



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Interim Report 2016/17

2016.9.1–2017.2.28

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

702–706, 7th Floor, Miramar Tower,

No. 132 Nathan Road

Tsim Sha Tsui

Kowloon

Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Stock Code

Hong Kong: 6288

Japan: 9983

Website Address

<http://www.fastretailing.com>

Financial Highlights

Financial Summary

Term	Second Quarter of 55th Year	Second Quarter of 56th Year	55th Year
Accounting period	Six months ended 29 February 2016	Six months ended 28 February 2017	Year ended 31 August 2016
Revenue (Millions of yen)	1,011,653	1,017,508	1,786,473
Operating profit (Millions of yen)	99,341	130,657	127,292
Profit before income taxes (Millions of yen)	82,041	147,610	90,237
Profit attributable to owners of the parent (Millions of yen)	47,043	97,233	48,052
Comprehensive income/(loss) attributable to owners of the parent (Millions of yen)	(48,770)	177,802	(141,345)
Equity attributable to owners of the parent (Millions of yen)	685,871	736,750	574,501
Total assets (Millions of yen)	1,311,064	1,388,138	1,238,119
Basic earnings per share for the period (year) (Yen)	461.43	953.55	471.31
Diluted earnings per share for the period (year) (Yen)	460.80	952.17	470.69
Ratio of equity attributable to owners of the parent to total assets (%)	52.3	53.1	46.4
Net cash from operating activities (Millions of yen)	143,851	211,222	98,755
Net cash used in investing activities (Millions of yen)	(202,107)	(16,586)	(245,939)
Net cash from/(used in) financing activities (Millions of yen)	221,785	(25,234)	201,428
Cash and cash equivalents at end of the period (year) (Millions of yen)	504,002	569,861	385,431

Accounting period	Three months ended 29 February 2016	Three months ended 28 February 2017
Revenue (Millions of yen)	491,350	488,660
Profit/(loss) attributable to owners of the parent (Millions of yen)	(981)	27,538
Basic earnings/(loss) per share for the period (Yen)	(9.63)	270.05

- (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 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 six months ended 28 February 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 reported a rise in both revenue and operating profit in the first half of fiscal 2017, or the six months from 1 September 2016 to 28 February 2017. Consolidated revenue reached ¥1.0175 trillion (+0.6% year-on-year), while consolidated operating profit totaled ¥130.6 billion (+31.5% year-on-year). The consolidated gross profit margin improved 1.5 points year-on-year, and the selling, general and administrative expense ratio improved 0.7 point as we strengthened the Group-wide cost-cutting drive initiated in fiscal 2016. We recorded a foreign exchange gain of ¥15.4 billion under finance income after the February month-end spot exchange rate closed lower than the August month-end rate, boosting the carrying amount of our long-term foreign-currency denominated assets in yen terms. As a result, Fast Retailing consolidated profit rose significantly in the first half. Profit before income taxes increased by a 79.9% year-on-year to ¥147.6 billion, and profit attributable to owners of the parent expanded 106.7% year-on-year to ¥97.2 billion. Breaking the first-half performance down into the three individual business segments: UNIQLO Japan and UNIQLO International generated increases in both revenue and operating profit, while Global Brands recorded a rise in revenue but a fall in operating profit.

The Group's medium-term vision is to become the world's number one apparel retailer. To this aim, we are focusing our efforts on expanding UNIQLO International and our low-priced 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. In addition, we are expanding our GU operation, which has grown into a second pillar brand for the Group alongside UNIQLO, by accelerating GU store openings in Japan and aggressively promoting new store development in international markets. In February 2017, the launch of the UNIQLO CITY TOKYO Ariake office also heralded the launch a speedier, more concurrent product-creation and information-generating system. We intend to use the new Ariake base as a springboard to revolutionize our supply chain processes, including planning and design, raw materials procurement, manufacturing, logistics and retail, transform our operational structure, and develop a new digital retailing business model to optimize profit for the Fast Retailing Group.

