



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Interim Report 2014/15

2014.9.1–2015.2.28

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

704–705, 7th Floor, Miramar Tower,

No. 132 Nathan Road

Tsim Sha Tsui

Kowloon

Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Stock Code

Hong Kong: 6288

Japan: 9983

Website Address

<http://www.fastretailing.com>

Financial Highlights

Financial Summary

| Term | Second Quarter of 53rd Year | Second Quarter of 54th Year | 53rd Year |
|--|--|--|---------------------------------|
| Accounting period | Six months ended 28 February 2014 | Six months ended 28 February 2015 | Year ended 31 August 2014 |
| Revenue (Millions of yen) | 764,377 | 949,684 | 1,382,935 |
| Operating profit (Millions of yen) | 107,030 | 150,077 | 130,402 |
| Profit before income taxes (Millions of yen) | 110,562 | 163,666 | 135,470 |
| Profit attributable to owners of the parent (Millions of yen) | 67,079 | 104,753 | 74,546 |
| Comprehensive income attributable to owners of the parent (Millions of yen) | 72,511 | 176,091 | 75,517 |
| Equity attributable to owners of the parent (Millions of yen) | 628,852 | 780,826 | 618,381 |
| Total assets (Millions of yen) | 970,388 | 1,276,295 | 992,307 |
| Basic earnings per share for the period (year) (Yen) | 658.28 | 1,027.75 | 731.51 |
| Diluted earnings per share for the period (year) (Yen) | 657.52 | 1,026.51 | 730.81 |
| Ratio of equity attributable to owners of the parent to total assets (%) | 64.8 | 61.2 | 62.3 |
| Net cash from operating activities (Millions of yen) | 102,901 | 224,060 | 110,595 |
| Net cash used in investing activities (Millions of yen) | (24,419) | (74,018) | (56,323) |
| Net cash used in financing activities (Millions of yen) | (20,672) | (22,397) | (44,060) |
| Cash and cash equivalents at end of the period (year) (Millions of yen) | 358,897 | 462,884 | 314,049 |

| Accounting period | Three months ended 28 February 2014 | Three months ended 28 February 2015 |
|---|--|--|
| Revenue (Millions of yen) | 375,324 | 470,140 |
| Profit attributable to owners of the parent (Millions of yen) | 25,084 | 35,926 |
| Basic earnings per share for the period (Yen) | 246.16 | 352.47 |

- (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 six months ended 28 February 2015.

Important changes concerning subsidiaries are as follows:

(UNIQLO International)

Newly consolidated subsidiary:

UNIQLO Washington LLC
UNIQLO CANADA INC.

Excluded from consolidation:

UNIQLO (Germany) GmbH

(Global Brands)

Newly consolidated subsidiary:

THEORY CANADA INC.

Excluded from consolidation:

COMPTOIR DES COTONNIERS FRANCE S.A.S.
A.M.B. S.A.S.

(Others)

Newly consolidated subsidiary:

FAST RETAILING CANADA INC.

Management Discussion and Analysis

Business Review

1. Business and Operational Risks

No new business-related risks have arisen during the six months ended 28 February 2015.

There have been no important changes concerning business-related risks as stated in the annual securities 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 increases in both revenue and profit during the first half of fiscal year 2015 spanning 1 September 2014 to 28 February 2015. Consolidated revenue totaled ¥949.6 billion (+24.2% year-on-year), consolidated operating profit reached ¥150.0 billion (+40.2% year-on-year), consolidated profit before income taxes stood at ¥163.6 billion (+48.0% year-on-year) and profit attributable to owners of the parent totaled ¥104.7 billion (+56.2% year-on-year). All Group operations reported increases in revenue and profit, while UNIQLO International performed particularly strongly during the six-month period. Consolidated profit before income taxes and profit attributable to owners of the parent both increased by a greater margin than consolidated operating profit. This was due largely to the depreciation of the Japanese yen over the six months ended 28 February 2015, which boosted the carrying amount of foreign-currency denominated assets, generating net finance income of ¥13.5 billion.

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

UNIQLO Japan

UNIQLO Japan achieved higher-than-expected increases in revenue and profit in the six months from 1 September 2014 to 28 February 2015. Revenue rose to ¥454.5 billion (+12.1% year-on-year), and operating profit expanded to ¥89.4 billion (+24.7% year-on-year). Same-store sales expanded a strong 8.4% year-on-year during the six-month period. In addition, operating profit rose considerably on the back of a 1.8% improvement in the gross profit to revenue margin and a 0.4% fall in the selling, general and administrative expenses to revenue ratio.

The strong rise in same-store sales at UNIQLO Japan was largely attributable to firm sales of core winter ranges such as HEATTECH, Ultra Light Down, sweatshirts and sweatpants, as well as of relatively expensive items such as woolen outerwear and jeans. The strong sales trend during first-half of fiscal year 2015 reduced the need for discounting, which resulted in a year-on-year improvement in the gross profit margin. The total UNIQLO Japan directly-run store network, excluding the 28 franchise outlets, decreased by 18 to 814 stores at the end of February 2015 compared to the end of February 2014. This was in line with our "scrap and build" strategy to increase the average size of our stores by replacing smaller, less efficient stores with larger ones. Of these 18, 9 were converted from directly-run stores to new employee-franchise outlets.

