trade		34,187	58,983
Short-term investment securities		148,215	115,974
Inventories		166,654	170,404
Deferred tax assets		4,002	4,543
Income taxes receivable		8,980	1,607
Forward currency contracts		113,641	96,410
Others		17,486	20,328
Allowance for doubtful accounts		(488)	(549)
Total current assets		640,109	690,930
Non-current assets			
Property, plant and equipment		90,405	112,176
Intangible assets			
Goodwill		31,691	27,776
Others		46,423	46,837
Total intangible assets		78,115	74,613
Investments and other assets	*1	77,170	77,985
Total non-current assets		245,690	264,776
Total assets		885,800	955,707
LIABILITIES			
Current liabilities			
Notes and accounts payable – trade		121,951	121,606
Short-term loans payable		1,862	2,855
Current portion of long-term loans payable		3,632	4,292
Income taxes payable		26,005	27,538
Provision		10,081	6,420
Others		90,432	107,713
Total current liabilities		253,966	270,426
Non-current liabilities			
Long-term loans payable		21,926	19,997
Provision		75	81
Others		30,240	30,123
Total non-current liabilities		52,243	50,201
Total liabilities		306,209	320,628

(Millions of yen)

	As at 31 August 2013	As at 31 May 2014
NET ASSETS		
Stockholders' equity		
Capital stock	10,273	10,273
Capital surplus	5,963	6,365
Retained earnings	482,109	536,374
Treasury stock, at cost	(15,851)	(15,797)
Total stockholders' equity	482,495	537,216
Accumulated other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	(6,978)	(5,243)
Deferred gains/(losses) on hedges	71,005	62,126
Foreign currency translation adjustments	12,875	15,412
Total accumulated other comprehensive income	76,901	72,296
Subscription rights to shares	1,170	1,694
Minority interests	19,024	23,870
Total net assets	579,591	635,078
Total liabilities and net assets	885,800	955,707

(2) Interim Consolidated Statement of Income

Nine months ended 31 May

(Millions of yen)

	Nine months ended 31 May 2013	Nine months ended 31 May 2014
Net sales	885,814	1,088,004
Cost of sales	441,869	537,243
Gross profit	443,944	550,760
Selling, general and administrative expenses	319,907	414,467
Operating income	124,037	136,292
Non-operating income		
Interest and dividend income	411	643
Foreign exchange gains	17,886	5,350
Others	699	862
Total non-operating income	18,997	6,856
Non-operating expenses		
Interest expenses	400	721
Others	600	1,263
Total non-operating expenses	1,001	1,985
Ordinary income	142,034	141,163
Extraordinary gains		
Gains on sales of non-current assets	114	881
Total extraordinary gains	114	881
Extraordinary losses		
Loss on retirement of non-current assets	250	114
Expenses incurred upon acquisition	752	—
Others	576	391
Total extraordinary losses	1,579	506
Income before income taxes and minority interests	140,569	141,538
Total income taxes	49,212	52,062
Income before minority interests	91,356	89,476
Minority interests	2,935	4,640
Net income	88,421	84,836

Quarterly Consolidated Statement of Income

Three months ended 31 May

(Millions of yen)

	Three months ended 31 May 2013	Three months ended 31 May 2014
Net sales	270,972	323,654
Cost of sales	130,992	149,684
Gross profit	139,979	173,970
Selling, general and administrative expenses	112,600	140,881
Operating income	27,379	33,088
Non-operating income		
Interest and dividend income	151	316
Foreign exchange gains	6,757	621
Others	335	280
Total non-operating income	7,243	1,218
Non-operating expenses		
Interest expenses	157	227
Others	190	500
Total non-operating expenses	348	727
Ordinary income	34,274	33,579
Extraordinary gains		
Gains on sales of non-current assets	48	2
Total extraordinary gains	48	2
Extraordinary losses		
Loss on retirement of non-current assets	79	42
Expenses incurred upon acquisition	13	—
Others	240	134
Total extraordinary losses	333	176
Income before income taxes and minority interests	33,989	33,405
Total income taxes	10,385	12,218
Income before minority interests	23,603	21,187
Minority interests	632	908
Net income	22,971	20,279

(3) Interim Consolidated Statement of Comprehensive Income

Nine months ended 31 May

(Millions of yen)

	Nine months ended 31 May 2013	Nine months ended 31 May 2014
Income before minority interests	91,356	89,476
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	10,629	1,735
Deferred gains/(losses) on hedges	116,836	(9,095)
Foreign currency translation adjustments	20,628	3,419
Total other comprehensive income	148,095	(3,940)
Comprehensive income	239,452	85,535
Comprehensive income attributable to:		
Shareholders of FAST RETAILING CO., LTD.	232,598	80,230
Minority interests	6,853	5,305

Quarterly Consolidated Statement of Comprehensive Income

Three months ended 31 May

(Millions of yen)

