FAST RETAILING

FAST RETAILING CO., LTD.
迅銷有限公司

Interim Report 2017/18

2017.9.1–2018.2.28

Stock Code: 6288

Contents

Corporate Profile

Board of Directors

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

Non-Executive Director
Mr. Toru Murayama *(External)*

Independent Non-Executive Directors
Mr. Toru Hambayashi *(External)*
Mr. Nobumichi Hattori *(External)*
Mr. Masaaki Shintaku *(External)*
Mr. Takashi Nawa *(External)*

Audit & Supervisory Board Members
Mr. Akira Tanaka
Mr. Masaaki Shinjo
Mr. Takaharu Yasumoto *(External)*
Mr. Akira Watanabe *(External)*
Ms. Keiko Kaneko *(External)*

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

External Independent Accountants
Deloitte Touche Tohmatsu LLC

Principal Banks
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Registered Office and Headquarters
717-1 Sayama Yamaguchi City
Yamaguchi 754-0894
Japan

Principal Place of Business in Japan
Midtown Tower 9-7-1
Akasaka Minato-ku
Tokyo 107-6231
Japan

Principal Place of Business in Hong Kong
702-706, 7th Floor, Mira Place Tower
A, No. 132 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

HDR Registrar and HDR Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Stock Code
Hong Kong: 6288
Japan: 9983

Website Address
http://www.fastretailing.com

Financial Highlights

Financial Summary

Term	Second Quarter of 56th Year	Second Quarter of 57th Year	56th Year
Accounting period	Six months ended 28 February 2017	Six months ended 28 February 2018	Year ended 31 August 2017
Revenue (Millions of yen)	1,017,508	1,186,765	1,861,917
Operating profit (Millions of yen)	130,657	170,492	176,414
Profit before income taxes (Millions of yen)	147,610	165,196	193,398
Profit attributable to owners of the Parent (Millions of yen)	97,233	104,150	119,280
Comprehensive income attributable to owners of the Parent (Millions of yen)	177,802	78,846	190,566
Equity attributable to owners of the Parent (Millions of yen)	736,750	796,650	731,770
Total assets (Millions of yen)	1,388,138	1,621,507	1,388,486
Basic earnings per share for the period (Yen)	953.55	1,021.16	1,169.70
Diluted earnings per share for the period (Yen)	952.17	1,019.36	1,168.00
Ratio of equity attributable to owners of the Parent to total assets (%)	53.1	49.1	52.7
Net cash generated by operating activities (Millions of yen)	211,222	220,245	212,168
Net cash used in investing activities (Millions of yen)	(16,586)	(25,196)	122,790
Net cash used in financing activities (Millions of yen)	(25,234)	(21,998)	(50,836)
Cash and cash equivalents at end of the period (year) (Millions of yen)	569,861	848,658	683,802

Accounting period	Three months ended 28 February 2017	Three months ended 28 February 2018
Revenue (Millions of yen)	488,660	569,738
Profit attributable to owners of the parent (Millions of yen)	27,538	25,610
Basic earnings per share for the period (Yen)	270.05	251.09

(Notes)

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

Business Description

There were no significant changes in the nature of the business engaged in by the Company and its subsidiaries (collectively, the "Group") during the six months ended 28 February 2018.

In addition, there was no significant changes in the organizational structure including the major subsidiaries during the six months ended 28 February 2018.

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 2018.

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 half of fiscal 2018, or the six months from 1 September 2017 to 28 February 2018. Consolidated revenue totaled ¥1.1867 trillion (+16.6% year-on-year) and operating profit reached ¥170.4 billion (+30.5% year-on-year). The consolidated gross profit margin improved by 0.7 point year-on-year and the selling, general and administrative expense ratio improved by 1.9 points. As a result, the operating profit margin improved 1.6 points to 14.4%. The Group recorded a foreign exchange loss of ¥1.7 billion and impairment losses of ¥9.9 billion under other income and expenses. A net loss of ¥5.2 billion was recorded under finance income, after the spot foreign exchange rate at the end of February closed higher than the spot rate at the start of the business term. As a result, first-half profit before income taxes expanded to ¥165.1 billion (+11.9% year-on-year) and profit attributable to owners of the parent increased to ¥104.1 billion (+7.1% year-on-year). Breaking the consolidated performance down into individual business segments, UNIQLO International reported significant rises in revenue and profit in the first half of fiscal 2018, and UNIQLO Japan and GU also reported revenue and profit rises. Meanwhile the Global Brands segment reported a rise in revenue but a fall in profit over the six-month 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 GU. We continue to increase UNIQLO store numbers in each country where we operate, and open global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. Within the UNIQLO International segment, Greater China (Mainland China, Hong Kong and Taiwan), Southeast Asia and South Korea are entering a new stage of growth as the key drivers of operational growth for the Fast Retailing Group. Operating losses at UNIQLO USA contracted considerably, putting that operation on track to turn a profit going forward. In terms of the GU operation, we plan to open more GU stores in Japan, while expanding the brand's international presence, especially in Greater China.