Our recent drive to strengthen and perfect localized marketing at the individual store level has been largely responsible for the great success of our new community-focused stores. The UNIQLO Kichijoji global hotspot store and the UNIQLO OSAKA global flagship store, both opened in October 2014, proved extremely popular from the moment they opened, and the 3,300 m² UNIQLO Sapporo Esta store, which opened its doors in March 2015, has also attracted large numbers of consumers.

UNIQLO International

UNIQLO International reported higher-than-expected increases in both revenue and profit in the six months from 1 September 2014 to 28 February 2015. Revenue expanded considerably to ¥345.5 billion (+48.9% year-on-year), and operating profit rose to ¥42.8 billion (+63.2% year-on-year). Furthermore, the segment's increases in revenue and profit still exceeded expectations in local currency terms, after stripping out any foreign currency effect. The total number of UNIQLO International stores expanded to 716 stores at the end of February 2015. That represents a net addition of 182 stores compared to the end of February 2014.

Within the UNIQLO International framework, Greater China (Mainland China, Hong Kong, and Taiwan) and South Korea reported increases in revenue and profit during first-half of fiscal year 2015 that exceeded our expectations. UNIQLO Southeast Asia (Singapore, Malaysia, Thailand, the Philippines, and Indonesia) and UNIQLO Europe (United Kingdom, France, Russia, and Germany) generated increases in revenue and profit that were roughly in line with our expectations. Meanwhile, our Australian UNIQLO operation reported a loss in the first half, with sales suffering for our first Spring Summer season, following launch of the first UNIQLO store here in April 2014. We accelerated the pace of new store openings in the United States, bringing the total number of UNIQLO USA stores to 39 at the end of February 2015, up 22 stores compared to the end of February 2014. However, lower-than-expected sales of Fall Winter ranges knocked the gross profit margin lower, while the costs of the new store openings also contributed to the negative results. As a result of this lower-than-expected business performance, UNIQLO USA reported increased operating losses in the first half of fiscal year 2015.

Global Brands

Global Brands reported rises in revenue and profit in the first half of fiscal year 2015, in line with expectations. Revenue expanded to ¥148.2 billion (+18.3% year-on-year) and operating profit expanded to ¥11.7 billion (+23.4% year-on-year). Our low-priced GU fashion casualwear brand reported higher-than expected increases in both revenue and profit. Strong sales of heavily-advertised skirts, knitwear items and winter outerwear, and favorable sales of items in our new "GU Basic" category both helped boost sales during first-half of fiscal year 2015 at existing GU stores. Our Theory and Comptoir des Cottonniers labels fell short of plan by reporting a slight fall in profits. Meanwhile, Princesse tam.tam produced a flat year-on-year performance, as expected. Finally, J Brand fell short of expectations when it reported a slightly larger operating loss.

Corporate Social Responsibility ("CSR") and Environmental Protection

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

The 2015 CSR Report summarizes the Group's CSR activities in the fiscal year ended 31 August 2014, and was published in January. Activity reports and improvement initiatives are featured in relation to four priority areas: Production, Environment, Community and Human Resources. We also proactively disclose information in our stores and on our website in communicating with our diverse stakeholders.

Through our All-Product Recycling Initiative, in which UNIQLO and GU products are collected from customers and delivered to people in need, we have collected more than 35,300,000 items cumulatively at stores in 14 countries (as at 28 February 2015). In February 2015, FR staff visited a refugee camp that received 80,000 items of clothing in Myanmar, to better understand the needs and how the clothing was being received by the refugees.

To ensure responsible purchasing practices, we conduct Work Environment Monitoring for partner garment factories and Environment Monitoring for fabric manufacturers. We also started introducing Work Environment Monitoring for fabric manufacturers from February 2015. We will continue strengthening our activities to uphold human rights and safe working conditions in manufacturing facilities.

(2) Financial Positions

Total assets as at 28 February 2015 were ¥1,276.2 billion, which was an increase of ¥283.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥87.9 billion in derivative financial assets, an increase of ¥16.4 billion in property, plant and equipment and an increase of ¥148.8 billion in cash and cash equivalents.

Total liabilities as at 28 February 2015 were ¥471.3 billion, which was an increase of ¥115.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥58.8 billion in trade and other payables and an increase of ¥31.3 billion in deferred tax liabilities.

Total net assets as at 28 February 2015 were ¥804.9 billion, which was an increase of ¥168.9 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥71.3 billion in other components of equity and an increase of ¥89.4 billion in retained earnings.

(3) Cash Flows Information

Cash and cash equivalents as at 28 February 2015 had increased by ¥103.9 billion relative to the end of the preceding consolidated fiscal year, to ¥462.8 billion.

Net cash from operating activities for the six months ended 28 February 2015 was ¥224.0 billion, which was an increase of ¥121.1 billion (+117.7% year-on-year) from the six months ended 28 February 2014. The principal factors were ¥163.6 billion in profit before income taxes, ¥59.4 billion increase in trade and other payables and ¥40.3 billion in income taxes paid.

