



FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

Third Quarterly Report 2016/17

2017.3.1–2017.5.31

Stock Code: 6288

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Corporate Profile

Board of Directors

Executive Director

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

Non-Executive Directors

Mr. Toru Murayama (*External Director*)

Mr. Takashi Nawa (*External Director*)

Independent Non-Executive Directors

Mr. Toru Hambayashi (*External Director*)

Mr. Nobumichi Hattori (*External Director*)

Mr. Masaaki Shintaku (*External Director*)

Statutory Auditors

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

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

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

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

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

Joint Company Secretaries

Japan: Mr. Mitsuru Ohki

Hong Kong: Ms. Choy Yee Man

Auditors

Ernst & Young ShinNihon LLC

Principal Banks

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mizuho Bank, Ltd.

The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters

717-1 Sayama

Yamaguchi City

Yamaguchi 754-0894

Japan

Principal Place of Business in Japan

Midtown Tower 9-7-1

Akasaka Minato-ku

Tokyo 107-6231

Japan

Principal Place of Business in Hong Kong

702–706, 7th Floor, Mira Place Tower A,

No. 132 Nathan Road

Tsim Sha Tsui

Kowloon

Hong Kong

HDR Registrar and HDR Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Stock Code

Hong Kong: 6288

Japan: 9983

Website Address

<http://www.fastretailing.com>

Financial Highlights

Financial Summary

Term	Third Quarter of 55th Year	Third Quarter of 56th Year	55th Year
Accounting period	Nine months ended 31 May 2016	Nine months ended 31 May 2017	Year ended 31 August 2016
Revenue (Millions of yen)	1,434,616	1,477,958	1,786,473
Operating profit (Millions of yen)	145,829	180,618	127,292
Profit before income taxes (Millions of yen)	122,095	195,477	90,237
Profit attributable to owners of the parent (Millions of yen)	71,010	120,113	48,052
Comprehensive income/(loss) attributable to owners of the parent (Millions of yen)	(46,897)	190,419	(141,345)
Equity attributable to owners of the parent (Millions of yen)	668,850	731,618	574,501
Total assets (Millions of yen)	1,272,753	1,401,900	1,238,119
Basic earnings per share for the period (year) (Yen)	696.50	1,177.89	471.31
Diluted earnings per share for the period (year) (Yen)	695.54	1,176.18	470.69
Ratio of equity attributable to owners of the parent to total assets (%)	52.6	52.2	46.4
Net cash from operating activities (Millions of yen)	132,463	241,196	98,755
Net cash used in investing activities (Millions of yen)	(218,979)	(25,623)	(245,939)
Net cash from/(used in) financing activities (Millions of yen)	203,256	(46,433)	201,428
Cash and cash equivalents at end of the period (year) (Millions of yen)	453,927	567,446	385,431

Accounting period	Three months ended 31 May 2016	Three months ended 31 May 2017
Revenue (Millions of yen)	422,962	460,449
Profit/(loss) attributable to owners of the parent (Millions of yen)	23,967	22,879
Basic earnings/(loss) per share for the period (Yen)	235.07	224.35

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

Business Description

There were no significant changes in the nature of business engaged in by the Group (the Company and its subsidiaries) during the nine months ended 31 May 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 nine months ended 31 May 2017.

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

2. Significant Contract in Business Operation

None.

3. Financial Analysis

(1) Results of Operations

The Fast Retailing Group generated rises in both revenue and profit in the first nine months of fiscal 2017 from 1 September 2016 to 31 May 2017, with consolidated revenue totaling ¥1,477.9 billion (+3.0% year-on-year), and operating profit reaching ¥180.6 billion (+23.9% year-on-year). The consolidated gross profit margin improved 0.7 point year-on-year, and the selling, general and administrative expense ratio improved by 0.7 point as we scaled up cost-cutting efforts from the previous year. Under finance income, we recorded a foreign exchange gain of ¥13.3 billion after the spot foreign exchange rate at the end of May closed below the spot rate at the start of the business term, increasing the carrying amount of our long-term foreign-currency denominated assets in yen terms. This resulted in significant gains in consolidated profit, with profit before income taxes rising to ¥195.4 billion (+60.1% year-on-year), and profit attributable to owners of the parent expanding to ¥120.1 billion (+69.1% year-on-year). Breaking these results down by business segment: UNIQLO International generated increases in both revenue and profit, while both UNIQLO Japan and Global Brands reported higher revenue but lower profits.

