FAST RETAILING

FAST RETAILING CO., LTD.
迅銷有限公司

First Quarterly Report 2017/18

2017.9.1–2017.11.30

Stock Code: 6288

Contents

Corporate Profile

Board of Directors

Executive Director

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

Non-Executive Director

Mr. Toru Murayama *(External)*

Independent Non-Executive Directors

Mr. Toru Hambayashi *(External)*
Mr. Nobumichi Hattori *(External)*
Mr. Masaaki Shintaku *(External)*
Mr. Takashi Nawa *(External)*

Audit & Supervisory Board Members

Mr. Akira Tanaka
Mr. Masaaki Shinjo
Mr. Takaharu Yasumoto *(External)*
Mr. Akira Watanabe *(External)*
Ms. Keiko Kaneko *(External)*

Joint Company Secretaries

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

External Independent Accountants

Deloitte Touche Tohmatsu 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, Mira Place Tower A,
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 56th Year	First Quarter of 57th Year	56th Year
Accounting period	Three months ended 30 November 2016	Three months ended 30 November 2017	Year ended 31 August 2017
Revenue (Millions of yen)	528,847	617,026	1,861,917
Operating profit (Millions of yen)	88,591	113,901	176,414
Profit before income taxes (Millions of yen)	104,204	117,832	193,398
Profit attributable to owners of the Parent (Millions of yen)	69,695	78,540	119,280
Comprehensive income/(loss) attributable to owners of the Parent (Millions of yen)	151,581	88,565	190,566
Equity attributable to owners of the Parent (Millions of yen)	710,441	806,281	731,770
Total assets (Millions of yen)	1,410,933	1,633,058	1,388,486
Basic earnings per share for the period (Yen)	683.51	770.11	1,169.70
Diluted earnings per share for the period (Yen)	682.60	768.99	1,168.00
Ratio of equity attributable to owners of the Parent to total assets (%)	50.4	49.4	52.7
Net cash generated by operating activities (Millions of yen)	99,886	120,056	212,168
Net cash used in investing activities (Millions of yen)	(15,049)	(5,390)	122,790
Net cash used in financing activities (Millions of yen)	(19,627)	(16,600)	(50,836)
Cash and cash equivalents at end of the period (year) (Millions of yen)	465,691	788,898	683,802

(Notes)
1. FAST RETAILING CO., LTD. (the “Company” or “Parent”) 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 the business engaged in by the Group (the Company and its subsidiaries) during the three months ended 30 November 2017.

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 2017.

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 generated rises in both revenue and profit in the first quarter of fiscal 2018, or the three months from 1 September 2017 to 30 November 2017. Consolidated revenue totaled ¥617.0 billion (+16.7% year-on-year) and operating profit reached ¥113.9 billion (+28.6% year-on-year). The consolidated gross profit margin improved by 0.2 point year-on-year and the selling, general and administrative expense ratio improved by 1.7 points. Under finance income, a net gain of ¥3.9 billion was recorded after the spot foreign exchange rate at the end of November closed below the spot rate at the start of the business term, increasing the carrying amount of our long-term foreign-currency denominated assets in yen terms. As a result, profit before income taxes rose to ¥117.8 billion (+13.1% year-on-year) and profit attributable to owners of the parent increased to ¥78.5 billion (+12.7% year-on-year). In terms of individual business segments, UNIQLO Japan, UNIQLO International, GU and Global Brands operations all reported rising revenue and profit in the first quarter of fiscal 2018.

The Group's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we are focusing our efforts on expanding UNIQLO International and our GU casual fashion brand. We continue to increase UNIQLO store numbers in each country where we operate, and open global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. Within the UNIQLO International segment, Southeast Asia in particular is entering a new stage of growth and is set to become the segment's second pillar region after Greater China (Mainland China, Hong Kong and Taiwan) and South Korea. In terms of the GU operation, in addition to opening more GU stores in Japan, we are also planning to expand GU's international presence by opening more stores in Greater China.