	Three months ended 31 May 2013	Three months ended 31 May 2014
Income before minority interests	23,603	21,187
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale securities	3,938	(198)
Deferred gains/(losses) on hedges	51,803	(7,977)
Foreign currency translation adjustments	7,770	(189)
Total other comprehensive income	63,511	(8,365)
Comprehensive income	87,115	12,821
Comprehensive income attributable to:		
Shareholders of FAST RETAILING CO., LTD	85,140	11,347
Minority interests	1,974	1,474

(4) Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended 31 May 2013	Nine months ended 31 May 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes and minority interests	140,569	141,538
Depreciation and amortisation	16,526	21,568
Amortisation of goodwill	3,807	4,589
Increase/(decrease) in allowance for doubtful accounts	(879)	11
Increase/(decrease) in provision for retirement benefits	0	5
Increase/(decrease) in other provisions	(4,268)	(3,863)
Interest and dividend income	(411)	(643)
Interest expenses	400	721
Foreign exchange losses/(gains)	(13,032)	(3,703)
Losses on retirement of non-current assets	250	114
Decrease/(increase) in notes and accounts receivable — trade	(20,031)	(23,738)
Decrease/(increase) in inventories	(4,199)	2,089
Increase/(decrease) in notes and accounts payable — trade	10,813	(3,272)
Decrease/(increase) in other assets	(1,804)	(1,620)
Increase/(decrease) in other liabilities	15,417	23,454
Others, net	(1,488)	(787)
Subtotal	141,671	156,463
Interest and dividend income received	411	640
Interest paid	(324)	(631)
Income taxes paid	(50,954)	(53,223)
Income taxes refund	10,038	9,954
Net cash from operating activities	100,842	113,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(19,674)	(30,306)
Proceeds from sales of property, plant and equipment	169	1,399
Purchases of intangible assets	(3,535)	(4,673)
Payments for lease and guarantee deposits	(3,542)	(4,182)
Proceeds from collection of lease and guarantee deposits	1,664	579
Increase in construction assistance fund receivables	(2,111)	(2,337)
Decrease in construction assistance fund receivables	1,286	1,459
Increase in guarantee deposits received	39	178
Decrease in guarantee deposits received	(287)	(276)
Acquisitions, net of cash acquired	(26,771)	—
Payments for purchase of shares of consolidated affiliates	(1,309)	(1,252)
Others, net	530	96
Net cash used in investing activities	(53,541)	(39,314)

(Millions of yen)

	Note	Nine months ended 31 May 2013	Nine months ended 31 May 2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in short-term loans payable		(1,164)	876
Additions to long-term loans payable		15,602	—
Repayment of long-term loans payable		(6,107)	(2,351)
Cash dividends paid		(27,474)	(30,544)
Cash dividends paid to minority interests		(891)	(633)
Repayments of lease obligations		(2,069)	(2,550)
Others, net		(130)	(571)
Net cash used in financing activities		(22,236)	(35,774)
Effect of exchange rate changes on cash and cash equivalents		23,081	4,078
Net increase/(decrease) in cash and cash equivalents		48,145	42,193
Cash and cash equivalents at beginning of period		266,020	295,622
Increase in cash and cash equivalents from newly consolidated subsidiaries		1	1,204
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*1	314,168	339,020

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 had increased in importance, and therefore they were consolidated during the period. Since LTH GmbH was liquidated during the three months ended 30 November 2013, it had 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 GLOBAL INNOVATION CENTER INC. (former UNIQLO Design Studio New York, Inc) commenced operations during the three months ended 28 February 2014 and had increased in importance, therefore they were consolidated during the period. In addition, as Theory HL Brentwood, Inc. was newly incorporated during the three months ended 31 May 2014, the importance of UNIQLO AUSTRALIA PTY LTD increased as it commenced operations during this period, and therefore it is consolidated during the period. UNIQLO FRANCE S.A.S. is excluded from consolidation, following its absorption-merger with UNIQLO EUROPE LIMITED (former UNIQLO (U.K.) LIMITED).

(2) Number of consolidated subsidiaries:

108

(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 nine-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 nine-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

Note to Interim Consolidated Balance Sheet

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

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

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 interim consolidated statement of cash flows is as follows:

	Nine months ended 31 May 2013	Nine months ended 31 May 2014
	(Millions of yen)	(Millions of yen)
Cash and deposits	171,844	223,227
Time deposits with maturities over three months	(54)	(181)
Cash equivalents included in short-term securities	142,378	115,974
Cash and cash equivalents	314,168	339,020

Notes to stockholders' equity

I. For the nine months ended 31 May 2013

1. Dividends

(1) Dividend paid during the nine months ended 31 May 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
Meeting of the Board of Directors on 11 April 2013	Common stock	14,263	140	28 February 2013	13 May 2013	Retained earnings

(2) Declaration date for dividend recorded during the nine months ended 31 May 2013 with an effective date in a following period:

Not applicable.