The Group also reported an increase in revenue and profit in the three-month period from 1 March 2017 to 31 May 2017, with a strong performance from UNIQLO International contributing significantly to the 8.9% year-on-year rise in third-quarter revenue and the 7.5% year-on-year gain in operating profit. Provisioned an additional ¥6.5 billion in the third quarter for tax expenses on potential future dividends after changing our dividend policy on dividend receipts from international subsidiary companies. As a result, profit attributable to owners of the parent declined by 4.5% year-on-year over the same period.

The Group's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we are focusing our efforts on expanding UNIQLO International and our 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. GU already has stores in Shanghai and Taiwan, and the first GU stores opened in Hong Kong in March 2017 proved a great success. In February 2017, we launched the UNIQLO CITY TOKYO Ariake Office as part of our strategy to revolutionize all supply chain processes from planning and design through raw materials procurement, manufacturing, logistics and retail, and to transform ourselves into a new digital consumer retailing company. We have also focused on making our online shopping experience more convenient for customers by marking the March 2017 launch of our new mobile shopping site with a broader of online sizes, exclusive online items and semi-order-made products, and the option to pick up online purchases at a local convenience store or UNIQLO store in Japan.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue but a contraction in profit in the nine months to May 2017. Revenue rose 1.2% year-on-year to ¥653.4 billion while operating profit dipped 0.6% year-on-year to ¥92.6 billion. In the three months from March to May, same-store sales, including online sales, increased 2.7% year-on-year, thanks to strong sales of newsworthy items such as wireless bras, easy ankle pants and Dry Stretch Kando Pants, and successful sales strategies over Golden Week, Mother's Day and the UNIQLO anniversary celebration. Meanwhile, e-commerce sales increased 17.3% in the third quarter to constitute 6.2% of total sales. Operating profit declined in the third quarter, but this was due to factors such as the inflammatory impact of weaker internal yen exchange rates on cost of sales, as well as higher distribution, personnel and other business expenses.

UNIQLO International

UNIQLO International generated rises in both revenue and profit in the nine months to May 2017, with revenue expanding by 5.4% year-on-year to ¥561.5 billion and operating profit rising by a significant 61.3% year-on-year to ¥68.1 billion. In the third quarter from March to May, UNIQLO Southeast Asia and Oceania and UNIQLO South Korea performed extremely well to report a doubling in operating profit. In Southeast Asia and Oceania, UT T-shirts, sports goods such as DRY-EX polo shirts, new women's blouses and dresses, Dry Stretch Kando Pants, and clothes designed to suit the Southeast Asian climate and culture sold especially well. Our efforts to overhaul business management in South Korea also paid off, generating a rebound in same-store sales, an improvement in the gross profit margin, and a reduction in business expenses. Profits continued to expand at UNIQLO Greater China thanks to successful sales campaigns timed to draw in customers over May Day and other public holidays, and strong sales of UT T-shirts, polo shirts and other core Summer ranges. UNIQLO USA reported a lower operating loss in the third quarter after same-store sales recovered and business cost ratios improved under the new operational structure. In Europe, leading investment in 10 new store openings over three months inflated costs and knocked operating profit slightly lower. Overall, the UNIQLO International network increased by 143 to 1,071 stores at the end of May 2017.

Global Brands

In the nine months to May 2017, revenue from the Global Brands segment rose 2.6% year-on-year to ¥260.9 billion, while operating profit contracted by 17.0% year-on-year to ¥19.1 billion.