Due to its growing impact on overall consolidated performance, the low-priced GU casual fashion brand, formerly a part of the Global Brands business segment, has been separated into an independent business segment from the 2018 reporting period, Data for the 2017 reporting period have been adjusted to suit the new reporting segment structure to facilitate year-on-year comparisons.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue and profit in the first quarter of fiscal 2018, with revenue totaling ¥257.0 billion (+7.6% year-on-year) and operating profit totaling ¥54.1 billion (+18.6% year-on-year). In the three months to 30 November 2017, same-store sales, including online sales, expanded by 8.4% year-on-year.

Buoyant demand and ample inventory of flagship UNIQLO Fall Winter ranges such as HEATTECH, down coats, sweat wear and merino sweaters resulted in strong sales. The November UNIQLO Anniversary Sale also generated considerably higher-than-expected sales, resulting in the highest monthly sales figure for November on record. Online sales expanded 25.6% year-on-year in the first quarter to constitute 7.0% of overall sales. The cost of sales continued to rise on persistent weakening in internal yen exchange rates. However, the decline in the gross profit margin was contained at 0.2 point year-on-year thanks to lower discounting. Meanwhile, the selling, general and administrative expense ratio improved by 1.7 points year-on-year on the back of significant reductions in advertising and promotion expenses, and distribution costs.

UNIQLO International

UNIQLO International revenue and profit rose significantly in the first quarter of fiscal 2018, with revenue totaling ¥258.2 billion (+31.4% year-on-year) and operating profit rising to an impressive ¥46.6 billion (+54.7% year-on-year). Thanks to the continued steady expansion of global UNIQLO operations, UNIQLO International revenue exceeded that of UNIQLO Japan for the first time in this September to November quarter. Greater China, South Korea, and Southeast Asia & Oceania continued to drive segment growth by generating significant increases in revenue and profit. Thermal clothing sold especially well in Greater China and South Korea after the Fall Winter season proved colder than the previous year. Southeast Asia & Oceania contributed to the rise in UNIQLO International revenue thanks to strong sales of summer items designed for year-round hot weather and buoyant demand for winter items from overseas travelers. In addition, after suffering persistent losses, UNIQLO USA reported a profit in the first quarter of fiscal 2018. UNIQLO Europe reported a strong increase in profit on the back of solid performances from France and Russia. The first UNIQLO store opened in Barcelona, Spain in September 2017 went from strength to strength.

GU

The new GU business segment reported increases in both revenue and profit in the first quarter of fiscal 2018, with revenue totaling ¥60.8 billion (+5.6% year-on-year) and operating profit reaching ¥9.0 billion (+31.8% year-on-year). While the September launch of trendy items proved favorable, a lack of sought-after thermal items dampened sales from October onwards, resulting in an overall decline in first-quarter same-store sales. Meanwhile, operating profit increased on restricted discounts and active cost-cutting efforts.

Global Brands

The Global Brands segment generated increases in both revenue and profit in the first quarter of fiscal 2018, with revenue rising to ¥40.0 billion (+13.8% year-on-year) and operating income expanding to ¥3.0 billion (+10.4% year-on-year). The Theory fashion label generated rising revenue and profit. France-based Comptoir des Cotonniers reported a decline in profits, while France-based Princesse tam.tam and US-based J Brand reported losses of a similar magnitude to the previous year.

Sustainability

As the Fast Retailing Group expands its business globally, we remain committed to integrating sustainability into our operations from a long-term perspective. Our initiatives consist of activities across four priority areas: supply chain, products, stores and communities, and employees. In each area, we work to ensure transparency, accountability, and provide timely and appropriate disclosure. We are also committed to contributing to the sustainable development of society through our business.

We now employ 1,585 persons with disabilities across the Fast Retailing Group in 16 countries and regions as of the end of August 2017.

Through our All-Product Recycling Initiative, we have donated a total of 25.58 million products collected mainly from our customers at UNIQLO and GU stores to 65 countries and regions as of the end of August 2017.

In November 2017, the UN High Commissioner for Refugees (UNHCR) Filippo Grandi met with Fast Retailing President Tadashi Yanai to discuss various issues including increased clothing support for refugees, Myanmar's Rohingya refugee crisis, and difficulties faced by refugees in securing employment. At that time, President Yanai confirmed the Fast Retailing Group's intention to work closely with the UNHCR and to respond appropriately to various issues.

