



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

First Quarterly Report 2016/17

2016.9.1–2016.11.30

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

Midtown Tower 9-7-1

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	First Quarter of 55th Year	First Quarter of 56th Year	55th Year
Accounting period	Three months ended 30 November 2015	Three months ended 30 November 2016	Year ended 31 August 2016
Revenue (Millions of yen)	520,303	528,847	1,786,473
Operating profit (Millions of yen)	75,921	88,591	127,292
Profit before income taxes (Millions of yen)	77,666	104,204	90,237
Profit attributable to owners of the parent (Millions of yen)	48,024	69,695	48,052
Comprehensive income/(loss) attributable to owners of the parent (Millions of yen)	45,012	151,581	(139,372)
Equity attributable to owners of the parent (Millions of yen)	779,368	710,441	574,501
Total assets (Millions of yen)	1,264,584	1,410,933	1,238,119
Basic earnings per share for the period (year) (Yen)	471.07	683.51	471.31
Diluted earnings per share for the period (year) (Yen)	470.48	682.60	470.69
Ratio of equity attributable to owners of the parent to total assets (%)	61.6	50.4	46.4
Net cash from operating activities (Millions of yen)	58,501	99,886	98,755
Net cash used in investing activities (Millions of yen)	(7,178)	(15,049)	(245,939)
Net cash from/(used in) financing activities (Millions of yen)	(21,478)	(19,627)	201,428
Cash and cash equivalents at end of the period (year) (Millions of yen)	387,537	465,691	385,431

- (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 three months ended 30 November 2016.

Important changes concerning subsidiaries are as follows:

Not applicable.

Management Discussion and Analysis

Business Review

1. Business and Operational Risks

No new business-related risks have arisen during the three months ended 30 November 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 both consolidated revenue and consolidated operating profit in the first quarter of fiscal 2017, or the three months from 1 September to 30 November 2016. Consolidated revenue reached ¥528.8 billion (+1.6% year-on-year), while consolidated operating profit totaled ¥88.5 billion (+16.7% year-on-year). While the gross profit margin held steady year-on-year, the selling, general and administrative expense ratio improved by 1.8 points as we continued the Group-wide cost-cutting drive initiated in fiscal 2016. We recorded a foreign exchange gain of ¥15.6 billion under finance income as the November month-end yen spot exchange rate is lower than the August month-end rate, boosting the carrying amount of our long-term foreign-currency denominated assets in terms of yen. As a result, Fast Retailing consolidated profit rose considerably in the first quarter, with profit before income taxes increased to ¥104.2 billion (+34.2% year-on-year), and profit attributable to owners of the parent expanded to ¥69.6 billion (+45.1% year-on-year). Breaking the first-quarter performance down into the three individual business segments: UNIQLO Japan reported increases in both revenue and operating profit, UNIQLO International recorded a fall in revenue but a rise in operating profit, and Global Brands generated a rise in revenue but a fall in operating profit.

The Group's medium-term vision is to become the world's number one apparel digital retailer. To this aim, we are focusing our efforts on expanding UNIQLO International's operations and our low-priced GU casual fashion brand. We continue to increase 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. In addition, we are also expanding our GU operation, which has grown into a second pillar brand for the Group alongside UNIQLO, by opening more GU stores within Japan and accelerating the brand's development and store numbers in overseas markets.

Another medium-term goal is to revolutionize our entire supply chain, spanning all procedures from planning to design, raw materials procurement, manufacturing and retail into a new supply chain system that can fully satisfy the needs of today's digital era. The customer-centric, information-driven supply chain is designed to support a comprehensive new digital retailing business model for the Fast Retailing Group. In February 2017, all UNIQLO product-related and commercial functions will be moved to our central Ariake headquarters to help build a swift, concurrent product- and information-creation system.

UNIQLO Japan

UNIQLO Japan generated rises in both revenue and operating profit in the first quarter of fiscal 2017, with revenue totaling ¥238.8 billion (+3.4% year-on-year) and operating profit totaling ¥45.6 billion (+1.8% year-on-year). Same-store including online sales increased 2.5% year-on-year. The total number of UNIQLO Japan stores declined by a net of 6 stores year-on-year to 800 (excluding 41 franchise stores) at the end of November 2016. Of this total, three stores shifted from directly operated stores to employee franchise stores.