GU revenue rose but profit and same-store sales declined over the three months from March to May 2017. While the palazzo pants and fashion-conscious design blouses featured in our advertising campaigns sold well, they didn't prove as much of a hit as initially anticipated. Furthermore, we didn't produce sufficient volumes of latest fashion trend items, resulting in shortages in some products and lost sales opportunities. The gross profit margin was also hit by discounting of excess inventory, and rising cost of sales in the wake of recent yen weakness.

Looking at other labels in the Global Brands segment, our Theory fashion brand reported significant rises in both revenue and profit in the third quarter. Theory's PLST label reported an especially strong rise in customer visits following the brand's decision to expand its product range into casual office clothing, and expand its client base through extensive digital marketing.

While same-store sales at our France-based Comptoir des Cotonniers brand continued to decline, determined cost-cutting helped reduce operating losses. Finally, our France-based Princesse tam.tam and US-based J Brand premium denim label reported further losses in line with previous year levels.

Sustainability

As the Fast Retailing Group's business expands worldwide, we are committed to conducting our business activities in consideration of the environment and society. Our sustainability initiatives consist of four priority areas: supply chain, products, stores and the community, and our employees. Across these areas, we seek to ensure transparency, accountability, and disclose information in a timely and appropriate manner. Through our business, we are making efforts to contribute to sustainable development.

We believe that awareness of sustainability among our employees is vital. Therefore, we have been conducting e-learning programs for all of our more than 100,000 employees since April.

As refugee issues around the world grows increasingly serious, the Fast Retailing Group, as a global partner of the United Nations High Commissioner for Refugees (UNHCR), has been working to support refugees through the distribution of clothing, various self-reliance programs, and the employment of refugees. We have expanded our refugee employment program, which began in Japan in 2011 and has also expanded to Germany and the United Kingdom. We now employ 45 refugees, and our target is 100. In cooperation with various refugee support organizations, we are also concentrating our efforts on increasing the number of refugee employees and support programs for them.

Since 2016 the Fast Retailing Group has been providing support for UNHCR refugee self-reliance programs, committing a total of \$5.5 million over a three-year period. This program provides education and employment opportunities to enable refugees to find work and lead autonomous lives. At present, this program is operating in four countries.

The Fast Retailing Group intends to integrate sustainability in its management strategy and will formulate a medium-term plan by August this year.

(2) Financial Positions and Cash Flows Information

(i) Financial Positions

Total assets as at 31 May 2017 were ¥1,401.9 billion, which was an increase of ¥163.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥182.0 billion in cash and cash equivalents, an increase of ¥33.0 billion in trade and other receivables, a decrease of ¥40.8 billion in inventories and a decrease of ¥23.5 billion in deferred tax assets.

Total liabilities as at 31 May 2017 were ¥640.5 billion, which was an increase of ¥0.08 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥21.2 billion in trade and other payables, a decrease of ¥68.5 billion in derivative financial liabilities, an increase of ¥31.8 billion in income taxes payable and an increase of ¥10.3 billion in other current liabilities.

Total net assets as at 31 May 2017 were ¥761.3 billion, which was an increase of ¥163.6 billion relative to the end of the preceding consolidated fiscal year. The principal factor was an increase of ¥85.4 billion in retained earnings and an increase of ¥70.3 billion in other components of equity.

(ii) Cash Flows Information

Cash and cash equivalents as at 31 May 2017 had increased by ¥113.5 billion from the nine months ended 31 May 2016, to ¥567.4 billion.

Net cash from operating activities for the nine months ended 31 May 2017 was ¥241.1 billion, which was an increase of ¥108.7 billion (+82.1 % year-on-year) from the nine months ended 31 May 2016. The principal factors were ¥195.4 billion in profit before income taxes (an increase of ¥73.3 billion from the nine months ended 31 May 2016), ¥13.3 billion in foreign exchange gains (an increase of ¥36.7 billion from the nine months ended 31 May 2016), ¥50.4 billion decrease in inventories (an increase of ¥19.6 billion from the nine months ended 31 May 2016) and ¥30.9 billion in Income taxes paid (a decrease of ¥37.3 billion from the nine months ended 31 May 2016).