2. Significant changes in stockholders' equity

Not applicable.

II. For the nine months ended 31 May 2014

1. Dividends

(1) Dividend paid during the nine months ended 31 May 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
Meeting of the Board of Directors on 10 April 2014	Common stock	15,286	150	28 February 2014	12 May 2014	Retained earnings

(2) Declaration date for dividend recorded during the nine months ended 31 May 2014 with an effective date in a following period:

Not applicable.

2. Significant changes in stockholders' equity

Not applicable.

Segment information

I. For the nine months ended 31 May 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	541,672	191,328	150,840	883,841	1,972	—	885,814
Segment income	88,343	19,624	13,446	121,414	101	2,521	124,037

(Notes)
1. Effective from the three months ended 28 February 2013, J Brand (distribution of J BRAND's clothing) is included in the segment of Global Brands.
2. "Others" include real estate leasing business, etc.
3. "Adjustments" include amortisation of goodwill amounted to ¥3,807 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 nine months ended 31 May 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	569,488	327,728	188,889	1,086,106	1,897	—	1,088,004
Segment income	94,800	34,363	14,962	144,126	54	(7,888)	136,292

(Notes)
1. "Others" include real estate leasing business, etc.
2. "Adjustments" include amortisation of goodwill amounted to ¥4,589 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:

	Nine months ended 31 May 2013	Nine months ended 31 May 2014
(1) Basic net income per share for the period (Yen)	867.97	832.50
(Basis of Calculation)		
Net income (Millions of yen)	88,421	84,836
Net income not attributable to common stockholders (Millions of yen)	—	—
Net income attributable to common stockholders (Millions of yen)	88,421	84,836
Average number of common stock during the period (Shares)	101,871,574	101,905,654
(2) Diluted net income per share for the period (Yen)	867.14	831.70
(Basis of Calculation)		
Adjustment to net income (Millions of yen)	—	—
Increase in number of common stock (Shares)	96,830	98,137
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 10 April 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

Board of 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 31 May 2014 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month period then ended, and interim consolidated statement of cash flows for the nine-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
15 July 2014

SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") 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 nine months ended 31 May 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 31 May 2014 (Millions of yen)
Total assets under JGAAP		955,707
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	22,341
Impairment loss of goodwill	*(ii)*	(550)
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	655
Amortisation of intangible assets	*(iv)*	7,415
Employee benefits	*(v)*	732
Onerous contracts	*(vi)*	236
Advertising and promotion expenditure	*(vii)*	(627)
Consolidation — unconsolidated subsidiaries	*(x)*	(21)
Lease incentives	*(xi)*	391
Forward currency contracts	*(xii)*	1,869
Total assets under IFRS as adjusted for the above material quantifiable effects		988,148

	Notes	As at 31 May 2014 (Millions of yen)
Total liabilities under JGAAP		320,628
Material quantifiable effects for different accounting treatments:		
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	(14)
Employee benefits	*(v)*	2,626
Onerous contracts	*(vi)*	503
Advertising and promotion expenditure	*(vii)*	(153)
Consolidation — unconsolidated subsidiaries	*(x)*	16
Lease incentives	*(xi)*	1,809
Forward currency contracts	*(xii)*	714
Total liabilities under IFRS as adjusted for the above material quantifiable effects		326,129

	Notes	As at 31 May 2014 (Millions of yen)
Total equity (total net assets) under JGAAP		635,078
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	22,341
Impairment loss of goodwill	*(ii)*	(550)
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	669
Amortisation of intangible assets	*(iv)*	7,415
Employee benefits	*(v)*	(1,894)
Onerous contracts	*(vi)*	(266)
Advertising and promotion expenditure	*(vii)*	(474)
Consolidation — unconsolidated subsidiaries	*(x)*	(37)
Lease incentives	*(xi)*	(1,418)
Forward currency contracts	*(xii)*	1,155
Total equity (total net assets) under IFRS as adjusted for the above material quantifiable effects		662,019

	Notes	Nine months ended 31 May 2014 (Millions of yen)
Net income for the period under JGAAP		84,836
Material quantifiable effects for different accounting treatments:		
Amortisation of goodwill	*(i)*	4,589
Changes of useful lives and method of depreciation of non-current assets	*(iii)*	(207)
Amortisation of intangible assets	*(iv)*	161
Employee benefits	*(v)*	(468)
Onerous contracts	*(vi)*	163
Advertising and promotion expenditure	*(vii)*	(165)
Foreign currency financial instruments	*(viii)*	1,693
Net investments in foreign operations	*(ix)*	(1,282)
Consolidation — unconsolidated subsidiaries	*(x)*	(424)
Lease incentives	*(xi)*	(295)
Forward currency contracts	*(xii)*	(255)
Net income for the period under IFRS as adjusted for the above material quantifiable effects		88,346

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.

(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.