UNIQLO Japan

UNIQLO Japan generated rises in both revenue and profit in the first half of fiscal 2017, with revenue totaling ¥455.1 billion (+0.3% year-on-year) and operating profit totaling ¥68.7 billion (+7.3% year-on-year). Same-store sales, including online sales, increased 0.1% year-on-year. The total number of UNIQLO Japan stores declined by a net 14 stores year-on-year to 791 (excluding 41 franchise stores) at the end of February 2017. Of this total, two stores shifted from directly operated stores to employee franchise stores.

A number of factors contributed to the increase in first-half same-store sales. First, the UNIQLO anniversary sale in November 2016 generated strong sales. Core Winter ranges such as HEATTECH innerwear, cashmere sweaters and BLOCKTECH outerwear also performed well, and 2017 Spring Summer ranges got off to a strong start in February. On the profit front, the gross profit margin improved 2.1 points year-on-year as we maintained new attractive, instantly recognizable prices and kept a firm control on discounting. Thanks to persistent cost-cutting efforts, we were able to successfully reduce all business expenses items by a greater margin than originally planned, with the exception of distribution costs, which were boosted temporarily by measures taken to transform our logistics systems and by higher distribution outsourcing costs. As a result of increased distribution cost, the selling, general and administrative expense ratio rose by 0.8 point year-on-year. E-commerce sales increased by 11.7% year-on-year in the first half of fiscal 2017 to ¥28.2 billion, constituting 6.2% of total sales. We are looking to expand e-commerce further by offering a broader range of special online sizes and exclusive online ranges, and enhancing services designed to make online shopping more convenient, such as enabling customers to pick up their online purchases at their local convenience store or UNIQLO store.

UNIQLO International

UNIQLO International reported rises in both revenue and operating profit in the first six months of fiscal 2017, with revenue expanding by 0.9% year-on-year to ¥392.8 billion and operating profit expanding by a considerable 65.9% to ¥48.7 billion. Revenue increased healthily across the vast majority of UNIQLO international's operations in local-currency terms. However, the effect of the stronger yen compared to the previous year pushed yen-based revenue down by an average 11%, resulting in the segment's more subdued 0.9% rise in overall revenue.

On the profit side, UNIQLO International recorded a significant increase in operating profit thanks to improvements in both the gross profit margin and the selling, general and administrative expense ratio. Profit contributions from Mainland China and Southeast Asia were especially strong. The UNIQLO operation in Mainland China reported strong sales and a large rise in profit on the back of an improved gross profit margin and the selling, general and administrative expense ratio, while UNIQLO Southeast Asia achieved strong growth in same-store sales. UNIQLO brand visibility in Southeast Asia has improved markedly thanks to efforts to broaden the local customer base by incorporating a broader range of products developed specifically to suit local climates and cultures; stronger marketing activities; and the opening of the first UNIQLO global flagship store, the Orchard Central Store, in Singapore in September 2016. Elsewhere, UNIQLO USA recorded a considerable reduction in operating losses following the successful implementation of operational changes. Our first two UNIQLO Canada stores, opened in Toronto in September 2016, continue to enjoy great success. Store numbers for the segment as a whole had expanded by 139 year-on-year to 1,029 stores at the end of February 2017.

Global Brands

Global Brands revenue expanded 0.5% year-on-year to ¥168.1 billion in the first half of fiscal 2017, but operating profit declined 29.7% year-on-year to ¥10.0 billion, largely due to a contraction in profit at our low-priced GU casual fashion brand.

GU profit declined after 2016 Fall Winter ranges proved less popular than initially expected, leading to aggressive discounting of excess inventory and contraction in the gross profit margin. In addition, the performance was being compared to an extremely buoyant first-half period in fiscal 2016 when operating profit expanded by 60% year-on-year. However, strong sales of individual product items such as big sweatshirts, baggy pants, loungewear, and sports sneakers helped stem the overall decline in first-half same-store sales at 1.1% year-on-year. In March 2017, we extended GU's international store network, which currently spans Shanghai and Taiwan, by opening the first GU store in Hong Kong. We intend to continue expanding the GU operation by accelerating store openings in Japan and actively promoting new store development in international markets.