Looking at the quarter in more detail, same-store sales declined in September and October due to unseasonal warm weather that dampened demand for Fall Winter items. However, once temperatures dropped in November, same-store sales picked up. The UNIQLO anniversary sale proved strong, so did sales of core products such as cashmere sweaters, HEATTECH innerwear, and outerwear. Customer visits showed signs of recovery, rising year-on-year in the first quarter partly on the back of our decision to continue the new attractive, readily recognizable price strategy introduced in fiscal 2016. Firm control over discounting helped generate a 0.3 point improvement in the gross profit margin year-on-year. However, the selling, general and administrative expense ratio rose by 0.2 point year-on-year. While continued cost-cutting efforts helped reduce business costs such as advertising and promotion, outsourcing and business trips, distribution costs increased in relation to the transformation of our logistics systems.

UNIQLO International

UNIQLO International reported a fall in revenue to ¥196.5 billion (-0.2% year-on-year) but a strong rise in operating profit to ¥30.1 billion (+44.6% year-on-year) in the first quarter of fiscal 2017. The fall in revenue was due largely to the effect of the stronger yen compared to the previous year, which pushed yen-based sales down by an average 16%. However in terms of local currencies, sales rose across all of UNIQLO international's operations. On the profit side, the segment's operating profit margin increased 4.7 points in the first quarter, thanks to an improvement in the gross profit margin, and a successful cost-cutting drive which helped reduce the selling, general and administrative expense ratio. Profit contributions from UNIQLO Greater China, UNIQLO Southeast Asia and Oceania were especially strong. Meanwhile, an improvement in the gross profit margin at UNIQLO USA helped reduce operating losses at that operation. UNIQLO's first two stores in Canada, opened in September 2016, got off to a great start by attaining higher-than-expected sales. Fifteen years after the first UNIQLO store outside Japan was opened in fall 2001, the UNIQLO International network surpassed the mark of 1,000 stores, finally settling at 1,009 stores (+145 stores year-on-year) at the end of November 2016.

Global Brands

Global Brands' revenue expanded to ¥92.7 billion (+1.1% year-on-year), but operating profit declined to ¥9.5 billion (-22.7% year-on-year).

Our low-priced GU casual fashion brand generated a rise in revenue but a fall in operating profit after unseasonal warm weather in September stifled early sales of Fall ranges. While sales of trendy items such as coatigans and MA-1 blouson jackets picked up strongly from October onwards, GU same-store sales only expanded marginally over the first quarter as a whole. GU's operating profit declined in the first quarter after lower-than-expected sales resulted in greater discounting of Fall inventory, and a year-on-year contraction in the gross profit margin. Though advertising and other expenses were reduced as part of our cost-cutting drive, personnel and distribution costs rose, pushed the selling, general and administrative expense ratio higher.

At other global brands, our France-based Princesse tam.tam label and our US-based J Brand premium denim label continued to generate a loss, while fashion brands Theory and Comptoir des Cotonniers recorded steady operating profit.

Corporate Social Responsibility ("CSR") and Environmental Protection

"Fulfilling our social responsibility," "contributing to society," and "solving social issues and creating new value" are the basic policies under which the Group conducts its CSR activities, and we are engaging in both global and local activities.

As an initiative to improve working conditions in our supply chain, we have been monitoring the working conditions at our suppliers' factories. In addition, we joined the Fair Labor Association (FLA), which is an international non-profit organization that works to protect the rights of factory workers and with their assistance, we revised the code of conduct (CoC) for our production partners with the assistance of FLA. This enables us to further promote improvements in working conditions and build a sustainable supply chain.

Since 2011, we have engaged in assisting refugees through a global partnership with the United Nations High Commissioner for Refugees (UNHCR). In November 2015, we hosted a joint press conference with UNHCR, where we made announcements such as donating a total of 10 million dollars in the coming 3 years, expanding employment of refugees, and providing aid in the form of emergency clothing. In October 2016, we decided to donate 1 million dollars of our total funds of 10 million dollars to humanitarian aid efforts in South Sudan, which is particularly at risk.