Net cash used in investing activities for the six months ended 28 February 2015 was ¥74.0 billion, which was an increase of ¥49.5 billion (+203.1% year-on-year) from the six months ended 28 February 2014. The principal factors were ¥21.6 billion for purchases of property, plant and equipment, and ¥45.8 billion for increase in bank deposits with maturity over 3 months.

Net cash used in financing activities for the six months ended 28 February 2015 was ¥22.3 billion, which was an increase of ¥1.7 billion (+8.3% year-on-year) from the six months ended 28 February 2014. The principal factor was ¥15.2 billion for cash dividends paid.

(4) Operational and Financial Assignment

There has been no important changes during the six months ended 28 February 2015 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 six months ended 28 February 2015.

<Subsidiaries in Japan>

| Company name | Type of facility | Name of business | Location | Completion date |
|-----------------|---------------------|------------------------|-----------------------|-----------------|
| UNIQLO CO., LTD | UNIQLO Japan Stores | UNIQLO Kichijoji Store | Musashino-city, Tokyo | October 2014 |
| UNIQLO CO., LTD | UNIQLO Japan Stores | UNIQLO OSAKA | Osaka-city, Osaka | October 2014 |

<Overseas Subsidiaries>

Not applicable.

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 28 February 2015 | Number of shares issued as of submission date (Shares) (As at 14 April 2015) | Name of financial instrument exchange of listing, or authorised financial instruments firms association | Details |
|--------------|------------------------|--|--|------------------------|
| Common stock | 106,073,656 | 106,073,656 | First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note) | 100 shares as one unit |
| Total | 106,073,656 | 106,073,656 | — | — |

(Note) Hong Kong Depository Receipts are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) Share Subscription Rights

Not applicable.

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

Not applicable.

(4) Content of Rights Plan

Not applicable.

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

| Date | Increase/decrease of total number of shares issued (Shares) | Balance of total number of shares issued (Shares) | Increase/decrease of capital stock (Millions of yen) | Balance of capital stock (Millions of yen) | Increase/decrease of capital reserve (Millions of yen) | Balance of capital reserve (Millions of yen) |
|-------------------------------------|---|---|--|--|--|--|
| 1 December 2014 to 28 February 2015 | — | 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 28 February 2015.

(6) Principal Shareholders

As at 28 February 2015

| Name or trade name | Location | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|--|--|--|---|
| Tadashi Yanai | Shibuya-ku, Tokyo | 22,987 | 21.67 |
| The Master Trust Bank of Japan, Ltd. | 2-11-3 Hamamatsu-cho, Minato-ku, Tokyo | 11,706 | 11.04 |
| Japan Trustee Services Bank, Ltd. | 1-8-11 Harumi, Chuo-ku, Tokyo | 9,032 | 8.51 |
| TTY Management B.V. | 9-7-1 Akasaka, Minato-ku, Tokyo | 5,310 | 5.01 |
| Kazumi Yanai | Shibuya-ku, Tokyo | 4,781 | 4.51 |
| Koji Yanai | Shibuya-ku, Tokyo | 4,780 | 4.51 |
| Fight & Step Co., Ltd. | 1-4-3 Mita, Meguro-ku, Tokyo | 4,750 | 4.48 |
| BNP Paribas Securities (Japan) Limited | 1-9-1 Marunouchi, Chiyoda-ku, Tokyo | 3,683 | 3.47 |
| MASTERMIND, LLC | 1-4-3 Mita, Meguro-ku, Tokyo | 3,610 | 3.40 |
| Trust & Custody Services Bank, Ltd. | 1-8-12 Harumi, Chuo-ku, Tokyo | 3,095 | 2.92 |
| Total | — | 73,737 | 69.52 |

- (Notes)
1. "Number of shares held" is rounded down to the nearest unit of thousand shares.
 2. The shares held by The Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. are all held in conjunction with trust business.
 3. According to the report of large shareholdings (report of change of composition) submitted on 21 January 2015 by Nomura Securities Co., Ltd. and the two parties of NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 15 January 2015. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

| Name or trade name | Location | Number of shares held (Thousand shares) | Percentage of total number of shares issued (%) |
|-----------------------------------|--|--|---|
| Nomura Securities Co., Ltd. | 1-9-1 Nihonbashi, Chuo-ku, Tokyo | 147 | 0.14 |
| NOMURA INTERNATIONAL PLC | 1 Angel Lane, London EC4R 3AB, United Kingdom | 322 | 0.30 |
| Nomura Asset Management Co., Ltd. | 1-12-1 Nihonbashi, Chuo-ku, Tokyo | 6,898 | 6.50 |

4. In addition to the above, 4,139,473 shares of treasury stock are held by the Company (3.90% of the total number of authorized shares).

(7) Voting Rights

(i) Shares issued

As at 28 February 2015

| 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 4,139,400 | — | — |
| Shares with full voting rights (others) | Common stock 101,887,200 | 1,018,872 | (Note) 1 |
| Shares less than one unit | Common stock 47,056 | — | (Notes) 1,2 |
| Total number of shares issued | 106,073,656 | — | — |
| Total number of voting rights of all shareholders | — | 1,018,872 | — |

(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 73 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 28 February 2015

| 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 | 4,139,400 | — | 4,139,400 | 3.90 |
| Total | — | 4,139,400 | — | 4,139,400 | 3.90 |

2. Board of Directors

Since the submission of the annual securities report for the preceding consolidated fiscal year, there has been no change of directors during the six months ended 28 February 2015.

