



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Third Quarterly Report 2015/16

2016.3.1–2016.5.31

Stock Code: 6288

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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 (*External Director*)

Mr. Takashi Nawa (*External Director*)

Independent Non-Executive Directors

Mr. Toru Hambayashi (*External Director*)

Mr. Nobumichi Hattori (*External Director*)

Mr. Masaaki Shintaku (*External Director*)

Statutory Auditors

Mr. Akira Tanaka (*Kansayaku*) (*Standing Statutory Auditor*)

Mr. Masaaki Shinjo (*Kansayaku*) (*Standing Statutory Auditor*)

Mr. Takaharu Yasumoto (*Shagai Kansayaku*)
(*External Statutory Auditor*)

Mr. Akira Watanabe (*Shagai Kansayaku*)
(*External Statutory Auditor*)

Ms. Keiko Kaneko (*Shagai Kansayaku*)
(*External 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

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Akasaka Minato-ku

Tokyo 107-6231

Japan

Principal Place of Business in Hong Kong

702-706, 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

Term	Third Quarter of 54th Year	Third Quarter of 55th Year	54th Year
Accounting period	Nine months ended 31 May 2015	Nine months ended 31 May 2016	Year ended 31 August 2015
Revenue (Millions of yen)	1,348,114	1,434,616	1,681,781
Operating profit (Millions of yen)	189,274	145,829	164,463
Profit before income taxes (Millions of yen)	210,282	122,095	180,676
Profit attributable to owners of the parent (Millions of yen)	132,364	71,010	110,027
Comprehensive income/(loss) attributable to owners of the parent (Millions of yen)	233,428	(46,897)	163,871
Equity attributable to owners of the parent (Millions of yen)	820,414	668,850	750,937
Total assets (Millions of yen)	1,270,600	1,272,753	1,163,706
Basic earnings per share for the period (year) (Yen)	1,298.60	696.50	1,079.42
Diluted earnings per share for the period (year) (Yen)	1,296.99	695.54	1,078.08
Ratio of equity attributable to owners of the parent to total assets (%)	64.6	52.6	64.5
Net cash from operating activities (Millions of yen)	181,105	132,463	134,931
Net cash used in investing activities (Millions of yen)	(60,800)	(218,979)	(73,145)
Net cash from/(used in) financing activities (Millions of yen)	(41,118)	203,256	(41,784)
Cash and cash equivalents at end of the period (year) (Millions of yen)	424,081	453,927	355,212

Accounting period	Three months ended 31 May 2015	Three months ended 31 May 2016
Revenue (Millions of yen)	398,429	422,962
Profit/(loss) attributable to owners of the parent (Millions of yen)	27,611	23,967
Basic earnings/(loss) per share for the period (Yen)	270.86	235.07

- (Notes)
1. The Company has prepared interim condensed consolidated financial statements, and therefore has not included information regarding changes in key management indices for the submitting company.
 2. Revenue does not include consumption taxes, etc.
 3. The financial figures are quoted from interim condensed consolidated financial statements or consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

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 2016.

Important changes concerning subsidiaries are as follows:

(Others)

Newly consolidated subsidiary:

Wearex Co., Ltd.

Management Discussion and Analysis

Business Review

1. Business and Operational Risks

No new business-related risks have arisen during the three months ended 31 May 2016.

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

2. Significant Contract in Business Operation

None.

3. Financial Analysis

(1) Results of Operations

The Fast Retailing Group reported a rise in revenue but a fall in profit in the first nine months of fiscal 2016 from 1 September 2015 to 31 May 2016. Consolidated revenue reached ¥1.4346 trillion (+6.4% year-on-year), while consolidated operating profit totaled ¥145.8 billion (-23.0% year-on-year), consolidated profit before income taxes stood at ¥122.0 billion (-41.9% year-on-year), and profit attributable to owners of the parent totaled ¥71.0 billion (-46.4% year-on-year). Breaking these results down into the three business segments, Global Brands reported a rise in both revenue and profit, while both UNIQLO Japan and UNIQLO International reported a rise in revenue but a decline in profit. Furthermore, due to the yen being appreciated at the end of May than at the beginning of the period, foreign exchange losses in other expenses were down 14.8 billion yen year on year to 6.7 billion yen, while the yen equivalent of long-term assets in foreign currencies etc. reduced, so foreign exchange losses in finance costs were down 43.4 billion yen year on year to 23.4 billion yen. As a result, consolidated profit before income taxes declined by a considerable 41.9% year-on-year over the same period.

However, the Group did report a clear improvement in consolidated results for the three months from 1 March to 31 May 2016, with consolidated revenue rising 6.2% year-on-year and consolidated operating profit expanding 18.6% year-on-year, thanks to a recovery in performance at both UNIQLO Japan and UNIQLO International.