Looking finally at other labels in the Global Brands segment, our France-based Comptoir des Cotonniers fashion brand reported a decline in revenue on sluggish sales, but generated a steady operating profit on active cost-cutting. Our France-based Princesse tam.tam label and our US-based J Brand premium denim label continued to generate a loss, while fashion brand Theory performed well to generate a rise in profit in the six months to February 2017.

Sustainability

In November 2016, Fast Retailing Co., Ltd. changed the name of the CSR Department to the Sustainability Department. As the business activities of our group expand and become more globalized, we believe that it is necessary for us to engage in business activities with a commitment to sustainability from a long-term perspective.

In our group initiatives aimed at sustainability there are four accountability areas which include supply chain, product, stores and community, and employees. Through innovation across these areas we will pursue growth while addressing social and environmental concerns, and greater transparency.

In January 2017, we published the Sustainability Report 2017. Changing the name from the previous CSR Report, this report features activity reports and improvement measures for the fiscal year ended August 2016.

In February 2017, we held a meeting of the Sustainability Committee. As a management strategy for the entire group, we will formulate and implement a comprehensive sustainability strategy. As a first step, we established the Fast Retailing Group Sustainability Policy which will serve as a guideline for promoting initiatives to achieve sustainability. Moreover, to increase the transparency of our supply chain and to further fulfill our responsibility in regard to the environment and human rights issues, we published on our website a list of UNIQLO's core partner factories.

We will take active steps to disclose information in our sustainability report and on our website. Moreover, we will promote dialogue with diverse stakeholders and engage in activities where we assume social responsibility.

(2) Financial Positions

Total assets as at 28 February 2017 were ¥1,388.1 billion, which was an increase of ¥150.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥184.4 billion in cash and cash equivalents, a decrease of ¥34.9 billion in inventories, an increase of ¥17.7 billion in derivative financial assets and a decrease of ¥26.0 billion in deferred tax assets.

Total liabilities as at 28 February 2017 were ¥621.3 billion, which was a decrease of ¥19.1 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥15.2 billion in trade and other payables, a decrease of ¥69.7 billion in derivative financial liabilities, an increase of ¥28.4 billion in income taxes payable and an increase of ¥7.5 billion in other current liabilities.

Total net assets as at 28 February 2017 were ¥766.7 billion, which was an increase of ¥169.1 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥80.4 billion in retained earnings and an increase of ¥80.5 billion in other components of equity.

(3) Cash Flows Information

Cash and cash equivalents as at 28 February 2017 had increased by ¥65.8 billion from the six months ended 29 February 2016, to ¥569.8 billion.

Net cash from operating activities for the six months ended 28 February 2017 was ¥211.2 billion, which was an increase of ¥67.3 billion (+46.8 % year-on-year) from the six months ended 29 February 2016. The principal factors were ¥147.6 billion in profit before income taxes (an increase of ¥65.5 billion from the six months ended 29 February 2016), decrease in movement of inventories amounted to ¥44.6 billion (an increase of ¥16.6 billion from the six months ended 29 February 2016) and ¥12.6 billion in Increase in trade and other payables (a decrease of ¥10.1 billion from the six months ended 29 February 2016).

Net cash used in investing activities for the six months ended 28 February 2017 was ¥16.5 billion, which was a decrease of ¥185.5 billion (-91.8 % year-on-year) from the six months ended 29 February 2016. The principal factors were decrease of ¥5.3 billion in bank deposits with maturity over 3 months (a decrease of ¥185.6 billion from the six months ended 29 February 2016).

Net cash used in financing activities for the six months ended 28 February 2017 was ¥25.2 billion, which was an increase of ¥247.0 billion from the six months ended 29 February 2016. The principal factor was the proceeds of ¥249.3 billion arising from issuance of corporate bonds during the six months ended 29 February 2016.

(4) Operational and Financial Assignment

There have been no important changes during the six months ended 28 February 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 six months ended 28 February 2017.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

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

Information about the Reporting Entity

1. Stock Information

(1) Number of Shares

(i) Total number of shares

Type	Total number of authorised shares (shares)
Common stock	300,000,000
Total	300,000,000

(Note) There are no provisions for preemptive rights under the Companies Act of Japan, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

(ii) Shares Issued

Type	As at 28 February 2017	Number of shares issued as of submission date (Shares) (As at 14 April 2017)	Name of financial instrument exchange of listing, or authorised financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of The Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

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

(2) Share Subscription Rights

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 2016 to 28 February 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 28 February 2017.