Due to its growing impact on overall consolidated performance, the GU, formerly a part of the Global Brands business segment, has been separated into an independent business segment from the 2018 reporting period. The previous reporting period's data have been adjusted to suit the new reporting segment structure and facilitate accurate year-on-year comparisons.

UNIQLO Japan

UNIQLO Japan reported a rise in revenue and profit in the first half of fiscal 2018, with revenue totaling ¥493.6 billion (+8.5% year-on-year) and operating profit totaling ¥88.7 billion (+29.0% year-on-year). In the six months to 28 February 2018, same-store sales, including online sales, expanded by 8.4% year-on-year. Online sales increased 31.6% to constitute 7.5% of total revenue.

The Fall Winter season displayed a consistently strong sales trend as the unusually cold weather supported strong sales of warm clothing such as HEATTECH, down, fleece, sweat pants and shirts, and danpan warm pants. In addition, we carved sophisticated sales plans that closely correlated production, distribution and retail, and successfully monitoring immediate conditions to ensure ample inventory of strong-selling items and facilitate timely revisions such as prompt price cutting on poor-selling items. The cost of sales continued to rise in the first half of fiscal 2018 on persistent weakening in internal yen exchange rates. However, the first-half gross profit margin improved significantly as strong sales of winter clothing ranges reduced discounting losses on inventory rundowns. The first-half gross profit margin improved 0.8 point year on year, and the selling, general and administrative expense ratio improved 1.9 points year-on-year on the back of significant reductions in distribution costs, and advertising and promotion expenses.

UNIQLO International

UNIQLO International revenue and profit rose significantly in the first half of fiscal 2018, with revenue totaling ¥507.4 billion (+29.2% year-on-year) and operating profit increasing to ¥80.7 billion (+65.6% year-on-year). The operating profit margin improved by 3.5 points year-on-year to 15.9% on the back of progressive management reforms across global operations that included a review of product mixes, the establishment of more accurate numerical planning, and a shift to a business format that relies less heavily on discounting. Looking more closely at individual regional operations, all areas achieved higher-than-expected first-half results, with profitability improving at UNIQLO North America, Greater China and South Korea. Greater China and South Korea achieved higher revenue and profit on strong sales of Winter ranges such as HEATTECH and down. UNIQLO Southeast Asia & Oceania continued to generate a strong performance, with solid demand for summer clothing and firm demand from travelers for winter clothing resulting in significantly higher first-half revenue and profit. In addition, we were able to significantly reduce operating losses at UNIQLO USA, expanding sales of core ranges by reviewing product mixes in each area of the United States and creating more accurate sales plans. UNIQLO Europe also reported a considerable increase in first-half profit, with strong sales in core markets such as Russia, France and the United Kingdom helping increase same-store sales for the European region overall. The UNIQLO operation in Spain got off to a strong start, as we consolidated the brand's September 2017 entry into that market with the opening of a second store in November.

GU

The GU business segment reported increases in both revenue and profit in the first half of fiscal 2018, with revenue totaling ¥105.8 billion (+8.3% year-on-year) and operating profit reaching ¥9.1 billion (+23.3% year-on-year). Same-store sales declined slightly year-on-year in the first half due to a lack of sought-after thermal items. However, first-half revenue increased 8.3% year-on-year after new store openings expanded the total GU network by 26 stores. On the profit front, GU operating profit increased on a higher gross profit margin.

Global Brands

The Global Brands segment reported a rise in revenue but a fall in profit in the first half of fiscal 2018. The segment reported a rise in revenue to ¥78.4 billion (+11.4% year-on-year) and an operating loss of ¥5.6 billion, following the recording of impairments losses of ¥7.7 billion for the Comptoir des Cotonniers label, and ¥1.0 billion for Helmut Lang, a Theory operation brand. Theory operating profit, excluding the Helmut Lang impairment loss, rose on the back of continued strong sales at the operation's Theory and PLST brands. While the France-based Princesse tam.tam brand continued to report a steady year-on-year loss, the US-based J Brand denim label reported reduced losses in the six-month period to 28 February 2018.