The Group's medium-term vision is to become the world's number one apparel manufacturer and retailer. To this aim, we are focusing our efforts on expanding UNIQLO's global operations and our low-priced GU casual fashion brand. We continue to boost UNIQLO store numbers in each country where we operate, opening global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. On the product side, we have sought to boost awareness and visibility of the UNIQLO brand across global markets by offering exciting collaborations with well-known designers and artistic directors from other brands, such as Ines de la Fressange, Lemaire, and Carine Roitfeld. We have set a target to expand e-commerce to 30% of total sales over the medium term, and are currently in the process of aggressively transforming our distribution systems. In April 2016, we launched our next-generation distribution center in Ariake, Tokyo, and we are pressing ahead with plans to open new distribution centers elsewhere in Japan as well as internationally, starting in China and the United States. Also, our GU brand is experiencing strong growth as a second pillar brand for the Group, and we expect to accelerate GU store openings outside Japan going forward.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue but a fall in profit in the nine months to May 2016, with revenue rising to ¥645.4 billion (+1.1% year-on-year) and operating profit declining to ¥93.2 billion (-18.1% year-on-year). However, the results show a recovery in both revenue and profit in the third quarter from March to May 2016, with revenue rising 4.4% year-on-year and operating profit expanding 19.7% year-on-year. Same-store sales rose 2.8% year-on-year thanks to strong sales of trendy jogger pants and skants for women, and strong sales of sports advertising campaign items made from unique AIRism and DRY functional materials. The e-commerce segment also continued to grow strongly, with online sales rising 40.6% year-on-year to 5.5% of total sales. On the profit side, the gross profit margin improved 0.9 point year-on-year after a successful pricing strategy review in spring 2016 improved the discounting rate. The selling, general and administrative expenses ratio also improved 1.2 points year-on-year following some effective cost-cutting measures. While the radical overhaul of distribution systems is boosting distribution costs for the time being, other costs such as advertising and promotion expenses and outsourcing expenses all declined significantly. The total number of UNIQLO Japan stores increased by 2 to 846 stores at the end of May 2016. That total includes 39 franchise stores.

UNIQLO International

UNIQLO International reported a rise in revenue but a decline in profit for the nine months to May 2016, with revenue reaching ¥532.8 billion (+10.6% year-on-year) and operating profit totaling ¥42.2 billion (-18.7% year-on-year). However, the operation reported increases in both revenue and profit for the third quarter from March to May 2016, with revenue rising 5.3% and operating profit 41.1% year-on-year. UNIQLO Greater China (encompassing operations in mainland China, Hong Kong and Taiwan) generated a recovery in profits, while UNIQLO Southeast Asia and Oceania (Singapore, Malaysia, Thailand, the Philippines, Indonesia and Australia) and UNIQLO Europe (U.K., France, Russia, Germany and Belgium) generated continued rises in both revenue and profit. UNIQLO South Korea reported another decline in profit, while UNIQLO USA reported a smaller operating loss. Looking at individual UNIQLO International operations in more detail, the March 2016 opening of the newly refurbished 311 Oxford Street global flagship store helped boost UNIQLO visibility in Europe. The gross profit margin at UNIQLO USA improved once the inventory adjustment cycle ran its course. UNIQLO USA business expenses ratios also improved as we pressed ahead with new management strategies. UNIQLO South Korea continued to struggle in the face of sluggish economic conditions and increasingly fierce competition. The total number of UNIQLO International stores had expanded by 161 year-on-year to 928 stores as of 31 May 2016.

Global Brands

Global Brands reported gains in both revenue and profit in the first nine months of fiscal 2016, with revenue rising 12.6% year-on-year to ¥254.3 billion and operating profit increasing by 16.5% year-on-year to ¥23.0 billion. Global Brands also generated revenue and profit increases for the March-May quarter, with revenue rising 12.0% year-on-year and operating income expanding 8.7% year-on-year. GU continued to grow strongly, with the brand reporting double-digit growth in same-store sales on the back of robust sales of advertising campaign items such as skants and long T-shirts. Profit rose slightly at the Theory brand, while Comptoir de Cotonniers reported an expanded loss. Princesse tam.tam and the J Brand premium denim label reported continued losses.

Corporate Social Responsibility (“CSR”) and Environmental Protection

The basic policy underlying the Group’s CSR activities consists of fulfilling our social responsibility, contributing to communities and addressing social issues and creating new value, both globally and locally.