(6) Principal Shareholders

As at 28 February 2017

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	15,819	14.91
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	10,516	9.91
TTY Management B.V.	Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands	5,310	5.01
Kazumi Yanai	New York, U.S.A.	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
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	4,086	3.85
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
Teruyo Yanai	Shibuya-ku, Tokyo	2,327	2.19
Total	—	78,970	74.45

- (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 7 November 2016 by Sumitomo Mitsui Trust Bank, Limited and the two parties of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as joint holders, each party was holding the shares stated below as at 31 October 2016. However, since the Company has not been able to confirm the number of shares actually held by them as of the end of the period, 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 (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,304	1.23
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1 Shiba, Minato-ku, Tokyo	241	0.23
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	5,369	5.06

4. According to the report of large shareholdings (report of change of composition) submitted on 19 December 2016 by Mitsubishi UFJ Trust and Banking Corporation and the two parties of Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint holders, each party was holding the shares stated below as at 12 December 2016. However, since the Company has not been able to confirm the number of shares actually held as by them of the end of the period, 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 (%)
Mitsubishi UFJ Trust and Banking Corporation	1-4-5 Marunouchi, Chuo-ku, Tokyo	1,015	0.96
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1 Yurakucho, Chiyoda-ku, Tokyo	2,607	2.46
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo	450	0.42

5. According to the report of large shareholdings (report of change of composition) submitted on 21 February 2017 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 February 2017. However, since the Company has not been able to confirm the number of shares actually held by them as of the end of the period, 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	25	0.02
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	235	0.22
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	9,348	8.81

6. In addition to the above, 4,095,835 shares of treasury stock are held by the Company (3.86% of the total number of authorized shares).

(7) Voting Rights

(i) Shares issued

As at 28 February 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 4,095,800	—	—
Shares with full voting rights (others)	Common stock 101,920,200	1,019,202	(Note) 1
Shares less than one unit	Common stock 57,656	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,202	—

(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 35 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 28 February 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	4,095,800	—	4,095,800	3.86
Total	—	4,095,800	—	4,095,800	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 six months ended 28 February 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 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 2017, respectively, are reviewed by Ernst & Young ShinNihon LLC.

(Amounts in millions of Japanese Yen and are rounded down to the nearest million unless otherwise stated)

1. Interim Condensed Consolidated Financial Statements

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As at 31 August 2016	As at 28 February 2017
ASSETS			
Current assets			
Cash and cash equivalents		385,431	569,861
Trade and other receivables		45,178	48,772
Other current financial assets	13	184,239	196,285
Inventories	6	270,004	235,072
Derivative financial assets	13	569	18,308
Income taxes receivable		21,626	1,259
Others		17,534	17,295
Total current assets		924,583	1,086,854
Non-current assets			
Property, plant and equipment	7	121,853	129,823
Goodwill		17,908	18,089
Other intangible assets		34,205	38,337
Non-current financial assets	13	77,553	77,994
Investments in associates		13,132	13,669
Deferred tax assets		44,428	18,413
Others		4,453	4,955
Total non-current assets		313,535	301,284
Total assets		1,238,119	1,388,138
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		189,501	204,749
Derivative financial liabilities	13	72,388	2,604
Other current financial liabilities	13	12,581	11,105
Income taxes payable		9,602	38,056
Provisions		22,284	18,381
Others		31,689	39,243
Total current liabilities		338,046	314,140
Non-current liabilities			
Non-current financial liabilities	13	274,090	274,484
Provisions		10,645	11,643
Deferred tax liabilities		3,809	5,121
Others		13,865	15,953
Total non-current liabilities		302,411	307,202
Total liabilities		640,458	621,343
EQUITY			
Capital stock		10,273	10,273
Capital surplus		13,070	14,294
Retained earnings		613,974	694,383
Treasury stock, at cost		(15,633)	(15,586)
Other components of equity		(47,183)	33,385
Equity attributable to owners of the parent		574,501	736,750
Non-controlling interests		23,159	30,045
Total equity		597,661	766,795
Total liabilities and equity		1,238,119	1,388,138