Regarding environmental impacts across our business activities, the fabric production processes accounts for a significant proportion. We have embarked on an environmental impact reduction program with our main fabric supplier factories responsible for 70% of UNIQLO production. We conducted assessments at these factories on a range of environmental considerations such as greenhouse gas emissions, waste water, energy use, and use of chemical substances. Based on these assessments, we held sessions in November 2017 with our main fabric supplier factories in China and Vietnam to reach agreements and targets on reducing their environmental impact.

(2) Financial Positions

Total assets as at 30 November 2017 were ¥1,633.0 billion, which was an increase of ¥244.5 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥105.0 billion in cash and cash equivalents, an increase of ¥81.4 billion in trade and other receivables, an increase of ¥11.4 billion in inventories, an increase of ¥8.3 billion in derivative financial assets and an increase of ¥36.9 billion in other current assets.

Total liabilities as at 30 November 2017 were ¥790.0 billion, which was an increase of ¥163.6 billion relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of ¥39.5 billion in trade and other payables, an increase of ¥12.4 billion in current tax liabilities and an increase of ¥198.0 billion in other current liabilities.

Total net assets as at 30 November 2017 were ¥842.9 billion, which was an increase of ¥80.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥60.6 billion in retained earnings, an increase of ¥10.0 billion in other components of equity and an increase of ¥6.4 billion in non-controlling interests.

(3) Cash Flows Information

Cash and cash equivalents as at 30 November 2017 had increased by ¥323.2 billion from the three months ended 30 November 2016, to ¥788.8 billion.

Net cash generated by operating activities for the three months ended 30 November 2017 was ¥120.0 billion, which was an increase of ¥20.1 billion (+20.2% year-on-year) from the three months ended 30 November 2016. The principal factors were an increase of ¥80.8 billion in trade and other receivables (an increase of ¥18.8 billion from the three months ended 30 November 2016), a decrease of ¥43.6 billion in trade and other payables (a decrease of ¥107.1 billion from the three months ended 30 November 2016), an increase of ¥40.6 billion in other assets (an increase of ¥31.4 billion from the three months ended 30 November 2016) and an increase of ¥199.0 billion in other liabilities (an increase of ¥177.0 billion from the three months ended 30 November 2016).

Net cash used in investing activities for the three months ended 30 November 2017 was ¥5.3 billion, which was a decrease of ¥9.6 billion (-64.2 % year-on-year) from the three months ended 30 November 2016. The principal factor was ¥2.3 billion deposited into bank deposits with maturity over 3 months (a decrease of ¥7.9 billion from the three months ended 30 November 2016).

Net cash used in financing activities for the three months ended 30 November 2017 was ¥16.6 billion, which was a decrease of ¥3.0 billion (-15.4 % year-on-year) from the three months ended 30 November 2016. The principal factor was ¥3.6 billion for capital contributions from non-controlling interests (an increase of ¥3.6 billion from the three months ended 30 November 2016).

(4) Operational and Financial Assignment

There have been no important changes during the three months ended 30 November 2017 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 2017.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO EUROPE LIMITED	UNIQLO International Stores	Paseo de Gracia 18	Barcelona Spain	September 2017
UNIQLO CANADA INC.	UNIQLO International Stores	UNIQLO Metrotown	Vancouver Canada	October 2017

Information about the Reporting Entity

1. Stock Information

(1) Number of Shares

(i) Total number of shares

Type	Total number of authorized 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 2017	Number of shares issued as of submission date (Shares) (As at 12 January 2018)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

(Note) Hong Kong Depositary Receipts 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 2017 are as follows:

(i) 8th Share subscription rights A type

Resolution date	12 October 2017
Number of stock options (Shares)	5,454
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)	5,454
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From 10 November 2020 To 9 November 2027
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 37,648 Paid-in capital: 18,824
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 a 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 surviving 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 are 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 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 right 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 the 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 the 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 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 share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the share subscription rights.

(ii) 8th Share subscription rights B type

Resolution date	12 October 2017
Number of stock options (Shares)	48,178
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)	48,178
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	From 10 December 2017 To 9 November 2027
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 38,133 Paid-in capital: 19,066
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 a 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 surviving 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 are 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 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 right 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 the 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 the 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 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 share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the share subscription rights.