In our "All-Product Recycling Initiative," we deliver clothing collected at Uniqlo and GU stores to refugees and displaced persons, and in November 2016, employees at our head office visited Myanmar to donate approximately 60 thousand items of clothing. On this occasion, the recipients were internally displaced persons living in Kachin State and Rakhine State. Apart from the Burmese population, there are numerous minorities living in Myanmar leads to internal conflict in regions around the country. This forces many internally displaced persons into harsh circumstances. We will continue to aid refugees and displaced persons in this manner through our "All-Product Recycling Initiative."

(2) Financial Positions

Total assets as at 30 November 2016 were ¥1,410.9 billion, which was an increase of ¥172.8 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥80.2 billion in cash and cash equivalents, an increase of ¥65.2 billion in trade and other receivables, an increase of ¥22.7 billion in other current financial assets and an increased ¥22.5 billion in derivative financial assets.

Total liabilities as at 30 November 2016 were ¥672.0 billion, which was an increase of ¥31.6 billion relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of ¥71.4 billion in derivative financial liabilities, an increase of ¥67.5 billion in trade and other payables, an increase of ¥19.4 billion in income taxes payable and an increase of ¥16.7 billion in other current liabilities.

Total net assets as at 30 November 2016 were ¥738.8 billion, which was an increase of ¥141.1 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥52.8 billion in retained earnings and an increase of ¥81.8 billion in other components of equity.

(3) Cash Flows Information

Cash and cash equivalents as at 30 November 2016 had increased by ¥78.1 billion from the three months ended 30 November 2015, to ¥465.6 billion.

Net cash from operating activities for the three months ended 30 November 2016 was ¥99.8 billion, which was an increase of ¥41.3 billion (+70.7 % year-on-year) from the three months ended 30 November 2015. The principal factors were ¥104.2 billion in profit before income taxes (an increase of ¥26.5 billion from the three months ended 30 November 2015), foreign exchange gains amounted to ¥15.6 billion (an increase of ¥13.9 billion from the three months ended 30 November 2015) and ¥7.1 billion in income taxes paid (a decrease of ¥26.9 billion from the three months ended 30 November 2015).

Net cash used in investing activities for the three months ended 30 November 2016 was ¥15.0 billion, which was an increase of ¥7.8 billion (+109.7 % year-on-year) from the three months ended 30 November 2015. The principal factors were decrease of ¥2.0 billion in bank deposits with maturity over 3 months (an increase of ¥8.1 billion from the three months ended 30 November 2015) and ¥8.7 billion for purchases of property, plant and equipment (a decrease of ¥2.4 billion from the three months ended 30 November 2015).

Net cash used in financing activities for the three months ended 30 November 2016 was ¥19.6 billion, which was a decrease of ¥1.8 billion (-8.6 % year-on-year) from the three months ended 30 November 2015. The principal factor was ¥16.7 billion for cash dividends paid (a decrease of ¥1.0 billion from the three months ended 30 November 2015) and ¥1.2 billion for net decrease in short-term loans payable (a decrease of ¥1.3 billion from the three months ended 30 November 2015).

(4) Operational and Financial Assignment

There have been no important changes during the three months ended 30 November 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 three months ended 30 November 2016.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO CANADA INC.	UNIQLO International Stores	UNIQLO Toronto Eaton Centre	Toronto, Ontario, Canada	September 2016
UNIQLO CANADA INC.	UNIQLO International Stores	UNIQLO Yorkdale Shopping Centre	Toronto, Ontario, Canada	October 2016
UNIQLO SINGAPORE PTE. LTD	UNIQLO International Stores	Orchard Central	Singapore	September 2016

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 30 November 2016	Number of shares issued as of submission date (Shares) (As at 13 January 2017)	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

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan. Share subscription rights issued in the three months ended 30 November 2016 are as follows:

(i) 7th Share subscription rights A type

Resolution date	13 October 2016
Number of stock options (Shares)	2,821
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	2,821
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From 11 November 2019 To 10 November 2026
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 34,684 Paid-in capital: 17,342
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Notes)

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

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

(ii) 7th Share subscription rights B type

Resolution date	13 October 2016
Number of stock options (Shares)	31,726
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	31,726
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From 11 December 2016 To 10 November 2026
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 35,168 Paid-in capital: 17,584
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Notes)

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

- Number of share subscription rights to be issued by the Company Resulting From Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
- Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
Common stock of the Company Resulting From Reorganization.
- Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
- Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
- Period during which share subscription rights can be exercised:
The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.