Financial Section

1. Preparation of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group were prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), pursuant to Article 93 of the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, hereinafter referred to as “Consolidated Quarterly Financial Statements Rules”).

2. Review Certification

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, the quarterly and interim condensed consolidated financial statements of the Group for the three months and six months ended 28 February 2015, 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 2014 | As at 28 February 2015 |
|---|-------|----------------------|------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 314,049 | 462,884 |
| Trade and other receivables | | 47,428 | 51,366 |
| Other current financial assets | 13 | 9,119 | 51,575 |
| Inventories | 6 | 223,223 | 210,989 |
| Derivative financial assets | 13 | 99,125 | 187,072 |
| Income taxes receivable | | 11,951 | 562 |
| Others | | 12,139 | 12,601 |
| Total current assets | | 717,037 | 977,053 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 114,398 | 130,866 |
| Goodwill | | 26,715 | 28,370 |
| Other intangible assets | | 46,968 | 49,701 |
| Non-current financial assets | 13 | 71,293 | 73,864 |
| Deferred tax assets | | 11,257 | 11,613 |
| Others | | 4,636 | 4,825 |
| Total non-current assets | | 275,270 | 299,241 |
| Total assets | | 992,307 | 1,276,295 |
| Liabilities and equity | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 185,119 | 244,016 |
| Derivative financial liabilities | 13 | 1,012 | 146 |
| Other current financial liabilities | 13 | 12,696 | 12,426 |
| Income taxes payable | | 32,750 | 47,605 |
| Provisions | | 16,154 | 14,016 |
| Others | | 25,462 | 35,589 |
| Total current liabilities | | 273,196 | 353,801 |
| Non-current liabilities | | | |
| Non-current financial liabilities | 13 | 27,604 | 27,592 |
| Provisions | | 7,694 | 9,392 |
| Deferred tax liabilities | | 37,387 | 68,694 |
| Others | | 10,383 | 11,832 |
| Total non-current liabilities | | 83,069 | 117,511 |
| Total liabilities | | 356,265 | 471,312 |
| EQUITY | | | |
| Capital stock | | 10,273 | 10,273 |
| Capital surplus | | 9,803 | 11,389 |
| Retained earnings | | 525,722 | 615,187 |
| Treasury stock, at cost | | (15,790) | (15,733) |
| Other components of equity | | 88,371 | 159,708 |
| Equity attributable to owners of the parent | | 618,381 | 780,826 |
| Non-controlling interests | | 17,660 | 24,156 |
| Total equity | | 636,041 | 804,982 |
| Total liabilities and equity | | 992,307 | 1,276,295 |

(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

Six months ended 28 February 2015

(Millions of yen)

| | Notes | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|--|-------|--------------------------------------|--------------------------------------|
| Revenue | | 764,377 | 949,684 |
| Cost of sales | | (386,888) | (470,166) |
| Gross profit | | 377,489 | 479,517 |
| Selling, general and administrative expenses | 9 | (272,510) | (336,333) |
| Other income | 10 | 2,903 | 8,075 |
| Other expenses | 10 | (852) | (1,181) |
| Operating profit | | 107,030 | 150,077 |
| Finance income | 11 | 4,028 | 14,123 |
| Finance costs | 11 | (496) | (534) |
| Profit before income taxes | | 110,562 | 163,666 |
| Income taxes | | (39,750) | (52,694) |
| Profit for the period | | 70,811 | 110,971 |
| Attributable to: | | | |
| Owners of the parent | | 67,079 | 104,753 |
| Non-controlling interests | | 3,731 | 6,218 |
| Profit for the period | | 70,811 | 110,971 |
| Earnings per share | | | |
| Basic (Yen) | 12 | 658.28 | 1,027.75 |
| Diluted (Yen) | 12 | 657.52 | 1,026.51 |

| | Notes | Three months ended 28 February 2014 | Three months ended 28 February 2015 |
|--|-------|--|--|
| Revenue | | 375,324 | 470,140 |
| Cost of sales | | (196,685) | (243,900) |
| Gross profit | | 178,639 | 226,239 |
| Selling, general and administrative expenses | | (137,062) | (168,323) |
| Other income | | 643 | 1,343 |
| Other expenses | | (505) | (552) |
| Operating profit | | 41,715 | 58,707 |
| Finance income | | 203 | 379 |
| Finance costs | | (833) | (2,165) |
| Profit before income taxes | | 41,085 | 56,920 |
| Income taxes | | (14,790) | (18,745) |
| Profit for the period | | 26,295 | 38,174 |
| Attributable to: | | | |
| Owners of the parent | | 25,084 | 35,926 |
| Non-controlling interests | | 1,211 | 2,248 |
| Profit for the period | | 26,295 | 38,174 |
| Earnings per share | | | |
| Basic (Yen) | 12 | 246.16 | 352.47 |
| Diluted (Yen) | 12 | 245.89 | 351.98 |