Net cash used in investing activities for the nine months ended 31 May 2017 was ¥25.6 billion, which was a decrease of ¥193.3 billion (-88.3 % year-on-year) from the nine months ended 31 May 2016. The principal factor was a decrease of ¥7.3 billion in bank deposits with maturity over 3 months (a decrease of ¥189.6 billion from the nine months ended 31 May 2016).

Net cash used in financing activities for the nine months ended 31 May 2017 was ¥46.4 billion, which was an increase of ¥249.6 billion from the nine months ended 31 May 2016. The principal factor was the proceeds of ¥249.3 billion arising from issuance of corporate bonds during the nine months ended 31 May 2016.

(4) Operational and Financial Assignment

There have been no important changes during the nine months ended 31 May 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 nine months ended 31 May 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 31 May 2017	Number of shares issued as of submission date (Shares) (As at 14 July 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 March 2017 to 31 May 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 31 May 2017.

(6) Principal Shareholders

There are no items to state, as the accounting period under review is the third quarter accounting period.

(7) Voting Rights

Concerning "Voting Rights" as at the end of the third quarterly accounting period ended 31 May 2017, it has not been possible to confirm and state the details entered in the register of shareholders. Therefore, the stated details are based on the register of shareholders as of the immediately preceding record date (28 February 2017).

(i) Shares issued

As at 31 May 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 31 May 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 nine months ended 31 May 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 nine months ended 31 May 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 31 May 2017
ASSETS			
Current assets			
Cash and cash equivalents		385,431	567,446
Trade and other receivables		45,178	78,196
Other current financial assets	13	184,239	194,787
Inventories	6	270,004	229,140
Derivative financial assets	13	569	8,671
Income taxes receivable		21,626	1,305
Others		17,534	15,609
Total current assets		924,583	1,095,157
Non-current assets			
Property, plant and equipment	7	121,853	131,324
Goodwill		17,908	18,060
Other intangible assets		34,205	39,700
Non-current financial assets	13	77,553	78,098
Investments in associates		13,132	13,360
Deferred tax assets		44,428	20,925
Others		4,453	5,272
Total non-current assets		313,535	306,742
Total assets		1,238,119	1,401,900
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		189,501	210,717
Derivative financial liabilities	13	72,388	3,797
Other current financial liabilities	13	12,581	13,283
Income taxes payable		9,602	41,491
Provisions		22,284	14,688
Others		31,689	42,037
Total current liabilities		338,046	326,016
Non-current liabilities			
Non-current financial liabilities	13	274,090	274,754
Provisions		10,645	11,912
Deferred tax liabilities		3,809	11,537
Others		13,865	16,325
Total non-current liabilities		302,411	314,530
Total liabilities		640,458	640,546
EQUITY			
Capital stock		10,273	10,273
Capital surplus		13,070	14,380
Retained earnings		613,974	699,417
Treasury stock, at cost		(15,633)	(15,575)
Other components of equity		(47,183)	23,122
Equity attributable to owners of the parent		574,501	731,618
Non-controlling interests		23,159	29,734
Total equity		597,661	761,353
Total liabilities and equity		1,238,119	1,401,900

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

Interim Condensed Consolidated Statement of Profit or Loss

Nine months ended 31 May 2017

(Millions of yen)

	Notes	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Revenue		1,434,616	1,477,958
Cost of sales		(740,240)	(752,538)
Gross profit		694,375	725,419
Selling, general and administrative expenses	9	(540,479)	(546,162)
Other income	10	1,877	4,787
Other expenses	10	(9,943)	(3,426)
Operating profit		145,829	180,618
Finance income	11	1,389	17,094
Finance costs	11	(25,124)	(2,235)
Profit before income taxes		122,095	195,477
Income taxes		(45,400)	(66,904)
Profit for the period		76,694	128,573
Attributable to:			
Owners of the parent		71,010	120,113
Non-controlling interests		5,684	8,460
Profit for the period		76,694	128,573
Earnings per share			
Basic (Yen)	12	696.50	1,177.89
Diluted (Yen)	12	695.54	1,176.18

Three months ended 31 May 2017

(Millions of yen)