6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iii) 7th Share subscription rights C type

Resolution date	13 October 2016
Number of stock options (Shares)	5,205
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	5,205
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	11 November 2019
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 35,855 Paid-in capital: 17,928
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Notes)

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

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights:
Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.

4. Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription rights that is issued.
5. Period during which share subscription rights can be exercised:
The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.

(3) Exercise of convertible bonds with conditional permission for adjustment of exercise price
Not applicable.

(4) Content of Rights Plan
Not applicable.

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

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 September 2016 to 30 November 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 three months ended 30 November 2016.

(6) Principal Shareholders
There are no items to state, as the accounting period under review is the first quarter accounting period.

(7) Voting Rights
Concerning "Voting Rights" as at the end of the first quarterly accounting period ended 30 November 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 (31 August 2016).

(i) Shares issued

As at 30 November 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 4,109,500	—	—
Shares with full voting rights (others)	Common stock 101,909,400	1,019,094	(Note) 1
Shares less than one unit	Common stock 54,756	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,094	—

- (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 3 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 30 November 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	4,109,500	—	4,109,500	3.87
Total	—	4,109,500	—	4,109,500	3.87

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 three months ended 30 November 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 ended 30 November 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 2016	As at 30 November 2016
ASSETS			
Current assets			
Cash and cash equivalents		385,431	465,691
Trade and other receivables		45,178	110,461
Other current financial assets	13	184,239	207,016
Inventories	6	270,004	273,625
Derivative financial assets	13	569	23,130
Income taxes receivable		21,626	17,624
Others		17,534	17,007
Total current assets		924,583	1,114,558
Non-current assets			
Property, plant and equipment	7	121,853	128,394
Goodwill		17,908	18,089
Other intangible assets		34,205	35,956
Non-current financial assets	13	77,553	78,313
Investments in an associate		13,132	13,517
Deferred tax assets		44,428	17,249
Others		4,453	4,854
Total non-current assets		313,535	296,374
Total assets		1,238,119	1,410,933
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		189,501	257,061
Derivative financial liabilities	13	72,388	901
Other current financial liabilities	13	12,581	14,253
Income taxes payable		9,602	29,024
Provisions		22,284	14,559
Others		31,689	48,450
Total current liabilities		338,046	364,251
Non-current liabilities			
Non-current financial liabilities	13	274,090	275,957
Provisions		10,645	10,874
Deferred tax liabilities		3,809	5,275
Others		13,865	15,737
Total non-current liabilities		302,411	307,844
Total liabilities		640,458	672,096
EQUITY			
Capital stock		10,273	10,273
Capital surplus		13,070	14,237
Retained earnings		613,974	666,845
Treasury stock, at cost		(15,633)	(15,617)
Other components of equity		(47,183)	34,702
Equity attributable to owners of the parent		574,501	710,441
Non-controlling interests		23,159	28,395
Total equity		597,661	738,836
Total liabilities and equity		1,238,119	1,410,933

(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

Three months ended 30 November 2016

(Millions of yen)

	Notes	Three months ended 30 November 2015	Three months ended 30 November 2016
Revenue		520,303	528,847
Cost of sales		(254,033)	(258,160)
Gross profit		266,269	270,686
Selling, general and administrative expenses	9	(190,680)	(184,193)
Other income	10	795	2,765
Other expenses	10	(463)	(667)
Operating profit		75,921	88,591
Finance income	11	2,119	16,390
Finance costs	11	(374)	(776)
Profit before income taxes		77,666	104,204
Income taxes		(26,534)	(30,506)
Profit for the period		51,131	73,698
Attributable to:			
Owners of the parent		48,024	69,695
Non-controlling interests		3,107	4,002
Profit for the period		51,131	73,698
Earnings per share			
Basic (Yen)	12	471.07	683.51
Diluted (Yen)	12	470.48	682.60