On April 1, 2016, the TSURUMI Children’s Hospice for children with life-threatening illnesses opened in Tsurumi Ward, Osaka, supported by UNIQLO and the Nippon Foundation. This facility is the first community children’s hospice in Japan, with its operation led by local volunteers, and supported by medical, educational, and childcare specialists. It provides a space where seriously ill children and their families can relax as though they were in a second home, in an environment that guarantees safety and security.

The 2016 Kumamoto earthquake wreaked tremendous damage on the people of Kumamoto Prefecture, and we provided emergency clothing supplies to assist the victims. We donated 13,600 items as emergency supplies to the afflicted area that were in high demand such as underwear, socks and loungewear.

On June 20, 2016 (World Refugee Day) the 10 Million Ways to HELP Project, which provides clothing to refugees and displaced persons around the world, achieved its goal of collecting 10 million articles of clothing — 12.81 million items in total. This was made possible thanks to the support of 112 affiliated companies in 846 locations, 238 educational institutions, 28 student organizations, and members of local communities in the 16 countries and regions in which UNIQLO operates. Clothing that is collected is delivered to refugees and displaced persons around the world through organizations such as the United Nations High Commissioner for Refugees, with which Fast Retailing has a global partnership. We assess the clothing requirements in advance to ensure that the clothing requirements of areas in need are met.

(2) Financial Positions

Total assets as at 31 May 2016 were ¥1,272.7 billion, which was an increase of ¥109.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥98.7 billion in cash and cash equivalents, an increase of ¥30.3 billion in trade and other receivables, an increase of ¥176.4 billion in other current financial assets, a decrease of ¥42.2 billion in inventories, and a decrease of ¥143.6 billion in derivative financial assets.

Total liabilities as at 31 May 2016 were ¥579.1 billion, which was an increase of ¥190.2 billion relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of ¥22.1 billion in income taxes payable, an increase of ¥247.9 billion in non-current financial liabilities and a decrease of ¥42.3 billion in deferred tax liabilities.

Total net assets as at 31 May 2016 were ¥693.5 billion, which was a decrease of ¥81.2 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥34.3 billion in retained earnings and a decrease of ¥117.9 billion in other components of equity.

(3) Cash Flows Information

Cash and cash equivalents as at 31 May 2016 had increased by ¥29.8 billion from the nine months ended 31 May 2015, to ¥453.9 billion.

Net cash from operating activities for the nine months ended 31 May 2016 was ¥132.4 billion, which was a decrease of ¥48.6 billion (-26.9 % year-on-year) from the nine months ended 31 May 2015. The principal factors were ¥122.0 billion in profit before income taxes (a decrease of ¥88.1 billion from the nine months ended 31 May 2015) and ¥23.4 billion increase in foreign exchange losses (an increase of ¥43.4 billion from the nine months ended 31 May 2015).

Net cash used in investing activities for the nine months ended 31 May 2016 was ¥218.9 billion, which was an increase of ¥158.1 billion (+260.2 % year-on-year) from the nine months ended 31 May 2015. The principal factors were ¥182.3 billion for increase in bank deposits with maturity over 3 months (an increase of ¥164.9 billion from the nine months ended 31 May 2015) and ¥26.9 billion for purchases of property, plant and equipment (a decrease of ¥5.4 billion from the nine months ended 31 May 2015).

Net cash from financing activities for the nine months ended 31 May 2016 was ¥203.2 billion, which was an increase of ¥244.3 billion from the nine months ended 31 May 2015. The principal factor was ¥249.3 billion for proceeds from issuance of bonds (an increase of ¥249.3 billion from the nine months ended 31 May 2015).

(4) Operational and Financial Assignment

There have been no important changes during the nine months ended 31 May 2016 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 2016.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO Illinois LLC	UNIQLO International Stores	Chicago N. Michigan Ave	Chicago City Illinois, U.S.A.	October 2015
UNIQLO EUROPE LIMITED	UNIQLO International Stores	Meir 67/69, Antwerp	Antwerp City, Belgium.	October 2015
UNIQLO EUROPE LIMITED	UNIQLO International Stores	311 Oxford Street, London	London, United Kingdom	March 2016

The following are the important facilities that were newly planned during the three months ended 31 May 2016.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

(1) Important New Facilities

Company name	Type of facility	Name of business	Location	Amount of planned investment		Construction start	Construction completion	Planned sales floor area (m2)	Reference
				Total (Millions of yen)	Amount already disbursed (Millions of yen)				
UNIQLO Florida LLC	UNIQLO International Store	Disney Springs	Florida Lake Buena Vista U.S.A	1,333	1,333	February 2016	July 2016	2,946	lease

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital.

2. The above figures do not include consumption tax, etc.

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 2016	Number of shares issued as of submission date (Shares) (As at 15 July 2016)	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 Depository Receipts are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

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.