(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 2017

(Millions of yen)

		Six months ended 29 February 2016	Six months ended 28 February 2017
Revenue		1,011,653	1,017,508
Cost of sales		(534,717)	(523,298)
Gross profit		476,935	494,209
Selling, general and administrative expenses	9	(370,729)	(365,486)
Other income	10	921	3,605
Other expenses	10	(7,786)	(1,671)
Operating profit		99,341	130,657
Finance income	11	973	18,613
Finance costs	11	(18,273)	(1,660)
Profit before income taxes		82,041	147,610
Income taxes		(30,606)	(44,196)
Profit for the period		51,434	103,414
Attributable to:			
Owners of the parent		47,043	97,233
Non-controlling interests		4,391	6,180
Profit for the period		51,434	103,414
Earnings per share			
Basic (Yen)	12	461.43	953.55
Diluted (Yen)	12	460.80	952.17

Three months ended 28 February 2017

(Millions of yen)

	Notes	Three months ended 29 February 2016	Three months ended 28 February 2017
Revenue		491,350	488,660
Cost of sales		(280,684)	(265,137)
Gross profit		210,665	223,522
Selling, general and administrative expenses		(180,048)	(181,292)
Other income		125	840
Other expenses		(7,322)	(1,004)
Operating profit		23,420	42,066
Finance income		555	2,223
Finance costs		(19,601)	(883)
Profit before income taxes		4,374	43,405
Income taxes		(4,071)	(13,689)
Profit for the period		302	29,716
Attributable to:			
Owners of the parent		(981)	27,538
Non-controlling interests		1,284	2,177
Profit for the period		302	29,716
Earnings/(losses) per share			
Basic (Yen)	12	(9.63)	270.05
Diluted (Yen)	12	(9.63)	269.63

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 28 February 2017

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Profit for the period	51,434	103,414
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net loss on revaluation of available-for-sale investments	(39)	(21)
Exchange differences on translation of foreign operations	(18,341)	24,821
Cash flow hedges	(80,303)	58,005
Other comprehensive income/(loss), net of taxes	(98,684)	82,805
Total comprehensive income/(loss) for the period	(47,250)	186,220
Attributable to:		
Owners of the parent	(48,770)	177,802
Non-controlling interests	1,520	8,418
Total comprehensive income/(loss) for the period	(47,250)	186,220

Three months ended 28 February 2017

(Millions of yen)

	Three months ended 29 February 2016	Three months ended 28 February 2017
Profit for the period	302	29,716
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net loss on revaluation of available-for-sale investments	(51)	(69)
Exchange differences on translation of foreign operations	(21,773)	3,639
Cash flow hedges	(74,388)	(5,114)
Other comprehensive loss, net of taxes	(96,212)	(1,544)
Total comprehensive income/(loss) for the period	(95,910)	28,171
Attributable to:		
Owners of the parent	(93,782)	26,220
Non-controlling interests	(2,127)	1,950
Total comprehensive income/(loss) for the period	(95,910)	28,171

(3) Interim Condensed Consolidated Statement of Changes in Equity

For six months ended 29 February 2016

(Millions of yen)

	Note	Other components of equity							Equity attributable to owners of the parent		Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total			
As at 1 September 2015		10,273	11,524	602,623	(15,699)	143	37,851	104,219	142,214	750,937	23,867	774,804
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	47,043	—	—	—	—	—	47,043	4,391	51,434
Other comprehensive income		—	—	—	—	(39)	(15,874)	(79,899)	(95,813)	(95,813)	(2,871)	(98,684)
Total comprehensive income		—	—	47,043	—	(39)	(15,874)	(79,899)	(95,813)	(48,770)	1,520	(47,250)
Transactions with the owners												
Acquisition of treasury stock		—	—	—	(4)	—	—	—	—	(4)	—	(4)
Disposal of treasury stock		—	337	—	42	—	—	—	—	379	—	379
Dividends	8	—	—	(17,840)	—	—	—	—	—	(17,840)	(2,067)	(19,907)
Share-based payments		—	984	—	—	—	—	—	—	984	—	984
Others		—	187	—	—	—	—	—	—	187	454	641
Total transactions with the owners		—	1,508	(17,840)	37	—	—	—	—	(16,294)	(1,612)	(17,907)
Total net changes during the period		—	1,508	29,202	37	(39)	(15,874)	(79,899)	(95,813)	(65,065)	(92)	(65,157)
As at 29 February 2016		10,273	13,032	631,826	(15,662)	103	21,977	24,319	46,400	685,871	23,775	709,647