Sustainability

As the Fast Retailing Group expands its business globally, we remain committed to integrating environmental and social sustainability into our operations from a long-term perspective. Our sustainability initiatives are conducted across four priority areas: supply chain, products, stores and communities, and employees.

Going beyond the disclosure of our core partner factory list for UNIQLO, we disclosed our core partner factory list for GU in December 2017 to enhance supply chain transparency and ensure better work environments and accountability in the area of human rights.

In January 2018, we published our latest Sustainability Report, which features key activities for the fiscal year to August 2017 across the four priority areas above as well as our initiatives for improvement.

We are also making various efforts to reduce our environmental impact due to the use of water resources and the use of chemical substances such as fertilizers required for the cultivation of cotton — a key material in our products. We also prohibit the use of cotton produced by child labor or forced labor. As part of these efforts, we joined the Better Cotton Initiative (BCI), an international NGO whose aim is to produce sustainable cotton. Founded in cooperation with various NGOs such as the Worldwide Fund for Nature (WWF) and other companies, BCI provides support to 1.6 million cotton farmers in 23 countries. While fulfilling our responsibilities and obligations as a global corporation, the Fast Retailing Group remains committed to creating high-quality products that will reduce environmental impact.

(2) Financial Positions

Total assets as at 28 February 2018 were ¥1.6215 trillion, which was an increase of ¥233.0 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥164.8 billion in cash and cash equivalents, an increase of ¥59.4 billion in other current assets, an increase of ¥15.3 billion in deferred tax assets and a decrease of ¥20.1 billion in inventories.

Total liabilities as at 28 February 2018 were ¥786.7 billion, which was an increase of ¥160.2 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥29.1 billion in other current financial liabilities, an increase of ¥38.7 billion in derivative financial liabilities, an increase of ¥171.6 billion in other current liabilities, a decrease of ¥68.8 billion in trade and other payables and a decrease of ¥30.7 billion in non-current financial liabilities.

Total net assets as at 28 February 2018 were ¥834.7 billion, which was an increase of ¥72.7 billion relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of ¥86.3 billion in retained earnings.

(3) Cash Flows Information

Cash and cash equivalents as at 28 February 2018 had increased by ¥278.7 billion from the period-end as at 28 February 2017, to ¥848.6 billion.

Net cash generated by operating activities for the six months ended 28 February 2018 was ¥220.2 billion, which was an increase of ¥9.0 billion (+4.3 % year-on-year) from the six months ended 28 February 2017.

The principal factors were ¥165.1 billion in profit before income taxes (an increase of ¥17.5 billion from the six months ended 28 February 2017) and an increase of ¥176.1 billion in other liabilities (an increase of ¥164.7 billion from the six months ended 28 February 2017), a decrease of ¥20.5 billion in inventories (an decrease of ¥24.0 billion from the six months ended 28 February 2017), an increase of ¥65.8 billion in other assets (an increase of ¥63.8 billion from the six months ended 28 February 2017) and a decrease of ¥70.4 billion in trade and other payables (an decrease of ¥83.0 billion from the six months ended 28 February 2017),.

Net cash used in investing activities for the six months ended 28 February 2018 was ¥25.1 billion, which was an increase of ¥8.6 billion (+51.9 % year-on-year) from the six months ended 28 February 2017. The principal factors were an increase of ¥1.5 billion in bank deposits with original maturity over three months (an increase of ¥6.9 billion from the six months ended 28 February 2017), ¥13.9 billion payments for tangible assets (a decrease of ¥3.4 billion from the six months ended 28 February 2017) and ¥6.2 billion payments for intangible assets (an increase of ¥1.3 billion from the six months ended 28 February 2017).

Net cash used in financing activities for the six months ended 28 February 2018 was ¥21.9 billion, which was a decrease of ¥3.2 billion (-12.8 % year-on-year) from the six months ended 28 February 2017. The principal factor was an increase of ¥0.5 billion in short-term loans payable (a decrease of ¥3.4 billion from the six months ended 28 February 2017).