(iii) 8th Share subscription rights C type

Resolution date	12 October 2017
Number of stock options (Shares)	5,929
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)	5,929
Amount to be paid upon exercise of share subscription rights (Yen)	1
Exercise period of share subscription rights	10 November 2020
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 38,823 Paid-in capital: 19,411
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 a 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 surviving 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 are 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 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 right that is issued.
5. Period during which the 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 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 share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the 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 2017 to 30 November 2017	—	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 2017.

(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 2017, 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 2017).

(i) Shares issued

As at 30 November 2017

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 4,089,600	—	—
Shares with full voting rights (others)	Common stock 101,922,400	1,019,224	(Note) 1
Shares less than one unit	Common stock 61,656	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,224	—

(Notes) 1. The columns for the number of shares of "Shares with full voting rights (others)" and "Shares less than one unit" include 2,700 shares and 84 shares held, respectively, in the name of Japan Securities Depository Center, Inc.
2. Common stock in the "Shares less than one unit" row includes 64 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 30 November 2017

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	4,089,600	—	4,089,600	3.86
Total	—	4,089,600	—	4,089,600	3.86

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 2017.

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 Report

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 2017, respectively, have been reviewed by Deloitte Touche Tohmatsu LLC.

Note that there has been a change in the auditor of the Group, and the financial statements of the Group have been audited or reviewed as follows.

— Consolidated financial statements of the Group for the fiscal year ended 31 August 2017: Ernst & Young ShinNihon LLC (i.e., the predecessor auditor)

— Interim condensed consolidated financial statements of the Group for the first quarter ended 30 November 2017 and its fiscal year ending: Deloitte Touche Tohmatsu LLC (i.e., the successor auditor)

(Amounts are stated 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 2017	As at 30 November 2017
ASSETS			
Current assets			
Cash and cash equivalents		683,802	788,898
Trade and other receivables		48,598	130,061
Other financial assets	13	30,426	23,717
Inventories	6	289,675	301,150
Derivative financial assets	13	6,269	14,609
Income taxes receivable		1,518	1,489
Other assets		17,307	54,248
Total current assets		1,077,598	1,314,176
Non-current assets			
Property, plant and equipment	7	136,979	139,690
Goodwill		15,885	15,885
Intangible assets		36,895	39,246
Financial assets	13	77,608	79,978
Investments in associates		13,473	13,341
Deferred tax assets		25,303	25,376
Other assets		4,742	5,364
Total non-current assets		310,888	318,881
Total assets		1,388,486	1,633,058
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		204,008	164,418
Other financial liabilities	13	11,844	10,160
Derivative financial liabilities	13	6,083	6,878
Current tax liabilities		25,864	38,275
Provisions		27,889	18,640
Other liabilities		35,731	233,784
Total current liabilities		311,421	472,158
Non-current liabilities			
Financial liabilities	13	273,467	274,062
Provisions		15,409	15,875
Deferred tax liabilities		10,000	11,308
Other liabilities		16,144	16,663
Total non-current liabilities		315,022	317,909
Total liabilities		626,443	790,068
EQUITY			
Capital stock		10,273	10,273
Capital surplus		14,373	18,155
Retained earnings		698,584	759,276
Treasury stock, at cost		(15,563)	(15,552)
Other components of equity		24,102	34,127
Equity attributable to owners of the Parent		731,770	806,281
Non-controlling interests		30,272	36,708
Total equity		762,043	842,990
Total liabilities and equity		1,388,486	1,633,058

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

Interim Condensed Consolidated Statement of Profit or Loss

Three months ended 30 November 2017

(Millions of yen)

	Notes	Three months ended 30 November 2016	Three months ended 30 November 2017
Revenue		528,847	617,026
Cost of sales		(258,160)	(299,961)
Gross profit		270,686	317,065
Selling, general and administrative expenses	9	(184,193)	(204,226)
Other income	10	2,577	1,111
Other expenses	10	(667)	(221)
Share of profit and loss of associates		188	173
Operating profit		88,591	113,901
Finance income	11	16,390	4,566
Finance costs	11	(776)	(635)
Profit before income taxes		104,204	117,832
Income tax expense		(30,506)	(33,186)
Profit for the period		73,698	84,646
Profit for the period attributable to:			
Owners of the Parent		69,695	78,540
Non-controlling interests		4,002	6,106
		73,698	84,646
Earnings per share			
Basic (yen per share)	12	683.51	770.11
Diluted (yen per share)	12	682.60	768.99