Date	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 2016 to 31 May 2016	—	106,073,656	—	10,273	—	4,578

(Note) There was no increase or decrease in the total number of shares issued, capital stock or capital reserve during the nine months ended 31 May 2016.

(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 at the end of the third quarterly accounting period ended 31 May 2016, 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 (29 February 2016).

(i) Shares issued

As at 31 May 2016

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 (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,117,400	—	—
Shares with full voting rights (others)	Common stock 101,904,100	1,019,041	(Note) 1
Shares less than one unit	Common stock 52,156	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,041	—

(Notes) 1. The columns for the number of shares of "Shares with full voting rights (others)" and "Shares less than one unit" respectively 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" row includes 63 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 May 2016

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	4,117,400	—	4,117,400	3.88
Total	—	4,117,400	—	4,117,400	3.88

2. Board of Directors

Since the submission of the year-end report for the preceding consolidated fiscal year, there has been no change of directors during the nine months ended 31 May 2016.

Financial Section

1. Preparation of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group were prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), pursuant to Article 93 of the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, 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 condensed consolidated financial statements of the Group for the three months and nine months ended 31 May 2016, 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 Condensed Consolidated Financial Statements

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As at 31 August 2015	As at 31 May 2016
ASSETS			
Current assets			
Cash and cash equivalents		355,212	453,927
Trade and other receivables		44,777	75,147
Other current financial assets	13	22,593	199,090
Inventories	6	260,006	217,806
Derivative financial assets	13	157,490	13,886
Income taxes receivable		18,564	636
Others		15,748	16,992
Total current assets		874,394	977,488
Non-current assets			
Property, plant and equipment	7	129,340	128,030
Goodwill		27,165	26,212
Other intangible assets		40,991	40,531
Non-current financial assets	13	75,940	77,174
Deferred tax assets		11,107	18,551
Others		4,766	4,764
Total non-current assets		289,311	295,265
Total assets		1,163,706	1,272,753
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		181,577	187,480
Derivative financial liabilities	13	100	6,244
Other current financial liabilities	13	15,471	13,430
Income taxes payable		36,763	14,643
Provisions		22,615	13,997
Others		35,714	40,598
Total current liabilities		292,242	276,394
Non-current liabilities			
Non-current financial liabilities	13	25,513	273,480
Provisions		10,203	10,336
Deferred tax liabilities		47,272	4,941
Others		13,668	14,020
Total non-current liabilities		96,658	302,778
Total liabilities		388,901	579,172
EQUITY			
Capital stock		10,273	10,273
Capital surplus		11,524	12,984
Retained earnings		602,623	636,931
Treasury stock, at cost		(15,699)	(15,646)
Other components of equity		142,214	24,306
Equity attributable to owners of the parent		750,937	668,850
Non-controlling interests		23,867	24,729
Total equity		774,804	693,580
Total liabilities and equity		1,163,706	1,272,753

(2) Interim Condensed Consolidated Statement of Profit or Loss and Interim Condensed Consolidated Statement of Comprehensive Income

Interim Condensed Consolidated Statement of Profit or Loss

Nine months ended 31 May 2016

(Millions of yen)

	Notes	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Revenue		1,348,114	1,434,616
Cost of sales		(661,656)	(740,240)
Gross profit		686,458	694,375
Selling, general and administrative expenses	9	(502,805)	(540,479)
Other income	10	9,641	1,877
Other expenses	10	(4,020)	(9,943)
Operating profit		189,274	145,829
Finance income	11	21,840	1,389
Finance costs	11	(833)	(25,124)
Profit before income taxes		210,282	122,095
Income taxes		(70,272)	(45,400)
Profit for the period		140,009	76,694
Attributable to:			
Owners of the parent		132,364	71,010
Non-controlling interests		7,645	5,684
Profit for the period		140,009	76,694
Earnings per share			
Basic (Yen)	12	1,298.60	696.50
Diluted (Yen)	12	1,296.99	695.54

Three months ended 31 May 2016

(Millions of yen)

	Notes	Three months ended 31 May 2015	Three months ended 31 May 2016
Revenue		398,429	422,962
Cost of sales		(191,489)	(205,523)
Gross profit		206,940	217,439
Selling, general and administrative expenses		(166,471)	(169,749)
Other income		1,566	955
Other expenses		(2,838)	(2,157)
Operating profit		39,197	46,488
Finance income		7,717	416
Finance costs		(298)	(6,850)
Profit before income taxes		46,615	40,054
Income taxes		(17,577)	(14,794)
Profit for the period		29,038	25,259
Attributable to:			
Owners of the parent		27,611	23,967
Non-controlling interests		1,427	1,292
Profit for the period		29,038	25,259
Earnings per share			
Basic (Yen)	12	270.86	235.07
Diluted (Yen)	12	270.51	234.74