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 28 February 2015

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|--------------------------------------|--------------------------------------|
| Profit for the period | 70,811 | 110,971 |
| 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 | 68 | (689) |
| Exchange differences on translation of foreign operations | 5,371 | 17,288 |
| Cash flow hedges | 90 | 56,062 |
| Other comprehensive income, net of taxes | 5,529 | 72,661 |
| Total comprehensive income for the period | 76,341 | 183,633 |
| Attributable to: | | |
| Owners of the parent | 72,511 | 176,091 |
| Non-controlling interests | 3,830 | 7,541 |
| Total comprehensive income for the period | 76,341 | 183,633 |

Three months ended 28 February 2015

(Millions of yen)

| | Three months ended 28 February 2014 | Three months ended 28 February 2015 |
|---|--|--|
| Profit for the period | 26,295 | 38,174 |
| 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 | 24 | 18 |
| Exchange differences on translation of foreign operations | (2,531) | (1,266) |
| Cash flow hedges | (16,825) | (16,574) |
| Other comprehensive income, net of taxes | (19,333) | (17,821) |
| Total comprehensive income for the period | 6,962 | 20,353 |
| Attributable to: | | |
| Owners of the parent | 6,964 | 18,311 |
| Non-controlling interests | (1) | 2,041 |
| Total comprehensive income for the period | 6,962 | 20,353 |

(3) Interim Condensed Consolidated Statement of Changes in Equity

For six months ended 28 February 2014

(Millions of yen)

| | Note | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Other components of equity | | | Total | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|-------------------------------------|------|---------------|-----------------|-------------------|-------------------------|----------------------------|--------------------------------------|-------------------------|--------|---|---------------------------|--------------|
| | | | | | | Available-for-sale reserve | Foreign currency translation reserve | Cash-flow hedge reserve | | | | |
| As at 1 September 2013 | | 10,273 | 6,859 | 481,746 | (15,851) | 731 | 16,452 | 70,215 | 87,399 | 570,428 | 19,298 | 589,726 |
| Net changes during the period | | | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | | | |
| Profit for the period | | — | — | 67,079 | — | — | — | — | — | 67,079 | 3,731 | 70,811 |
| Other comprehensive income | | — | — | — | — | 68 | 5,272 | 90 | 5,431 | 5,431 | 98 | 5,529 |
| Total comprehensive income | | — | — | 67,079 | — | 68 | 5,272 | 90 | 5,431 | 72,511 | 3,830 | 76,341 |
| Transactions with the owners | | | | | | | | | | | | |
| Acquisition of treasury stock | | | | | | | | | | | | |
| | | — | — | — | (20) | — | — | — | — | (20) | — | (20) |
| Disposal of treasury stock | | | | | | | | | | | | |
| | | — | 296 | — | 60 | — | — | — | — | 357 | — | 357 |
| Dividends | 8 | — | — | (15,284) | — | — | — | — | — | (15,284) | (633) | (15,917) |
| Share-based payments | | — | 859 | — | — | — | — | — | — | 859 | — | 859 |
| Others | | — | — | — | — | — | — | — | — | — | (89) | (89) |
| Total transactions with the owners | | — | 1,155 | (15,284) | 40 | — | — | — | — | (14,087) | (722) | (14,810) |
| Total net changes during the period | | — | 1,155 | 51,795 | 40 | 68 | 5,272 | 90 | 5,431 | 58,423 | 3,107 | 61,530 |
| As at 28 February 2014 | | 10,273 | 8,015 | 533,541 | (15,810) | 800 | 21,725 | 70,305 | 92,831 | 628,852 | 22,405 | 651,257 |

For six months ended 28 February 2015

(Millions of yen)

| | Note | Other components of equity | | | | | | | Equity | | Total equity | |
|-------------------------------------|------|----------------------------|-----------------|-------------------|-------------------------|----------------------------|--------------------------------------|-------------------------|--------------------------------------|---------------------------|--------------|----------|
| | | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Available-for-sale reserve | Foreign currency translation reserve | Cash-flow hedge reserve | attributable to owners of the parent | Non-controlling interests | | |
| As at 1 September 2014 | | 10,273 | 9,803 | 525,722 | (15,790) | 798 | 23,035 | 64,536 | 88,371 | 618,381 | 17,660 | 636,041 |
| Net changes during the period | | | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | | | |
| Profit for the period | | — | — | 104,753 | — | — | — | — | — | 104,753 | 6,218 | 110,971 |
| Other comprehensive income | | — | — | — | — | (689) | 16,118 | 55,908 | 71,337 | 71,337 | 1,323 | 72,661 |
| Total comprehensive income | | — | — | 104,753 | — | (689) | 16,118 | 55,908 | 71,337 | 176,091 | 7,541 | 183,633 |
| Transactions with the owners | | | | | | | | | | | | |
| Acquisition of treasury stock | | — | — | — | (2) | — | — | — | — | (2) | — | (2) |
| Disposal of treasury stock | | — | 415 | — | 59 | — | — | — | — | 474 | — | 474 |
| Dividends | 8 | — | — | (15,287) | — | — | — | — | — | (15,287) | (1,226) | (16,513) |
| Share-based payments | | — | 1,170 | — | — | — | — | — | — | 1,170 | — | 1,170 |
| Others | | — | — | — | — | — | — | — | — | — | 180 | 180 |
| Total transactions with the owners | | — | 1,585 | (15,287) | 56 | — | — | — | — | (13,646) | (1,046) | (14,692) |
| Total net changes during the period | | — | 1,585 | 89,465 | 56 | (689) | 16,118 | 55,908 | 71,337 | 162,445 | 6,495 | 168,940 |
| As at 28 February 2015 | | 10,273 | 11,389 | 615,187 | (15,733) | 109 | 39,154 | 120,444 | 159,708 | 780,826 | 24,156 | 804,982 |