For six months ended 28 February 2017

(Millions of yen)

Note	Other components of equity							Equity attributable to owners of the parent		Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total			
As at 1 September 2016	10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the period											
Comprehensive income											
Profit for the period	—	—	97,233	—	—	—	—	—	97,233	6,180	103,414
Other comprehensive income	—	—	—	—	(21)	22,989	57,600	80,568	80,568	2,237	82,805
Total comprehensive income	—	—	97,233	—	(21)	22,989	57,600	80,568	177,802	8,418	186,220
Transactions with the owners											
Acquisition of treasury stock	—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock	—	447	—	52	—	—	—	—	499	—	499
Dividends	8	—	(16,824)	—	—	—	—	—	(16,824)	(1,531)	(18,356)
Share-based payments	—	776	—	—	—	—	—	—	776	—	776
Total transactions with the owners	—	1,223	(16,824)	46	—	—	—	—	(15,554)	(1,531)	(17,085)
Total net changes during the period	—	1,223	80,409	46	(21)	22,989	57,600	80,568	162,248	6,886	169,134
As at 28 February 2017	10,273	14,294	694,383	(15,586)	226	20,178	12,980	33,385	736,750	30,045	766,795

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Profit before income taxes	82,041	147,610
Depreciation and amortization	18,656	17,996
Increase/(decrease) in allowance for doubtful accounts	(28)	(15)
Increase/(decrease) in other provisions	(5,749)	(4,858)
Interest and dividend income	(973)	(2,872)
Interest expenses	920	1,660
Foreign exchange losses/(gains)	17,353	(15,496)
Share of profits and losses of associates	—	(340)
Losses on retirement of property, plant and equipment	519	599
Decrease/(increase) in trade and other receivables	(5,054)	(3,170)
Decrease/(increase) in inventories	27,941	44,638
Increase/(decrease) in trade and other payables	22,764	12,643
Decrease/(increase) in other assets	1,835	(2,006)
Increase/(decrease) in other liabilities	5,813	11,394
Others, net	(1,938)	(2,333)
Subtotal	164,101	205,448
Interest and dividend income received	973	3,074
Interest paid	(733)	(1,683)
Income taxes paid	(38,301)	(16,537)
Income taxes refund	17,811	20,920
Net cash from operating activities	143,851	211,222
Decrease/(increase) in bank deposits with maturity over 3 months	(180,353)	5,309
Purchases of property, plant and equipment	(17,062)	(17,415)
Proceeds from sales of property, plant and equipment	1,003	22
Purchases of intangible assets	(4,555)	(4,944)
Payments for lease and guarantee deposits	(2,102)	(1,767)
Proceeds from collection of lease and guarantee deposits	519	1,130
Investments in associates	—	(196)
Increase in construction assistance fund receivables	(807)	(575)
Decrease in construction assistance fund receivables	1,023	859
Others, net	228	990
Net cash used in investing activities	(202,107)	(16,586)

(Millions of yen)

	Note	Six months ended 29 February 2016	Six months ended 28 February 2017
Net increase/(decrease) in short-term loans payable		(2,870)	(2,860)
Repayment of long-term loans payable		(2,985)	(1,163)
Proceeds from issuance of corporate bonds		249,369	—
Cash dividends paid	8	(17,840)	(16,824)
Cash dividends paid to non-controlling interests		(2,067)	(1,698)
Repayments of lease obligations		(2,319)	(2,504)
Others, net		497	(182)
Net cash from/(used in) financing activities		221,785	(25,234)
Effect of exchange rate changes on cash and cash equivalents		(14,739)	15,027
Net increase in cash and cash equivalents		148,789	184,429
Cash and cash equivalents at beginning of period		355,212	385,431
CASH AND CASH EQUIVALENTS AT END OF PERIOD		504,002	569,861

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The Group meets all criteria of a “specified company” defined under Article 1-2 of the Rules Governing Term, Form, and Preparation of Consolidated Quarterly Financial Statements, and accordingly applies Article 93 of the Rules Governing Term, Form, and Preparation of Consolidated Quarterly Financial Statements. Since the interim condensed consolidated financial statements do not include all the information and disclosures required for consolidated financial statements, they should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 August 2016.