Interim Condensed Consolidated Statement of Comprehensive Income

Nine months ended 31 May 2016

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Profit for the period	140,009	76,694
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net (loss) on revaluation of available-for-sale investments	(517)	33
Exchange differences on translation of foreign operations	26,002	(22,170)
Cash flow hedges	77,820	(98,322)
Other comprehensive income/(loss), net of taxes	103,306	(120,459)
Total comprehensive income/(loss) for the period	243,316	(43,765)
Attributable to:		
Owners of the parent	233,428	(46,897)
Non-controlling interests	9,888	3,131
Total comprehensive income/(loss) for the period	243,316	(43,765)

Three months ended 31 May 2016

(Millions of yen)

	Three months ended 31 May 2015	Three months ended 31 May 2016
Profit for the period	29,038	25,259
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net gain/(loss) on revaluation of available-for-sale investments	171	72
Exchange differences on translation of foreign operations	8,714	(3,828)
Cash flow hedges	21,758	(18,018)
Other comprehensive income/(loss), net of taxes	30,644	(21,774)
Total comprehensive income/(loss) for the period	59,682	3,484
Attributable to:		
Owners of the parent	57,336	1,873
Non-controlling interests	2,346	1,611
Total comprehensive income/(loss) for the period	59,682	3,484

(3) Interim Condensed Consolidated Statement of Changes in Equity

For nine months ended 31 May 2015

(Millions of yen)

	Note	Other components of equity						Equity attributable		Total equity		
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total		to owners of the parent	Non-controlling interests
As at 1 September 2014		10,273	9,803	525,722	(15,790)	798	23,035	64,536	88,371	618,381	17,660	636,041
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	132,364	—	—	—	—	—	132,364	7,645	140,009
Other comprehensive income		—	—	—	—	(517)	23,935	77,645	101,063	101,063	2,242	103,306
Total comprehensive income		—	—	132,364	—	(517)	23,935	77,645	101,063	233,428	9,888	243,316
Transactions with the owners												
Acquisition of treasury stock		—	—	—	(5)	—	—	—	—	(5)	—	(5)
Disposal of treasury stock		—	557	—	80	—	—	—	—	638	—	638
Dividends	8	—	—	(33,126)	—	—	—	—	—	(33,126)	(1,226)	(34,352)
Share-based payments		—	1,098	—	—	—	—	—	—	1,098	—	1,098
Others		—	—	—	—	—	—	—	—	—	180	180
Total transactions with the owners		—	1,655	(33,126)	75	—	—	—	—	(31,394)	(1,046)	(32,441)
Total net changes during the period		—	1,655	99,238	75	(517)	23,935	77,645	101,063	202,033	8,841	210,874
As at 31 May 2015		10,273	11,459	624,960	(15,714)	281	46,971	142,181	189,434	820,414	26,502	846,916

For nine months ended 31 May 2016

(Millions of yen)

	Note	Other components of equity							Equity		Total equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	attributable to owners of the parent		Non-controlling interests
As at 1 September 2015		10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	71,010	—	—	—	—	—	71,010	5,684	76,694
Other comprehensive income		—	—	—	—	33	(20,000)	(97,939)	(117,907)	(117,907)	(2,552)	(120,459)
Total comprehensive income		—	—	71,010	—	33	(20,000)	(97,939)	(117,907)	(46,897)	3,131	(43,765)
Transactions with the owners												
Acquisition of treasury stock		—	—	—	(4)	—	—	—	—	(4)	—	(4)
Disposal of treasury stock		—	442	—	57	—	—	—	—	500	—	500
Dividends	8	—	—	(36,702)	—	—	—	—	—	(36,702)	(2,857)	(39,560)
Share-based payments		—	963	—	—	—	—	—	—	963	—	963
Others		—	53	—	—	—	—	—	—	53	587	641
Total transactions with the owners		—	1,460	(36,702)	52	—	—	—	—	(35,189)	(2,269)	(37,459)
Total net changes during the period		—	1,460	34,307	52	33	(20,000)	(97,939)	(117,907)	(82,086)	862	(81,224)
As at 31 May 2016		10,273	12,984	636,931	(15,646)	176	17,850	6,279	24,306	668,850	24,729	693,580