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|--------------------------------------|--------------------------------------|
| Profit before income taxes | 110,562 | 163,666 |
| Depreciation and amortization | 13,980 | 17,784 |
| Increase/(decrease) in allowance for doubtful accounts | (13) | 6 |
| Increase/(decrease) in other provisions | (2,155) | (2,973) |
| Interest and dividend income | (327) | (606) |
| Interest expenses | 496 | 530 |
| Foreign exchange losses/(gains) | (3,701) | (12,724) |
| Losses on retirement of property, plant and equipment | 107 | 265 |
| Decrease/(increase) in trade and other receivables | 2,153 | (1,981) |
| Decrease/(increase) in inventories | 5,228 | 21,878 |
| Increase/(decrease) in trade and other payables | (8,388) | 59,476 |
| Decrease/(increase) in other assets | 3,109 | 3,518 |
| Increase/(decrease) in other liabilities | 2,740 | 3,213 |
| Others, net | (1,609) | (1,445) |
| Subtotal | 122,183 | 250,610 |
| Interest and dividend income received | 306 | 478 |
| Interest paid | (501) | (543) |
| Income taxes paid | (28,793) | (40,366) |
| Income taxes refund | 9,706 | 13,881 |
| Net cash from operating activities | 102,901 | 224,060 |
| Decrease/(increase) in bank deposits with maturity over 3 months | — | (45,811) |
| Purchases of property, plant and equipment | (19,217) | (21,678) |
| Proceeds from sales of property, plant and equipment | 1,318 | 174 |
| Purchases of intangible assets | (2,983) | (3,426) |
| Payments for lease and guarantee deposits | (2,855) | (4,291) |
| Proceeds from collection of lease and guarantee deposits | 264 | 1,589 |
| Increase in construction assistance fund receivables | (1,468) | (1,228) |
| Decrease in construction assistance fund receivables | 850 | 905 |
| Increase in guarantee deposits received | 148 | 20 |
| Decrease in guarantee deposits received | (244) | (47) |
| Others, net | (232) | (223) |
| Net cash used in investing activities | (24,419) | (74,018) |

| | Note | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|------|--------------------------------------|--------------------------------------|
| Net increase/(decrease) in short-term loans payable | | (702) | (1,067) |
| Repayment of long-term loans payable | | (2,317) | (2,954) |
| Cash dividends paid | 8 | (15,183) | (15,234) |
| Cash dividends paid to non-controlling interests | | (633) | (1,226) |
| Repayments of lease obligations | | (1,697) | (2,244) |
| Others, net | | (139) | 330 |
| Net cash used in financing activities | | (20,672) | (22,397) |
| Effect of exchange rate changes on cash and cash equivalents | | 4,379 | 21,190 |
| Net increase/(decrease) in cash and cash equivalents | | 62,189 | 148,835 |
| Cash and cash equivalents at beginning of period | | 296,708 | 314,049 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 358,897 | 462,884 |

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The Group adopted Article 93 of Consolidated Quarterly Financial Statements Rules, because the Group meets the criteria of a “specified company” defined under Article 1-2 of the said rules. Since the interim condensed consolidated financial statements do not include all the information and disclosures required for consolidated financial statements, they should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 August 2014.

The interim condensed consolidated financial statements were approved on 14 April 2015 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Senior 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 2014 are applied consistently in the preparation of these interim condensed consolidated financial statements.

The Group adopted the following new and revised standards and interpretations from the preparation of the interim condensed consolidated financial statements for the three months ended 30 November 2014.

| IFRS | Title | Summary of new standards and amendments |
|----------------------|---|---|
| IAS 32 (Amendments) | Amendments to IAS 32 Financial Instruments: Presentation | Offsetting financial assets and financial liabilities. |
| IAS 36 (Amendments) | Amendments to IAS 36 Impairment of Assets | Recoverable amount disclosures for non-financial assets. |
| IAS 39 (Amendments) | Amendments to IAS 39 Financial Instruments: Recognition and Measurement | Novation of derivatives and continuation of hedge accounting. |
| IFRIC 21 | Levies | Clarifies the timing of recognition of liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. |
| IFRS 10 (Amendments) | Amendments to IFRS 10 — Consolidated Financial Statements | Defines investment entity and provide an exception to the consolidation requirement for entities that meet the definition of investment entity. |
| 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 IAS34 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 2014.