Interim Condensed Consolidated Statement of Other Comprehensive Income

Three months ended 30 November 2017

(Millions of yen)

	Three months ended 30 November 2016	Three months ended 30 November 2017
Profit for the period	73,698	84,646
Other comprehensive income, net of income		
Items that will not be reclassified		
subsequently to profit or loss	—	—
Items that may be reclassified		
subsequently to profit or loss		
Net fair value gain/(loss) on available-for-sales		
financial assets during the period	47	(50)
Exchange differences on translating		
foreign operations	21,182	7,143
Cash flow hedges	63,120	3,775
Other comprehensive income/(loss), net of income tax	84,350	10,868
Total comprehensive income/(loss) for the period	158,048	95,515
Attributable to:		
Owners of the Parent	151,581	88,565
Non-controlling interests	6,467	6,950
Total comprehensive income/(loss) for the year	158,048	95,515

(3) Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 November 2016

(Millions of yen)

						Other components of equity						
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
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 of the Parent												
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 of the Parent		—	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

For the three months ended 30 November 2017

(Millions of yen)

	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity: Available-for-sale reserve	Other components of equity: Foreign currency translation reserve	Other components of equity: Cash-flow hedge reserve	Other components of equity: Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2017		10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	78,540	—	—	—	—	—	78,540	6,106	84,646
Other comprehensive income		—	—	—	—	(50)	5,500	4,574	10,025	10,025	843	10,868
Total comprehensive income		—	—	78,540	—	(50)	5,500	4,574	10,025	88,565	6,950	95,515
Transactions with the owners of the Parent												
Acquisition of treasury stock		—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock		—	92	—	11	—	—	—	—	103	—	103
Dividends	8	—	—	(17,847)	—	—	—	—	—	(17,847)	(2,269)	(20,116)
Share-based payments		—	1,814	—	—	—	—	—	—	1,814	—	1,814
Capital contributions from non-controlling interests		—	1,874	—	—	—	—	—	—	1,874	1,754	3,629
Total transactions with the owners of the Parent		—	3,782	(17,847)	11	—	—	—	—	(14,053)	(514)	(14,567)
Total net changes during the period		—	3,782	60,692	11	(50)	5,500	4,574	10,025	74,511	6,435	80,947
As at 30 November 2017		10,273	18,155	759,276	(15,552)	(47)	27,307	6,868	34,127	806,281	36,708	842,990

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended 30 November 2016	Three months ended 30 November 2017
Cash flows from operating activities		
Profit before income taxes	104,204	117,832
Depreciation and amortization	8,552	9,927
Increase/(decrease) in provisions	(8,658)	(9,721)
Interest and dividend income	(542)	(1,741)
Interest expenses	776	635
Foreign exchange losses/(gains)	(15,672)	(2,824)
Share of profit and loss of associates	(188)	(173)
Losses on disposal of property, plant and equipment	213	100
Decrease/(increase) in trade and other receivables	(62,011)	(80,878)
Decrease/(increase) in inventories	4,656	(8,229)
Increase/(decrease) in trade and other payables	63,515	(43,619)
Decrease/(increase) in other assets	(9,154)	(40,649)
Increase/(decrease) in other liabilities	22,025	199,029
Others, net	(835)	258
Cash generated from operations	106,882	139,943
Interest and dividends income received	542	1,715
Interest paid	(431)	(303)
Income taxes paid	(7,107)	(21,299)
Net cash generated by operating activities	99,886	120,056
Cash flows used in investing activities		
Amounts deposited into bank deposits with original maturities of 3 months or longer	(10,304)	(2,348)
Amounts withdrawn from bank deposits with original maturities of 3 months or longer	8,257	11,206
Payments for property, plant and equipment	(8,703)	(7,940)
Payments for intangible assets	(3,216)	(3,110)
Payments for lease and guarantee deposits	(1,079)	(1,490)
Proceeds from collection of lease and guarantee deposits	237	635
Investment in associates	(196)	—
Returns of construction assistance fund	(420)	(265)
Receipts of construction assistance fund	440	403
Others, net	(65)	(2,480)
Net cash used in investing activities	(15,049)	(5,390)