Interim Condensed Consolidated Statement of Comprehensive Income

Three months ended 30 November 2016

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Profit for the period	51,131	73,698
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	11	47
Exchange differences on translation of foreign operations	3,432	21,182
Cash flow hedges	(5,915)	63,120
Other comprehensive income/(loss), net of taxes	(2,471)	84,350
Total comprehensive income/(loss) for the period	48,660	158,048
Attributable to:		
Owners of the parent	45,012	151,581
Non-controlling interests	3,648	6,467
Total comprehensive income/(loss) for the period	48,660	158,048

(3) Interim Condensed Consolidated Statement of Changes in Equity

For three months ended 30 November 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 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		—	—	48,024	—	—	—	—	—	48,024	3,107	51,131
Other comprehensive income		—	—	—	—	11	2,490	(5,514)	(3,012)	(3,012)	540	(2,471)
Total comprehensive income		—	—	48,024	—	11	2,490	(5,514)	(3,012)	45,012	3,648	48,660
Transactions with the owners												
Acquisition of treasury stock		—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock		—	80	—	13	—	—	—	—	93	—	93
Dividends	8	—	—	(17,840)	—	—	—	—	—	(17,840)	(2,067)	(19,907)
Share-based payments		—	1,165	—	—	—	—	—	—	1,165	—	1,165
Others		—	—	—	—	—	—	—	—	—	121	121
Total transactions with the owners		—	1,245	(17,840)	13	—	—	—	—	(16,581)	(1,945)	(18,527)
Total net changes during the period		—	1,245	30,184	13	11	2,490	(5,514)	(3,012)	28,430	1,702	30,133
As at 30 November 2015		10,273	12,770	632,808	(15,686)	154	40,342	98,704	139,201	779,368	25,569	804,938

For three months ended 30 November 2016

(Millions of yen)

	Note	Other components of equity							Equity attributable to owners of the parent		Non-controlling interests	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			
As at 1 September 2016		10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	69,695	—	—	—	—	—	69,695	4,002	73,698
Other comprehensive income		—	—	—	—	47	19,982	61,855	81,885	81,885	2,464	84,350
Total comprehensive income		—	—	69,695	—	47	19,982	61,855	81,885	151,581	6,467	158,048
Transactions with the owners												
Acquisition of treasury stock		—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock		—	117	—	15	—	—	—	—	133	—	133
Dividends	8	—	—	(16,824)	—	—	—	—	—	(16,824)	(1,231)	(18,055)
Share-based payments		—	1,049	—	—	—	—	—	—	1,049	—	1,049
Total transactions with the owners		—	1,167	(16,824)	15	—	—	—	—	(15,641)	(1,231)	(16,873)
Total net changes during the period		—	1,167	52,871	15	47	19,982	61,855	81,885	135,939	5,236	141,175
As at 30 November 2016		10,273	14,237	666,845	(15,617)	296	17,170	17,235	34,702	710,441	28,395	738,836

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Profit before income taxes	77,666	104,204
Depreciation and amortization	9,209	8,552
Increase/(decrease) in allowance for doubtful accounts	(38)	(4)
Increase/(decrease) in other provisions	(7,770)	(8,658)
Interest and dividend income	(417)	(542)
Interest expenses	374	776
Foreign exchange losses/(gains)	(1,701)	(15,672)
Share of profit and loss of an associate	—	(188)
Losses on retirement of property, plant and equipment	96	213
Decrease/(increase) in trade and other receivables	(61,221)	(62,006)
Decrease/(increase) in inventories	(11,432)	4,656
Increase/(decrease) in trade and other payables	73,982	63,515
Decrease/(increase) in other assets	(1,261)	(9,154)
Increase/(decrease) in other liabilities	13,272	22,025
Others, net	1,809	(835)
Subtotal	92,567	106,882
Interest and dividend income received	300	542
Interest paid	(289)	(431)
Income taxes paid	(34,077)	(7,107)
Net cash from operating activities	58,501	99,886
Decrease/(increase) in bank deposits with maturity over 3 months	6,090	(2,046)
Purchases of property, plant and equipment	(11,116)	(8,703)
Proceeds from sales of property, plant and equipment	1,003	—
Purchases of intangible assets	(2,359)	(3,216)
Payments for lease and guarantee deposits	(1,133)	(1,079)
Proceeds from collection of lease and guarantee deposits	226	237
Investment in an associate	—	(196)
Increase in construction assistance fund receivables	(506)	(420)
Decrease in construction assistance fund receivables	543	440
Others, net	75	(65)
Net cash used in investing activities	(7,178)	(15,049)