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Profit before income taxes	210,282	122,095
Depreciation and amortization	27,549	27,780
Increase/(decrease) in allowance for doubtful accounts	(3)	29
Increase/(decrease) in other provisions	(4,915)	(8,656)
Interest and dividend income	(1,013)	(1,389)
Interest expenses	829	1,677
Foreign exchange losses/(gains)	(20,035)	23,446
Losses on retirement of property, plant and equipment	2,085	783
Decrease/(increase) in trade and other receivables	(28,197)	(31,474)
Decrease/(increase) in inventories	36,524	30,782
Increase/(decrease) in trade and other payables	(6,335)	12,096
Decrease/(increase) in other assets	(4,189)	(2,899)
Increase/(decrease) in other liabilities	21,181	10,274
Others, net	(277)	(2,008)
Subtotal	233,484	182,537
Interest and dividend income received	1,013	1,389
Interest paid	(751)	(1,134)
Income taxes paid	(66,522)	(68,292)
Income taxes refund	13,881	17,963
Net cash from operating activities	181,105	132,463
Decrease/(increase) in bank deposits with maturity over 3 months	(17,394)	(182,374)
Purchases of property, plant and equipment	(32,469)	(26,982)
Proceeds from sales of property, plant and equipment	230	1,003
Purchases of intangible assets	(5,710)	(6,818)
Payments for lease and guarantee deposits	(7,927)	(6,716)
Proceeds from collection of lease and guarantee deposits	3,442	3,718
Increase in construction assistance fund receivables	(1,937)	(1,186)
Decrease in construction assistance fund receivables	1,352	1,467
Others, net	(385)	(1,089)
Net cash used in investing activities	(60,800)	(218,979)

	Note	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Net increase/(decrease) in short-term loans payable		(878)	(1,287)
Repayment of long-term loans payable		(2,977)	(2,940)
Proceeds from issuance of bonds		—	249,369
Cash dividends paid	8	(33,105)	(36,673)
Cash dividends paid to non-controlling interests		(1,226)	(2,857)
Repayments of lease obligations		(3,355)	(3,482)
Others, net		425	1,128
Net cash from/(used in) financing activities		(41,118)	203,256
Effect of exchange rate changes on cash and cash equivalents		30,845	(18,025)
Net increase/(decrease) in cash and cash equivalents		110,032	98,715
Cash and cash equivalents at beginning of period		314,049	355,212
CASH AND CASH EQUIVALENTS AT END OF PERIOD		424,081	453,927

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting Entity

FAST RETAILING CO., LTD. (the “Company”) is a company incorporated in Japan. The locations of the registered headquarters and principal offices of the Company are disclosed on the Group’s website (<http://www.fastretailing.com/eng/>).

The principal activities of the Company and its consolidated subsidiaries (the “Group”) are the UNIQLO business (casual wear retail business operating under the “UNIQLO” brand in Japan and overseas) and GU business, Theory business (apparel designing and retail business in Japan and overseas), etc.

2. Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The Group adopted Article 93 of Consolidated Quarterly Financial Statements Rules, because the Group meets the criteria of a “specified company” defined under Article 1-2 of the said rules. Since the interim condensed consolidated financial statements do not include all the information and disclosures required for consolidated financial statements, they should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 August 2015.

The interim condensed consolidated financial statements were approved on 15 July 2016 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Executive Vice President and CFO.

3. Significant Accounting Policies

The accounting policies presented in the consolidated financial statements for the year ended 31 August 2015 are applied consistently in the preparation of these interim condensed consolidated financial statements.

4. Use of Estimates and Judgments

The preparation of the interim condensed consolidated financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the accounting period in which the estimates were reviewed and in future accounting periods.

In principle, important estimates and judgments that have significant effects on the amounts recognized in the interim condensed consolidated financial statements are the same as the preceding consolidated fiscal year.

5. Segment information

(i) Description of reportable segments

The Group's reportable segments are components for which discrete financial information is available and is reviewed regularly by the Board to make decisions about the allocation of resources and to assess performance.

The Group's main retail clothing business is divided into three reportable operating segments: UNIQLO Japan, UNIQLO International and Global Brands, each of which is used to frame and form the Group's strategy.

The main businesses covered by each reportable segment are as follows:

UNIQLO Japan: UNIQLO clothing business within Japan

UNIQLO International: UNIQLO clothing business outside of Japan

Global Brands: GU, Theory, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand clothing operations

(ii) Method of calculating segment revenue and results

The methods of accounting for the reportable segments are the same as those stated in the "Significant Accounting Policies" of the Group's annual consolidated financial statements for the year ended 31 August 2015.

The Group does not allocate assets and liabilities to individual reportable segments.

(iii) Segment information

For the nine months ended 31 May 2015

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	638,104	481,876	225,970	1,345,951	2,162	—	1,348,114
Operating profit	113,773	51,959	19,787	185,519	45	3,709	189,274
Segment income (profit before income taxes)	116,964	51,977	19,762	188,704	45	21,532	210,282

(Note1) "Others" include real estate leasing business, etc.