	Notes	Three months ended 31 May 2016	Three months ended 31 May 2017
Revenue		422,962	460,449
Cost of sales		(205,523)	(229,240)
Gross profit		217,439	231,209
Selling, general and administrative expenses		(169,749)	(180,675)
Other income		955	1,181
Other expenses		(2,157)	(1,754)
Operating profit		46,488	49,960
Finance income		416	645
Finance costs		(6,850)	(2,739)
Profit before income taxes		40,054	47,866
Income taxes		(14,794)	(22,707)
Profit for the period		25,259	25,159
Attributable to:			
Owners of the parent		23,967	22,879
Non-controlling interests		1,292	2,279
Profit for the period		25,259	25,159
Earnings per share			
Basic (Yen)	12	235.07	224.35
Diluted (Yen)	12	234.74	224.02

Interim Condensed Consolidated Statement of Comprehensive Income

Nine months ended 31 May 2017

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Profit for the period	76,694	128,573
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 profit/(loss) on revaluation of available-for-sale investments	33	(44)
Exchange differences on translation of foreign operations	(22,170)	22,087
Cash flow hedges	(98,322)	49,840
Other comprehensive income/(loss), net of taxes	(120,459)	71,883
Total comprehensive income/(loss) for the period	(43,765)	200,457
Attributable to:		
Owners of the parent	(46,897)	190,419
Non-controlling interests	3,131	10,038
Total comprehensive income/(loss) for the period	(43,765)	200,457

Three months ended 31 May 2017

(Millions of yen)

	Three months ended 31 May 2016	Three months ended 31 May 2017
Profit for the period	25,259	25,159
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 profit/(loss) on revaluation of available-for-sale investments	72	(23)
Exchange differences on translation of foreign operations	(3,828)	(2,733)
Cash flow hedges	(18,018)	(8,165)
Other comprehensive income/(loss), net of taxes	(21,774)	(10,922)
Total comprehensive income/(loss) for the period	3,484	14,236
Attributable to:		
Owners of the parent	1,873	12,616
Non-controlling interests	1,611	1,619
Total comprehensive income/(loss) for the period	3,484	14,236

(3) Interim Condensed Consolidated Statement of Changes in Equity

For nine months ended 31 May 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		—	—	71,010	—	—	—	—	—	71,010	5,684	76,694
Other comprehensive income		—	—	—	—	33	(20,000)	(97,939)	(117,907)	(117,907)	(2,552)	(120,459)
Total comprehensive income		—	—	71,010	—	33	(20,000)	(97,939)	(117,907)	(46,897)	3,131	(43,765)
Transactions with the owners												
Acquisition of treasury stock		—	—	—	(4)	—	—	—	—	(4)	—	(4)
Disposal of treasury stock		—	442	—	57	—	—	—	—	500	—	500
Dividends	8	—	—	(36,702)	—	—	—	—	—	(36,702)	(2,857)	(39,560)
Share-based payments		—	963	—	—	—	—	—	—	963	—	963
Others		—	53	—	—	—	—	—	—	53	587	641
Total transactions with the owners		—	1,460	(36,702)	52	—	—	—	—	(35,189)	(2,269)	(37,459)
Total net changes during the period		—	1,460	34,307	52	33	(20,000)	(97,939)	(117,907)	(82,086)	862	(81,224)
As at 31 May 2016		10,273	12,984	636,931	(15,646)	176	17,850	6,279	24,306	668,850	24,729	693,580

For nine months ended 31 May 2017

(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 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		—	—	120,113	—	—	—	—	—	120,113	8,460	128,573
Other comprehensive income		—	—	—	—	(44)	20,626	49,724	70,305	70,305	1,577	71,883
Total comprehensive income		—	—	120,113	—	(44)	20,626	49,724	70,305	190,419	10,038	200,457
Transactions with the owners												
Acquisition of treasury stock		—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock		—	542	—	63	—	—	—	—	605	—	605
Dividends	8	—	—	(34,670)	—	—	—	—	—	(34,670)	(3,462)	(38,132)
Share-based payments		—	768	—	—	—	—	—	—	768	—	768
Total transactions with the owners		—	1,310	(34,670)	57	—	—	—	—	(33,302)	(3,462)	(36,764)
Total net changes during the period		—	1,310	85,442	57	(44)	20,626	49,724	70,305	157,116	6,575	163,692
As at 31 May 2017		10,273	14,380	699,417	(15,575)	203	17,814	5,104	23,122	731,618	29,734	761,353