The interim condensed consolidated financial statements were approved on 14 April 2017 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Executive Vice President and CFO.

3. Significant Accounting Policies

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

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the interim condensed consolidated financial statements for the six months ended 28 February 2017.

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

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

4. Use of Estimates and Judgments

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

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

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

5. Segment information

(i) Description of reportable segments

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

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

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

UNIQLO Japan: UNIQLO clothing business within Japan

UNIQLO International: UNIQLO clothing business outside of Japan

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

(ii) Method of calculating segment revenue and results

The methods of accounting for the reportable segments are the same as those stated in the "Significant Accounting Policies" of the Group's annual consolidated financial statements for the year ended 31 August 2016.

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

(iii) Segment information

For the six months ended 29 February 2016

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	453,693	389,255	167,316	1,010,265	1,387	—	1,011,653
Operating profit	64,113	29,402	14,310	107,825	8	(8,492)	99,341
Segment income (profit before income taxes)	63,794	28,666	13,651	106,112	8	(24,079)	82,041

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

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

For the six months ended 28 February 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	Global Brands				
Revenue	455,122	392,862	168,198	1,016,184	1,324	—	1,017,508
Operating profit	68,788	48,773	10,067	127,629	113	2,914	130,657
Segment income (profit before income taxes)	71,242	49,223	9,988	130,454	113	17,042	147,610

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

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

For the three months ended 29 February 2016

(Millions of yen)

	Reportable segments			Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	Global Brands				
Revenue	222,753	192,311	75,491	490,557	792	—	491,350
Operating profit	19,291	8,532	1,908	29,732	117	(6,429)	23,420
Segment income (profit before income taxes)	18,806	7,706	1,289	27,801	117	(23,545)	4,374

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

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

For the three months ended 28 February 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	Global Brands				
Revenue	216,272	196,307	75,398	487,979	681	—	488,660
Operating profit	23,174	18,605	484	42,265	67	(266)	42,066
Segment income (profit before income taxes)	23,091	18,751	457	42,300	67	1,037	43,405

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

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

6. Inventories

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

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Write-down of inventories to net realizable value	3,209	3,832

7. Property, plant and equipment

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

(Millions of yen)

	As at 31 August 2016	As at 28 February 2017
Buildings and structures	81,759	93,004
Furniture, equipment and vehicles	13,733	14,320
Land	1,962	1,962
Construction in progress	11,029	3,928
Lease assets	13,368	16,607
Total	121,853	129,823

8. Dividends

The total amount of dividends paid was as follows:

Dividends paid during the six months ended 29 February 2016

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

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

Dividends paid during the six months ended 28 February 2017

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.

Proposed dividends on common stock are as follows:

	Six months ended 29 February 2016	Six months ended 28 February 2017
Total dividends (million yen)	18,861	17,846
Dividends per share (yen)	185	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 2017.

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 29 February 2016	Six months ended 28 February 2017
Selling, general and administrative expenses		
Advertising and promotion	40,835	38,588
Rental expenses	91,163	89,627
Depreciation and amortization	18,656	17,996
Outsourcing	17,347	16,078
Salaries	121,597	122,301
Others	81,128	80,894
Total	370,729	365,486

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 29 February 2016	Six months ended 28 February 2017
Other income		
Foreign exchange gains*	—	2,238
Gains on sales of property, plant and equipment	33	6
Share of profits and losses of associates	—	340
Others	887	1,020
Total	921	3,605

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

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Other expenses		
Foreign exchange losses*	5,494	—
Loss on retirement of property, plant and equipment	519	599
Others	1,772	1,072
Total	7,786	1,671