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

(iii) Segment information

For the six months ended 28 February 2014

(Millions of yen)

| | Reportable segments | | | Total | Others (Note) | Adjustments | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---------------------|-------------------------|------------------|---------|------------------|-------------|--|
| | UNIQLO Japan | UNIQLO International | Global Brands | | | | |
| Revenue | 405,592 | 232,066 | 125,367 | 763,025 | 1,351 | — | 764,377 |
| Operating profit | 71,724 | 26,264 | 9,513 | 107,502 | 17 | (489) | 107,030 |
| Segment income (profit before income taxes) | 72,038 | 25,751 | 9,919 | 107,710 | 17 | 2,835 | 110,562 |

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

For the six months ended 28 February 2015

(Millions of yen)

| | Reportable segments | | | Total | Others (Note) | Adjustments | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---------------------|-------------------------|------------------|---------|------------------|-------------|--|
| | UNIQLO Japan | UNIQLO International | Global Brands | | | | |
| Revenue | 454,502 | 345,504 | 148,254 | 948,260 | 1,423 | — | 949,684 |
| Operating profit | 89,462 | 42,861 | 11,740 | 144,064 | 15 | 5,997 | 150,077 |
| Segment income (profit before income taxes) | 90,820 | 41,994 | 11,715 | 144,530 | 15 | 19,120 | 163,666 |

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

For the three months ended 28 February 2014

(Millions of yen)

| | Reportable segments | | | Total | Others (Note) | Adjustments | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---------------------|-------------------------|------------------|---------|------------------|-------------|--|
| | UNIQLO Japan | UNIQLO International | Global Brands | | | | |
| Revenue | 197,094 | 117,970 | 59,460 | 374,524 | 799 | — | 375,324 |
| Operating profit | 29,547 | 10,791 | 2,182 | 42,521 | 46 | (852) | 41,715 |
| Segment income (profit before income taxes) | 29,407 | 10,574 | 2,530 | 42,512 | 46 | (1,473) | 41,085 |

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

For the three months ended 28 February 2015

(Millions of yen)

| | Reportable segments | | | Total | Others (Note) | Adjustments | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---------------------|-------------------------|------------------|---------|------------------|-------------|--|
| | UNIQLO Japan | UNIQLO International | Global Brands | | | | |
| Revenue | 221,869 | 177,472 | 70,067 | 469,409 | 730 | — | 470,140 |
| Operating profit | 38,319 | 18,545 | 2,182 | 59,047 | 17 | (357) | 58,707 |
| Segment income (profit before income taxes) | 37,977 | 18,248 | 2,089 | 58,315 | 17 | (1,411) | 56,920 |

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

6. Inventories

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|--------------------------------------|--------------------------------------|
| Write-down of inventories to net realizable value | 1,951 | 1,948 |

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 2014 | As at 28 February 2015 |
|-----------------------------------|-------------------------|---------------------------|
| Buildings and structures | 80,131 | 96,126 |
| Furniture, equipment and vehicles | 24,869 | 27,966 |
| Land | 3,374 | 3,374 |
| Construction in progress | 6,021 | 3,398 |
| Total | 114,398 | 130,866 |

8. Dividends

The total amount of dividends paid was as follows:

Dividends paid during the six months ended 28 February 2014

| Resolution | Total dividends (Millions of yen) | Dividends per share (Yen) |
|--|--------------------------------------|------------------------------|
| Meeting of the Board of Directors on 4 November 2013 | 15,284 | 150 |

Dividends for which the declared date is 31 August 2013 are paid on or after 22 November 2013 as the effective date.

Dividends paid during the six months ended 28 February 2015

| Resolution | Total dividends (Millions of yen) | Dividends per share (Yen) |
|--|--------------------------------------|------------------------------|
| Meeting of the Board of Directors on 3 November 2014 | 15,287 | 150 |

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

Proposed dividends on common stock are as follows:

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|-------------------------------|--------------------------------------|--------------------------------------|
| Total dividends (million yen) | 15,286 | 17,838 |
| Dividends per share (yen) | 150 | 175 |

Regarding the proposed dividends per common stock, the Board has approved the proposal subsequent to the period-end date, and this sum is not recognized as a liability as at 28 February 2015.

9. Selling, general and administrative expenses

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|--|--------------------------------------|--------------------------------------|
| Selling, general and administrative expenses | | |
| Advertising and promotion | 32,439 | 35,520 |
| Rental expenses | 71,401 | 86,814 |
| Depreciation and amortization | 13,980 | 17,784 |
| Outsourcing | 10,040 | 13,813 |
| Salaries | 88,045 | 110,986 |
| Others | 56,603 | 71,413 |
| Total | 272,510 | 336,333 |

10. Other income and other expenses

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|--------------------------------------|--------------------------------------|
| Other income | | |
| Foreign exchange gains* | 1,442 | 6,906 |
| Gains on sales of property, plant and equipment | 878 | 0 |
| Others | 582 | 1,167 |
| Total | 2,903 | 8,075 |

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|---|--------------------------------------|--------------------------------------|
| Other expenses | | |
| Loss on retirement of property, plant and equipment | 107 | 265 |
| Others | 744 | 915 |
| Total | 852 | 1,181 |