(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

For the nine months ended 31 May 2016

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	645,432	532,813	254,350	1,432,595	2,020	—	1,434,616
Operating profit	93,216	42,235	23,056	158,509	51	(12,731)	145,829
Segment income (profit before income taxes)	92,651	42,073	22,905	157,630	51	(35,586)	122,095

(Note1) "Others" include real estate leasing business, etc.

(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

For the three months ended 31 May 2015

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	183,602	136,372	77,716	397,690	739	—	398,429
Operating profit	24,310	9,097	8,046	41,455	30	(2,288)	39,197
Segment income (profit before income taxes)	26,144	9,982	8,046	44,173	30	2,412	46,615

(Note1) "Others" include real estate leasing business, etc.

(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

For the three months ended 31 May 2016

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	191,738	143,557	87,033	422,330	632	—	422,962
Operating profit	29,103	12,832	8,746	50,683	43	(4,238)	46,488
Segment income (profit before income taxes)	28,856	13,406	9,254	51,517	43	(11,506)	40,054

(Note1) "Others" include real estate leasing business, etc.

(Note2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

6. Inventories

Write-down of inventories to net realizable value and recognized as expenses is as follows:

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Write-down of inventories to net realizable value	2,377	3,430

7. Property, plant and equipment

The breakdown of property, plant and equipment at each reporting date is as follows:

(Millions of yen)

	As at 31 August 2015	As at 31 May 2016
Buildings and structures	91,635	90,494
Furniture, equipment and vehicles	16,825	16,269
Land	2,643	1,962
Construction in progress	7,284	7,053
Lease assets	10,952	12,249
Total	129,340	128,030

8. Dividends

The total amount of dividends paid was as follows:

Dividends paid during the nine months ended 31 May 2015

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board of Directors on 3 November 2014	15,287	150
Meeting of the Board of Directors on 9 April 2015	17,838	175

Dividends for which the declared date is 31 August 2014 are paid on or after 21 November 2014 as the effective date.

Dividends for which the declared date is 28 February 2015 are paid on or after 11 May 2015 as the effective date.

Dividends paid during the nine months ended 31 May 2016

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board of Directors on 4 November 2015	17,840	175
Meeting of the Board of Directors on 7 April 2016	18,861	185

Dividends for which the declared date is 31 August 2015 are paid on or after 11 November 2015 as the effective date.

Dividends for which the declared date is 29 February 2016 are paid on or after 11 May 2016 as the effective date.

9. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses for each reporting period is as follows:

	(Millions of yen)	
	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Selling, general and administrative expenses		
Advertising and promotion	53,713	58,513
Rental expenses	127,674	132,673
Depreciation and amortization	27,549	27,780
Outsourcing	21,367	24,961
Salaries	167,683	181,018
Others	104,816	115,531
Total	502,805	540,479

10. Other income and other expenses

The breakdown of other income and other expenses for each reporting period is as follows:

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Other income		
Foreign exchange gains*	8,118	—
Gains on sales of property, plant and equipment	38	34
Others	1,485	1,842
Total	9,641	1,877

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Other expenses		
Foreign exchange losses*	—	6,776
Loss on retirement of property, plant and equipment	2,085	783
Others	1,934	2,384
Total	4,020	9,943

* Currency adjustments incurred in the course of operating transactions are included in “other income and other expenses”.

11. Finance income and finance costs

The breakdown of finance income and finance costs for each reporting period is as follows:

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Finance income		
Foreign exchange gains*	20,035	—
Interest income	978	1,384
Dividend income	34	5
Others	792	—
Total	21,840	1,389

(Millions of yen)

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Finance costs		
Foreign exchange losses*	—	23,446
Interest expenses	829	1,677
Others	3	—
Total	833	25,124

* Currency adjustments incurred in the course of non-operating transactions are included in “finance income and finance costs”.

12. Earnings per share

Nine months ended 31 May 2015		Nine months ended 31 May 2016	
Equity per share attributable to owners of the parent (Yen)	8,048.03	Equity per share attributable to owners of the parent (Yen)	6,559.91
Basic earnings per share for the period (Yen)	1,298.60	Basic earnings per share for the period (Yen)	696.50
Diluted earnings per share for the period (Yen)	1,296.99	Diluted earnings per share for the period (Yen)	696.54

(Note) The basis for calculation of basic earnings per share and diluted earnings per share for the period is as follows:

	Nine months ended 31 May 2015	Nine months ended 31 May 2016
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	132,364	71,010
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	132,364	71,010
Average number of common stock during the period (Shares)	101,928,795	101,952,746
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	126,620	140,984
(share subscription rights)	(126,620)	(140,984)