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Profit before income taxes	122,095	195,477
Depreciation and amortization	27,780	27,539
Increase/(decrease) in allowance for doubtful accounts	29	(38)
Increase/(decrease) in other provisions	(8,656)	(8,652)
Interest and dividend income	(1,389)	(3,518)
Interest expenses	1,677	2,235
Foreign exchange losses/(gains)	23,446	(13,331)
Share of losses/(profits) of associates	—	(512)
Losses on retirement of property, plant and equipment	783	1,328
Decrease/(increase) in trade and other receivables	(31,474)	(31,379)
Decrease/(increase) in inventories	30,782	50,470
Increase/(decrease) in trade and other payables	12,096	18,515
Decrease/(increase) in other assets	(2,899)	(4,873)
Increase/(decrease) in other liabilities	10,274	15,715
Others, net	(2,008)	783
Subtotal	182,537	249,760
Interest and dividend income received	1,389	3,518
Interest paid	(1,134)	(1,935)
Income taxes paid	(68,292)	(30,987)
Income taxes refund	17,963	20,840
Net cash from operating activities	132,463	241,196
Decrease/(increase) in bank deposits with maturity over 3 months	(182,374)	7,323
Purchases of property, plant and equipment	(26,982)	(24,291)
Proceeds from sales of property, plant and equipment	1,003	39
Purchases of intangible assets	(6,818)	(9,193)
Payments for lease and guarantee deposits	(6,716)	(2,631)
Proceeds from collection of lease and guarantee deposits	3,718	1,619
Investments in associates	—	(196)
Increase in construction assistance fund receivables	(1,186)	(922)
Decrease in construction assistance fund receivables	1,467	1,292
Others, net	(1,089)	1,335
Net cash used in investing activities	(218,979)	(25,623)

(Millions of yen)

	Note	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Net increase/(decrease) in short-term loans payable		(1,287)	(2,740)
Repayment of long-term loans payable		(2,940)	(1,222)
Proceeds from issuance of corporate bonds		249,369	—
Cash dividends paid	8	(36,673)	(34,637)
Cash dividends paid to non-controlling interests		(2,857)	(3,629)
Repayments of lease obligations		(3,482)	(4,069)
Others, net		1,128	(133)
Net cash from/(used in) financing activities		203,256	(46,433)
Effect of exchange rate changes on cash and cash equivalents		(18,025)	12,876
Net increase in cash and cash equivalents		98,715	182,015
Cash and cash equivalents at beginning of period		355,212	385,431
CASH AND CASH EQUIVALENTS AT END OF PERIOD		453,927	567,446

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 July 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 nine months ended 31 May 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 nine months ended 31 May 2016

(Millions of yen)

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

(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 nine months ended 31 May 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	653,484	561,567	260,912	1,475,964	1,993	—	1,477,958
Operating profit	92,649	68,116	19,148	179,913	184	520	180,618
Segment income (profit before income taxes)	94,441	68,683	19,033	182,159	184	13,133	195,477

(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 31 May 2016

(Millions of yen)

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

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

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

For the three months ended 31 May 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	198,362	168,705	92,713	459,780	668	—	460,449
Operating profit	23,860	19,342	9,081	52,284	70	(2,394)	49,960
Segment income (profit before income taxes)	23,199	19,460	9,045	51,705	70	(3,909)	47,866

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

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

6. Inventories

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

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Write-down of inventories to net realizable value	3,430	3,506

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 31 May 2017
Buildings and structures	81,759	94,147
Furniture, equipment and vehicles	13,733	14,351
Land	1,962	1,962
Construction in progress	11,029	3,056
Lease assets	13,368	17,806
Total	121,853	131,324

8. Dividends

The total amount of dividends paid was as follows:

Dividends paid during the nine months ended 31 May 2016

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

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

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

Dividends paid during the nine months ended 31 May 2017

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board of Directors on 4 November 2016	16,824	165
Meeting of the Board of Directors on 13 April 2017	17,846	175

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

Dividends for which the declared date is 28 February 2017 are paid on or after 12 May 2017 as the effective date.