(4) Operational and Financial Assignment

There have been no important changes during the six months ended 28 February 2018 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 2018.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

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

Information about the Reporting Entity

1. Stock Information

(1) Number of Shares

(i) Total number of shares

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

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

(ii) Shares Issued

Type	As at 28 February 2018	Number of shares issued as of submission date (Shares) (As at 13 April 2018)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Details
Common stock	106,073,656	106,073,656	First section of the Tokyo Stock Exchange and the Main board of the Stock Exchange of Hong Kong Limited (Note)	100 shares as one unit
Total	106,073,656	106,073,656	—	—

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

(2) Share Subscription Rights

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 2017 to 28 February 2018	—	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 2018.

(6) Principal Shareholders

As at 28 February 2018

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	18,025	16.99
Japan Trustee Services Bank, Ltd.	1-8-11 Harumi, Chuo-ku, Tokyo	11,139	10.50
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
MASTERMIND, LLC	1-4-3 Mita, Meguro-ku, Tokyo	3,610	3.40
Trust & Custody Services Bank, Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	3,449	3.25
Teruyo Yanai	Shibuya-ku, Tokyo	2,327	2.19
Total	—	81,162	76.51

(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 the trust business.
3. According to the report of large shareholdings (report of change of composition) submitted on 13 October 2017 by Nomura Securities Co., Ltd., Nomura International plc, Nomura Securities International, Inc., and Nomura Asset Management Co., Ltd., who are all joint holders, each party was holding the number of shares stated below as at 6 October 2017. However, since the Company has not been able to confirm the number of shares actually held as at 28 February 2018, 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	78	0.07
Nomura international plc	1 Angel Lane, London, U.K.	198	0.19
Nomura Securities International, Inc.	Worldwide Plaza 309 West 49th Street, New York, New York U.S.A.	154	0.15
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo	10,432	9.83

4. According to the report of large shareholdings (report of change of composition) submitted on 21 February 2018 by Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., who are all joint holders, each party was holding the number of shares stated below as at 15 February 2018. However, since the Company has not been able to confirm the number of shares actually held as of the end of the term, these shareholdings have not been included in the above statement of principal shareholders.

Name or trade name	Location	Number of shares held (Thousand shares)	Percentage of total number of shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,149	1.08
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1 Shiba, Minato-ku, Tokyo	489	0.46
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	5,745	5.42

5. In addition to the above, 4,065,733 shares of treasury stock are held by the Company (3.83% of the total number of authorized shares).

(7) Voting Rights

(i) Shares issued

As at 28 February 2018

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 4,065,700	—	—
Shares with full voting rights (others)	Common stock 101,946,700	1,019,467	(Note) 1
Shares less than one unit	Common stock 61,256	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,467	—

(Notes) 1. The columns for the number of shares of “Shares with full voting rights (others)” and “Shares less than one unit” include 2,700 shares and 84 shares held, respectively, in the name of Japan Securities Depository Center, Inc.

2. Common stock in the “Shares less than one unit” row includes 33 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 28 February 2018

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-shi, Yamaguchi	4,065,700	—	4,065,700	3.83
Total	—	4,065,700	—	4,065,700	3.83

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 2018.

Financial Section

1. Preparation of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group, namely, the interim condensed consolidated statement of financial position of the Group as of 28 February 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended (collectively, the “interim condensed consolidated financial statements”), were prepared in compliance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), pursuant to Article 93 of the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, hereinafter referred to as “Consolidated Quarterly Financial Statements Rules”).

2. Review Report

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, the quarterly and interim condensed consolidated financial statements have been reviewed by Deloitte Touche Tohmatsu LLC.