(Millions of yen)

	Note	Three months ended 30 November 2016	Three months ended 30 November 2017
Cash flows used in financing activities			
Proceeds from short-term loans payable		6,432	1,123
Repayment of short-term loans payable		(7,664)	(767)
Dividends paid to owners of the Parent	8	(16,791)	(17,800)
Capital contributions from non-controlling interests		—	3,629
Repayments of lease obligations		(1,338)	(2,384)
Others, net		(266)	(400)
Net cash used in financing activities		(19,627)	(16,600)
Effect of exchange rate changes on the balance of cash held in foreign currencies		15,051	7,030
Net increase/(decrease) in cash and cash equivalents		80,260	105,096
Cash and cash equivalents at the beginning of period		385,431	683,802
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		465,691	788,898

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 operations of the UNIQLO business (casual wear retail business operating under the “UNIQLO” brand in Japan and overseas), GU business, and Theory business (apparel design 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 IAS 34. The Group meets all of the criteria of a “specified company” defined under Article 1-2 of the Consolidated Quarterly Financial Statements Rules, and accordingly applies Article 93 of the Consolidated Quarterly Financial Statements 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 2017.

The interim condensed consolidated financial statements were approved on 12 January 2018 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 2017 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 2017.

IFRS	Title	Summary of new standards and amendments
IAS 7 (Amendments)	Statement of Cash Flows	Request for disclosure of changes in liabilities related to financing activities
IAS12 (Amendments)	Income Taxes	Recognition of deferred tax assets for unrealized losses

The adoption of the above amendments has no material impact on the interim condensed consolidated financial statements for the period ended 30 November 2017.

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.

From the first quarter of the current consolidated fiscal year, the operations of GU, which were previously included as a part of the Global Brand segment, have been included in the GU segment (newly created segment). The Group now discloses the GU reportable segment as a result of the Board's increased focus as its scale of operation expands.

The Group's main retail clothing business is divided into four reportable operating segments: UNIQLO Japan, UNIQLO International, GU 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
GU: GU brand clothing business in Japan and overseas
Global Brands: Theory, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand clothing operations

(ii) Segment revenue and results

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	GU	Global Brands				
Revenue	238,850	196,554	57,590	35,209	528,204	642	—	528,847
Operating profit	45,613	30,167	6,837	2,744	85,363	46	3,181	88,591
Segment income (profit before income taxes)	48,150	30,472	6,814	2,716	88,153	46	16,005	104,204

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

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

For the three months ended 30 November 2017

(Millions of yen)

	Reportable segments				Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	257,068	258,283	60,815	40,052	616,218	808	—	617,026
Operating profit	54,113	46,671	9,011	3,030	112,826	33	1,041	113,901
Segment income (profit before income taxes)	54,099	46,817	8,995	3,041	112,953	33	4,845	117,832

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

(Note 2) "Adjustments" mainly includes 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 2016	Three months ended 30 November 2017
Write-down of inventories to net realizable value	3,138	2,596

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 2017	As at 30 November 2017
Buildings and structures	96,778	100,997
Furniture, equipment and vehicles	13,757	14,804
Land	1,927	1,927
Construction in progress	6,824	3,044
Lease assets	17,690	18,915
Total	136,979	139,690

8. Dividends

The total amount of dividends paid was as follows:

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.