11. Finance income and finance costs

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|-------------------------|--------------------------------------|--------------------------------------|
| Finance income | | |
| Foreign exchange gains* | 3,701 | 12,724 |
| Interest income | 324 | 572 |
| Dividend income | 2 | 34 |
| Others | — | 792 |
| Total | 4,028 | 14,123 |

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

(Millions of yen)

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|-------------------|--------------------------------------|--------------------------------------|
| Finance costs | | |
| Interest expenses | 496 | 530 |
| Others | — | 3 |
| Total | 496 | 534 |

12. Earnings per share

| Six months ended 28 February 2014 | | Six months ended 28 February 2015 | |
|---|----------|---|----------|
| Equity per share attributable to owners of the parent (Yen) | 6,153.37 | Equity per share attributable to owners of the parent (Yen) | 7,660.10 |
| Basic earnings per share for the period (Yen) | 658.28 | Basic earnings per share for the period (Yen) | 1,027.75 |
| Diluted earnings per share for the period (Yen) | 657.52 | Diluted earnings per share for the period (Yen) | 1,026.51 |

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

| | Six months ended 28 February 2014 | Six months ended 28 February 2015 |
|--|--------------------------------------|--------------------------------------|
| Basic earnings per share for the period | | |
| Profit for the period attributable to owners of the parent (Millions of yen) | 67,079 | 104,753 |
| Profit not attributable to common shareholders (Millions of yen) | — | — |
| Profit attributable to common shareholders (Millions of yen) | 67,079 | 104,753 |
| Average number of common stock during the period (Shares) | 101,901,611 | 101,924,560 |
| Diluted earnings per share for the period | | |
| Adjustment to profit (Millions of yen) | — | — |
| Increase in number of common stock (Shares) | 118,553 | 123,789 |
| (share subscription rights) | (118,553) | (123,789) |

| Three months ended 28 February 2014 | | Three months ended 28 February 2015 | |
|---|--------|---|--------|
| Basic earnings per share for the period (Yen) | 246.16 | Basic earnings per share for the period (Yen) | 352.47 |
| Diluted earnings per share for the period (Yen) | 245.89 | Diluted earnings per share for the period (Yen) | 351.98 |

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

| | Three months ended 28 February 2014 | Three months ended 28 February 2015 |
|--|--|--|
| Basic earnings per share for the period | | |
| Profit for the period attributable to owners of the parent (Millions of yen) | 25,084 | 35,926 |
| Profit not attributable to common shareholders (Millions of yen) | — | — |
| Profit attributable to common shareholders (Millions of yen) | 25,084 | 35,926 |
| Average number of common stock during the period (Shares) | 101,904,533 | 101,928,222 |
| Diluted earnings per share for the period | | |
| Adjustment to profit (Millions of yen) | — | — |
| Increase in number of common stock (Shares) | 112,335 | 142,957 |
| (share subscription rights) | (112,335) | (142,957) |

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 2014 | | As at 28 February 2015 | |
|-----------------------------|----------------------|------------|------------------------|------------|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Short-term borrowings | 2,857 | 2,857 | 1,973 | 1,973 |
| Long-term borrowings (Note) | 23,104 | 22,065 | 22,691 | 21,726 |
| Lease obligations (Note) | 11,599 | 11,379 | 12,576 | 12,298 |
| Total | 37,561 | 36,302 | 37,241 | 35,998 |

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

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

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

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

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

(Millions of yen)

| As at 31 August 2014 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| Available-for-sale financial assets | 243 | — | 207 | 450 |
| Financial instruments at fair value through profit or loss (“FVTPL”) | — | (118) | — | (118) |
| Foreign currency forward contracts designated as hedging instruments | — | 98,231 | — | 98,231 |
| Total | 243 | 98,112 | 207 | 98,563 |

(Millions of yen)

| As at 28 February 2015 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|---------|
| Available-for-sale financial assets | 263 | — | 221 | 485 |
| Financial instruments at FVTPL | — | 844 | — | 844 |
| Foreign currency forward contracts designated as hedging instruments | — | 186,081 | — | 186,081 |
| Total | 263 | 186,925 | 221 | 187,411 |

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

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

14. Commitments

The Group had the following commitments at each reporting dates:

(Millions of yen)

| | As at 31 August 2014 | As at 28 February 2015 |
|---|-------------------------|---------------------------|
| Commitment for acquisition of property, plant and equipment | 5,487 | 5,271 |
| Commitment for acquisition of intangible assets | 373 | 218 |
| Total | 5,861 | 5,489 |

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 9 April 2015.

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

Report on review of interim condensed consolidated financial statements

Board of Directors
FAST RETAILING CO., LTD.

Ernst & Young ShinNihon LLC

Shigeyuki Amimoto
Certified Public Accountant
Designated and Engagement Partner

Shuji Kaneko
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama
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 28 February 2015, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and the six-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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
14 April 2015

(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 three months and six months ended 28 February 2015, respectively. Ernst & Young ShinNihon LLC has not reviewed the English language version of the interim condensed consolidated financial statements for the above mentioned period.