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

11. Finance income and finance costs

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

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Finance income		
Foreign exchange gains*	—	15,496
Interest income	968	2,867
Dividend income	5	5
Others	—	244
Total	973	18,613

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

(Millions of yen)

	Six months ended 29 February 2016	Six months ended 28 February 2017
Finance costs		
Foreign exchange losses*	17,353	—
Interest expenses	920	1,660
Total	18,273	1,660

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

12. Earnings per share

Six months ended 29 February 2016		Six months ended 28 February 2017	
Equity per share attributable to owners of the parent (Yen)	6,727.12	Equity per share attributable to owners of the parent (Yen)	7,224.61
Basic earnings per share for the period (Yen)	461.43	Basic earnings per share for the period (Yen)	953.55
Diluted earnings per share for the period (Yen)	460.80	Diluted earnings per share for the period (Yen)	952.17

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

	Six months ended 29 February 2016	Six months ended 28 February 2017
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	47,043	97,233
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	47,043	97,233
Average number of common stock during the period (Shares)	101,950,064	101,970,207
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	140,167	148,102
(share subscription rights)	(140,167)	(148,102)

Three months ended 29 February 2016		Three months ended 28 February 2017	
Basic loss per share for the period (Yen)	(9.63)	Basic earnings per share for the period (Yen)	270.05
Diluted loss per share for the period (Yen)	(9.63)	Diluted earnings per share for the period (Yen)	269.63

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

	Three months ended 29 February 2016	Three months ended 28 February 2017
Basic earnings/(loss) per share for the period		
Profit/(loss) for the period attributable to owners of the parent (Millions of yen)	(981)	27,538
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit/(loss) attributable to common shareholders (Millions of yen)	(981)	27,538
Average number of common stock during the period (Shares)	101,952,430	101,973,477
Diluted earnings/(loss) per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares) (share subscription rights)	— (—)	160,575 (160,575)

(Note) In the second quarter of the last fiscal year, no adjustment has been made to the basic earnings per share for the period in respect of a dilution as the impact of the outstanding stock options had an anti-dilutive effect on the basic loss per share amounts presented.

13. Fair value of financial instruments

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

(Millions of yen)

	As at 31 August 2016		As at 28 February 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	3,788	3,788	1,100	1,100
Long-term borrowings (Note)	14,120	14,298	14,128	14,278
Corporate bonds	249,486	253,850	249,535	252,867
Lease obligations (Note)	16,069	16,001	17,486	17,539
Total	283,465	287,939	282,250	285,784

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

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

The fair value of corporate bonds is measured with reference to market price.

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

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

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

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

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

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

(Millions of yen)

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

(Millions of yen)

As at 28 February 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	408	—	212	620
Financial instruments at FVTPL	—	(580)	—	(580)
Foreign currency forward contracts designated as hedging instruments	—	16,285	—	16,285
Total	408	15,704	212	16,325

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

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

② The financial instruments measured at amortized cost

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

14. Commitments

The Group had the following commitments at each reporting dates:

(Millions of yen)

	As at 31 August 2016	As at 28 February 2017
Commitment for acquisition of property, plant and equipment	9,889	5,360
Commitment for acquisition of intangible assets	399	76
Total	10,288	5,436

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 13 April 2017.

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

Report on review of interim condensed consolidated financial statements

Board of Directors
FAST RETAILING CO., LTD.

Ernst & Young ShinNihon LLC

Masayuki Miyairi
Certified Public Accountant
Designated and Engagement Partner

Tomo Ito
Certified Public Accountant
Designated and Engagement Partner

Pursuant to first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim condensed consolidated financial information included in the financial section, which comprises the interim condensed consolidated statement of financial position of FAST RETAILING CO., LTD. (the "Company") and its subsidiaries (collectively, the "Group") as at 28 February 2017, 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 2017

(Note)

This is an English translation of the Japanese language Independent Auditors' Report issued by Ernst & Young ShinNihon LLC in connection with the review of the interim condensed consolidated financial statements of the Group prepared in Japanese for the period ended 28 February 2017. Ernst & Young ShinNihon LLC has not reviewed the English language version of the interim condensed consolidated financial statements for the above mentioned period.