Dividends paid during the three months ended 30 November 2017

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board of Directors on 2 November 2017	17,847	175

Dividends for which the declared date is 31 August 2017 are paid on or after 10 November 2017 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 2016	Three months ended 30 November 2017
Selling, general and administrative expenses		
Advertising and promotion	22,008	21,364
Rental expenses	44,854	51,053
Depreciation and amortization	8,552	9,927
Outsourcing	7,339	9,198
Salaries	60,162	69,913
Others	41,275	42,768
Total	184,193	204,226

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 2016	Three months ended 30 November 2017
Other income		
Foreign exchange gains*	2,156	845
Others	420	265
Total	2,577	1,111

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

(Millions of yen)

	Three months ended 30 November 2016	Three months ended 30 November 2017
Other expenses		
Loss on retirement of property, plant and equipment	213	100
Others	453	121
Total	667	221

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 2016	Three months ended 30 November 2017
Finance income		
Foreign exchange gains*	15,672	2,824
Interest income	542	1,741
Others	175	0
Total	16,390	4,566

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

(Millions of yen)

	Three months ended 30 November 2016	Three months ended 30 November 2017
Finance costs		
Interest expenses	776	635
Total	776	635

12. Earnings per share

Three months ended 30 November 2016		Three months ended 30 November 2017	
Equity per share attributable to owners of the Parent (Yen)	6,967.28	Equity per share attributable to owners of the Parent (Yen)	7,905.74
Basic earnings per share for the period (Yen)	683.51	Basic earnings per share for the period (Yen)	770.11
Diluted earnings per share for the period (Yen)	682.60	Diluted earnings per share for the period (Yen)	768.99

(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 2016	Three months ended 30 November 2017
Basic earnings per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	69,695	78,540
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	69,695	78,540
Average number of common stock outstanding during the period (Shares)	101,966,443	101,985,476
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	136,413	148,315
(share subscription rights)	(136,413)	(148,315)

13. Fair value of financial instruments

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

(Millions of yen)

	As at 31 August 2017		As at 30 November 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term borrowings (Note)	12,146	12,253	12,327	12,433
Corporate bonds	249,583	253,504	249,608	253,353
Lease obligations (Note)	19,023	19,131	19,729	19,504
Total	280,753	284,889	281,665	285,291

(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 and long-term financial assets 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 the time remaining to maturity and credit risk.

Available-for-sale financial assets whose fair value cannot be measured reliably are carried at cost.

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 based on the following characteristics:

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 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	16	—	—	16
Financial instruments at fair value through profit or loss ("FVTPL")	—	(86)	—	(86)
Foreign currency forward contracts designated as hedging instruments	—	273	—	273
Total	16	186	—	201

(Millions of yen)

As at 30 November 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2,118	—	—	2,118
Financial instruments at FVTPL	—	(11)	—	(11)
Foreign currency forward contracts designated as hedging instruments	—	7,742	—	7,742
Total	2,118	7,730	—	9,849

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.

The Company did not have any transfers between levels of fair value measurements during the year ended 30 August 2017 and first quarter ended 30 November 2017, respectively.

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 date:

(Millions of yen)

	As at 31 August 2017	As at 30 November 2017
Commitment for acquisition of property, plant and equipment	17,347	15,885
Commitment for acquisition of intangible assets	11,110	5,393
Total	28,457	21,278

15. Subsequent Events

Not applicable.

2. Others

Dividends

The Company resolved to pay dividends from retained earnings at the meeting of the Board of Directors convened on 2 November 2017.

The total amount of dividends paid 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”.

(TRANSLATION)
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

January 12, 2018

To the Board of Directors of FAST RETAILING CO., LTD.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant
Koichi Okubo

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant
Hirofumi Otani

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant
Emiko Minowa

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim condensed consolidated financial statements included in the Financial Section, namely, the interim condensed consolidated statement of financial position of FAST RETAILING CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") as of 30 November 2017 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended, and the related notes to the interim condensed consolidated financial statements.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in conformity 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.

Accountant's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures 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. We believe that we have obtained the evidence to provide a basis for our conclusion.

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements referred to above do not present fairly, in all material respects, the condensed consolidated financial position of the Company and its consolidated subsidiaries as of 30 November 2017, and the condensed consolidated results of their operations and their cash flows for the three-month period then ended in conformity with IAS 34.

Other information

Consolidated financial statements of the Group for the fiscal year ended 31 August 2017 and interim condensed consolidated financial statements for the three-month period ended 30 November 2016 were audited and reviewed respectively, by the predecessor auditor. The predecessor auditor had issued an unqualified conclusion on the independent accountant's review report dated 13 January 2017 and an unqualified opinion on the independent auditor's report dated 30 November 2017, respectively.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.