(Millions of yen)

	Note	Three months ended 30 November 2015	Three months ended 30 November 2016
Net increase/(decrease) in short-term loans payable		(2,576)	(1,231)
Cash dividends paid	8	(17,807)	(16,971)
Repayments of lease obligations		(1,147)	(1,338)
Others, net		52	(266)
Net cash used in financing activities		(21,478)	(19,627)
Effect of exchange rate changes on cash and cash equivalents		2,480	15,051
Net increase/(decrease) in cash and cash equivalents		32,324	80,260
Cash and cash equivalents at beginning of period		355,212	385,431
CASH AND CASH EQUIVALENTS AT END OF PERIOD		387,537	465,691

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 meets all criteria of a “specified company” defined under Article 1-2 of the Rules Governing Term, Form, and Preparation of Consolidated Quarterly Financial Statements, and accordingly applies Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Quarterly Financial Statements. 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 2016.

The interim condensed consolidated financial statements were approved on 13 January 2017 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Executive Vice President and CFO.

3. Significant Accounting Policies

Except for the following standards that have been newly applied, the accounting policies presented in the consolidated financial statements for the year ended 31 August 2016, are applied consistently in the preparation of these interim condensed consolidated financial statements.

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the interim condensed consolidated financial statements for the three months ended 30 November 2016.

IFRS	Title	Summary of new standards and amendments
IAS 1 (Amendments)	Amendments to IAS 1 Presentation of Financial Statements	Clarification of methods of presentation of financial statements and disclosures
IAS16 (Amendments)	Amendments to IAS 16 Property, Plant and Equipment	Clarification of acceptable methods of depreciation and amortization
IAS 28 (Amendments)	Amendments to IAS 28 Investments in Associates and Joint Ventures	Clarification of items requested regarding accounting treatment of investment entities
IAS 34 (Amendments)	Amendments to IAS 34 Interim Financial Reporting	Clarifying the handling of information required by IAS 34, when given in the "Other" section of the financial reports for the term.
IAS 38 (Amendments)	Amendments to IAS 38 Intangible Assets	Clarification of acceptable methods of depreciation and amortization
IFRS 5 (Amendments)	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Clarification of accounting treatment of non-current assets, when the categorization requirements regarding "holding for purpose of allocation to owner" are no longer met, or when the category is changed from "holding for purpose of sale" to "holding for purpose of allocation to owner."
IFRS 7 (Amendments)	Amendments to IFRS 7 Financial Instruments: Disclosures	Clarification of standards for determination of continuing involvement in financial assets to be transferred. Clarification of scope of applicable range for offsetting financial assets and financial liabilities in financial reports.
IFRS 10 (Amendments)	Amendments to IFRS 10 Consolidated Financial Statements	Clarification of items requested regarding accounting treatment of investment entities
IFRS 12 (Amendments)	Amendments to IFRS 12 — Disclosures of interests in other entities	Sets out the disclosure requirements for investment entities.

There is no significant impact on the interim condensed consolidated financial statements upon adoption.

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 2016.

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

(iii) Segment information

For the three months ended 30 November 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	230,939	196,943	91,825	519,708	595	—	520,303
Operating profit	44,821	20,869	12,401	78,093	(109)	(2,062)	75,921
Segment income (profit before income taxes)	44,988	20,960	12,362	78,311	(109)	(534)	77,666

(Note 1) "Others" include real estate leasing business, etc.

(Note 2) "Adjustments" mainly include revenue and corporate expenses which are not allocated to individual reportable segments.