9. Selling, general and administrative expenses

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

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Selling, general and administrative expenses		
Advertising and promotion	58,513	57,686
Rental expenses	132,673	133,062
Depreciation and amortization	27,780	27,539
Outsourcing	24,961	24,108
Salaries	181,018	185,419
Others	115,531	118,345
Total	540,479	546,162

10. Other income and other expenses

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

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Other income		
Foreign exchange gains*	—	2,030
Gains on sales of property, plant and equipment	34	13
Share of profits and losses of associates	—	512
Others	1,842	2,230
Total	1,877	4,787

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Other expenses		
Foreign exchange losses*	6,776	—
Loss on retirement of property, plant and equipment	783	1,328
Others	2,384	2,097
Total	9,943	3,426

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

11. Finance income and finance costs

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

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Finance income		
Foreign exchange gains*	—	13,331
Interest income	1,384	3,513
Dividend income	5	5
Others	—	244
Total	1,389	17,094

(Millions of yen)

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Finance costs		
Foreign exchange losses*	23,446	—
Interest expenses	1,677	2,235
Total	25,124	2,235

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

12. Earnings per share

Nine months ended 31 May 2016		Nine months ended 31 May 2017	
Equity per share attributable to owners of the parent (Yen)	6,559.91	Equity per share attributable to owners of the parent (Yen)	7,174.08
Basic earnings per share for the period (Yen)	696.50	Basic earnings per share for the period (Yen)	1,177.89
Diluted earnings per share for the period (Yen)	695.54	Diluted earnings per share for the period (Yen)	1,176.18

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

	Nine months ended 31 May 2016	Nine months ended 31 May 2017
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	71,010	120,113
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	71,010	120,113
Average number of common stock during the period (Shares)	101,952,746	101,973,153
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares) (share subscription rights)	140,984 (140,984)	148,148 (148,148)

Three months ended 31 May 2016		Three months ended 31 May 2017	
Basic earnings per share for the period (Yen)	235.07	Basic earnings per share for the period (Yen)	224.35
Diluted earnings per share for the period (Yen)	234.74	Diluted earnings per share for the period (Yen)	224.02

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

	Three months ended 31 May 2016	Three months ended 31 May 2017
Basic earnings per share for the period		
Profit for the period attributable to owners of the parent (Millions of yen)	23,967	22,879
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	23,967	22,879
Average number of common stock during the period (Shares)	101,958,301	101,979,476
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares) (share subscription rights)	144,318 (144,318)	151,776 (151,776)

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 31 May 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Short-term borrowings	3,788	3,788	1,231	1,231
Long-term borrowings (Note)	14,120	14,298	13,903	14,034
Corporate bonds	249,486	253,850	249,559	253,286
Lease obligations (Note)	16,069	16,001	18,788	18,984
Total	283,465	287,939	283,482	287,537

(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 31 May 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	375	—	212	587
Financial instruments at FVTPL	—	(2)	—	(2)
Foreign currency forward contracts designated as hedging instruments	—	4,876	—	4,876
Total	375	4,874	212	5,461

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 31 May 2017
Commitment for acquisition of property, plant and equipment	9,889	7,984
Commitment for acquisition of intangible assets	399	3,028
Total	10,288	11,012

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 31 May 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 nine-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended, and other explanatory notes (the "Interim Financial Information").

Management's responsibility for the interim condensed consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express a conclusion on the Interim Financial Information based on our review. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Conflicts of Interest

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

Ernst & Young ShinNihon LLC

Tokyo, Japan
14 July 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 31 May 2017. Ernst & Young ShinNihon LLC has not reviewed the English language version of the interim condensed consolidated financial statements for the above mentioned period.