Three months ended 31 May 2015		Three months ended 31 May 2016	
Basic earnings per share for the period (Yen)	270.86	Basic earnings per share for the period (Yen)	235.07
Diluted earnings per share for the period (Yen)	270.51	Diluted earnings per share for the period (Yen)	234.74

(Note) The basis for calculation of basic earnings per share and diluted earnings per share for the period is as follows:

	Three months ended 31 May 2015	Three months ended 31 May 2016
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	27,611	23,967
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	27,611	23,967
Average number of common stock during the period (Shares)	101,937,554	101,958,301
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	132,190	144,318
(share subscription rights)	(132,190)	(144,318)

13. Fair value of financial instruments

The information about carrying amount and fair value of financial instruments is as follows:

(Millions of yen)

	As at 31 August 2015		As at 31 May 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	4,652	4,652	3,020	3,020
Long-term borrowings (Note1)	21,121	21,270	17,133	17,375
Corporate bonds (Note2)	—	—	249,462	254,450
Lease obligations (Note1)	12,262	12,197	12,988	12,854
Total	38,035	38,120	282,605	287,701

(Note1) The above includes the outstanding balance of borrowings due within 1 year.

(Note2) Corporate bonds issued during the nine-month ended 31 May, 2016 are as follows.

(Millions of yen)

Company name	Name of bonds	Date of issuance	Amount to be issued	Interest Rate (%)	Date of maturity
FAST RETAILING CO., LTD.	1st non-collateralized corporate bonds	18 December 2015	30,000	0.110	18 December 2018
FAST RETAILING CO., LTD.	2nd non-collateralized corporate bonds	18 December 2015	100,000	0.291	18 December 2020
FAST RETAILING CO., LTD.	3rd non-collateralized corporate bonds	18 December 2015	50,000	0.491	16 December 2022
FAST RETAILING CO., LTD.	4th non-collateralized corporate bonds	18 December 2015	70,000	0.749	18 December 2025

The fair value of short-term financial assets, short-term financial liabilities, long-term financial assets and long-term financial liabilities are measured by amortized cost and approximate their carrying amounts.

The fair value of corporate bonds is measured by the market price.

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(Millions of yen)

As at 31 August 2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	363	—	210	574
Financial instruments at fair value through profit or loss (“FVTPL”)	—	556	—	556
Foreign currency forward contracts designated as hedging instruments	—	156,834	—	156,834
Total	363	157,390	210	157,964

(Millions of yen)

As at 31 May 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,339	—	208	1,547
Financial instruments at FVTPL	—	30	—	30
Foreign currency forward contracts designated as hedging instruments	—	7,611	—	7,611
Total	1,339	7,641	208	9,188

For the valuation of level 2 derivative financial instruments for which a market value is available, we use a valuation model that uses observable data on the measurement date as indicators such as interest rates, yield curves, currency rates and volatility in comparable instruments.

Unlisted securities are included in level 3. There is no significant increase or decrease in level 3 items through purchase, disposal or settlement. Also, there is no transfer from level 3 to level 2.

14. Commitments

The Group had the following commitments at each reporting dates:

(Millions of yen)

	As at 31 August 2015	As at 31 May 2016
Commitment for acquisition of property, plant and equipment	8,825	11,415
Commitment for acquisition of intangible assets	85	—
Total	8,910	11,415

15. Subsequent Events

Not applicable.

2. Others

Dividends

The Company resolved to pay a dividend from retained earnings at the meeting of the Board of Directors convened on 7 April 2016.

The total amount of dividend and amount per share are stated under “Financial section 1. Interim Condensed Consolidated Financial Statements, Notes to the Interim Condensed Consolidated Financial Statements 8. Dividends”.

Report on review of interim condensed consolidated financial statements

Board of Directors
FAST RETAILING CO., LTD.

Ernst & Young ShinNihon LLC

Shigeyuki Amimoto
Certified Public Accountant
Designated and Engagement Partner

Shuji Kaneko
Certified Public Accountant
Designated and Engagement Partner

Tomo Ito
Certified Public Accountant
Designated and Engagement Partner

Pursuant to first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim condensed consolidated financial information included in the financial section, which comprises the interim condensed consolidated statement of financial position of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as at 31 May 2016, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and the nine-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended, and other explanatory notes (the "Interim Financial Information").

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of the Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), pursuant to Article 93 of the "Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements", and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC

Tokyo, Japan
15 July 2016

(Note)

This is an English translation of the Japanese language Independent Auditors' Report issued by Ernst & Young ShinNihon LLC in connection with the review of the interim condensed consolidated financial statements of the Group prepared in Japanese for the period ended 31 May 2016. Ernst & Young ShinNihon LLC has not reviewed the English language version of the interim condensed consolidated financial statements for the above mentioned period.