For the three months ended 30 November 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	238,850	196,554	92,799	528,204	642	—	528,847
Operating profit	45,613	30,167	9,582	85,363	46	3,181	88,591
Segment income (profit before income taxes)	48,150	30,472	9,530	88,153	46	16,005	104,204

(Note 1) "Others" include real estate leasing business, etc.

(Note 2) "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)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Write-down of inventories to net realizable value	2,335	3,138

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 2016	As at 30 November 2016
Buildings and structures	81,759	88,777
Furniture, equipment and vehicles	13,733	14,457
Land	1,962	1,962
Construction in progress	11,029	9,504
Lease assets	13,368	13,693
Total	121,853	128,394

8. Dividends

The total amount of dividends paid was as follows:

Dividends paid during the three months ended 30 November 2015

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

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

Dividends paid during the three months ended 30 November 2016

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board of Directors on 4 November 2016	16,824	165

Dividends for which the declared date is 31 August 2016 are paid on or after 11 November 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)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Selling, general and administrative expenses		
Advertising and promotion	23,935	22,008
Rental expenses	45,769	44,854
Depreciation and amortization	9,209	8,552
Outsourcing	9,024	7,339
Salaries	61,731	60,162
Others	41,009	41,275
Total	190,680	184,193

10. Other income and other expenses

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

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Other income		
Foreign exchange gains*	203	2,156
Gains on sales of property, plant and equipment	7	0
Share of profit and loss of an associate	—	188
Others	584	419
Total	795	2,765

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

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Other expenses		
Loss on retirement of property, plant and equipment	96	213
Others	367	453
Total	463	667

11. Finance income and finance costs

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

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Finance income		
Foreign exchange gains*	1,701	15,672
Interest income	417	542
Dividend income	0	0
Others	—	175
Total	2,119	16,390

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

(Millions of yen)

	Three months ended 30 November 2015	Three months ended 30 November 2016
Finance costs		
Interest expenses	374	776
Total	374	776

12. Earnings per share

Three months ended 30 November 2015		Three months ended 30 November 2016	
Equity per share attributable to owners of the parent (Yen)	7,644.70	Equity per share attributable to owners of the parent (Yen)	6,967.28
Basic earnings per share for the period (Yen)	471.07	Basic earnings per share for the period (Yen)	683.51
Diluted earnings per share for the period (Yen)	470.48	Diluted earnings per share for the period (Yen)	682.60

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

	Three months ended 30 November 2015	Three months ended 30 November 2016
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	48,024	69,695
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	48,024	69,695
Average number of common stock during the period (Shares)	101,947,408	101,966,443
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares) (share subscription rights)	129,190 (129,190)	136,413 (136,413)

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 2016		As at 30 November 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	3,788	3,788	2,686	2,686
Long-term borrowings (Note)	14,120	14,298	15,301	15,474
Corporate bonds	249,486	253,850	249,511	252,852
Lease obligations (Note)	16,069	16,001	17,209	17,208
Total	283,465	287,939	284,707	288,221

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

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 with reference to 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

① The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

(Millions of yen)

As at 31 August 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,424	—	212	1,636
Financial instruments at fair value through profit or loss ("FVTPL")	—	(8)	—	(8)
Foreign currency forward contracts designated as hedging instruments	—	(71,810)	—	(71,810)
Total	1,424	(71,818)	212	(70,182)

(Millions of yen)

As at 30 November 2016	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	763	—	212	976
Financial instruments at FVTPL	—	0	—	0
Foreign currency forward contracts designated as hedging instruments	—	22,229	—	22,229
Total	763	22,229	212	23,205

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.

② The financial instruments measured at amortized cost

The fair value measurements for corporate bonds, long-term borrowings and lease obligations are classified as level 2.

14. Commitments

The Group had the following commitments at each reporting dates:

(Millions of yen)

	As at 31 August 2016	As at 30 November 2016
Commitment for acquisition of property, plant and equipment	9,889	7,537
Commitment for acquisition of intangible assets	399	175
Total	10,288	7,712

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 4 November 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

Masayuki Miyairi
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 30 November 2016, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three -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
13 January 2017

(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 30 November 2016. Ernst & Young ShinNihon LLC has not reviewed the English language version of the interim condensed consolidated financial statements for the above mentioned period.