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

1. Interim Condensed Consolidated Financial Statements

(1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As at 31 August 2017	As at 28 February 2018
ASSETS			
Current assets			
Cash and cash equivalents		683,802	848,658
Trade and other receivables		48,598	55,409
Other financial assets	14	30,426	33,058
Inventories	6	289,675	269,512
Derivative financial assets	14	6,269	8,512
Income taxes receivable		1,518	3,155
Other assets		17,307	76,805
Total current assets		1,077,598	1,295,112
Non-current assets			
Property, plant and equipment	7,8	136,979	139,070
Goodwill	8	15,885	8,092
Intangible assets	8	36,895	39,156
Financial assets	14	77,608	78,652
Investments in associates		13,473	13,438
Deferred tax assets		25,303	40,606
Other assets		4,742	7,378
Total non-current assets		310,888	326,395
Total assets		1,388,486	1,621,507
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		204,008	135,191
Other financial liabilities	14	11,844	40,980
Derivative financial liabilities	14	6,083	44,873
Current tax liabilities		25,864	41,308
Provisions		27,889	24,087
Other liabilities		35,731	207,391
Total current liabilities		311,421	493,832
Non-current liabilities			
Financial liabilities	14	273,467	242,675
Provisions		15,409	17,367
Deferred tax liabilities		10,000	16,587
Other liabilities		16,144	16,250
Total non-current liabilities		315,022	292,880
Total liabilities		626,443	786,712
EQUITY			
Capital stock		10,273	10,273
Capital surplus		14,373	18,163
Retained earnings		698,584	784,887
Treasury stock, at cost		(15,563)	(15,472)
Other components of equity		24,102	(1,201)
Equity attributable to owners of the Parent		731,770	796,650
Non-controlling interests		30,272	38,144
Total equity		762,043	834,794
Total liabilities and equity		1,388,486	1,621,507

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

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 28 February 2018

(Millions of yen)

	Notes	Six months ended 28 February 2017	Six months ended 28 February 2018
Revenue		1,017,508	1,186,765
Cost of sales		(523,298)	(601,126)
Gross profit		494,209	585,638
Selling, general and administrative expenses	10	(365,486)	(403,638)
Other income	11	3,265	910
Other expenses	8,11	(1,671)	(12,688)
Share of profit and loss of associates		340	270
Operating profit		130,657	170,492
Finance income	12	18,613	3,009
Finance costs	12	(1,660)	(8,305)
Profit before income taxes		147,610	165,196
Income tax expense		(44,196)	(51,549)
Profit for the period		103,414	113,646
Profit for the period attributable to:			
Owners of the Parent		97,233	104,150
Non-controlling interests		6,180	9,495
		103,414	113,646
Earnings per share			
Basic (yen per share)	13	953.55	1,021.16
Diluted (yen per share)	13	952.17	1,019.36

Three months ended 28 February 2018

(Millions of yen)

	Notes	Three months ended 28 February 2017	Three months ended 28 February 2018
Revenue		488,660	569,738
Cost of sales		(265,137)	(301,165)
Gross profit		223,522	268,573
Selling, general and administrative expenses		(181,292)	(199,412)
Other income		687	645
Other expenses		(1,004)	(13,312)
Share of profit and loss of associates		152	97
Operating profit		42,066	56,591
Finance income		2,223	1,267
Finance costs		(883)	(10,495)
Profit before income taxes		43,405	47,363
Income tax expense		(13,689)	(18,363)
Profit for the period		29,716	29,000
Profit for the period attributable to:			
Owners of the Parent		27,538	25,610
Non-controlling interests		2,177	3,389
		29,716	29,000
Earnings per share			
Basic (yen per share)	13	270.05	251.09
Diluted (yen per share)	13	269.63	250.65

Interim Condensed Consolidated Statement of Other Comprehensive Income

Six months ended 28 February 2018

(Millions of yen)

	Notes	Six months ended 28 February 2017	Six months ended 28 February 2018
Profit for the period		103,414	113,646
Other comprehensive income, net of income			
Items that will not be reclassified subsequently to profit or loss		—	—
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on available-for-sales financial assets during the period		(21)	804
Exchange differences on translating foreign operations		24,821	(2,140)
Cash flow hedges		58,005	(24,604)
Other comprehensive income/(loss), net of Income tax		82,805	(25,940)
Total comprehensive income/(loss) for the period		186,220	87,705
Attributable to:			
Owners of the Parent		177,802	78,846
Non-controlling interests		8,418	8,859
Total comprehensive income/(loss) for the period		186,220	87,705

Three months ended 28 February 2018

(Millions of yen)

	Notes	Three months ended 28 February 2017	Three months ended 28 February 2018
Profit for the period		29,716	29,000
Other comprehensive income, net of income			
Items that will not be reclassified to profit or loss		—	—
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on available-for-sales financial assets during the period		(69)	854
Exchange differences on translation foreign operations		3,639	(9,284)
Cash flow hedges		(5,114)	(28,380)
Other comprehensive loss, net of taxes		(1,544)	(36,809)
Total comprehensive income/(loss) for the period		28,171	(7,809)
Attributable to:			
Owners of the parent		26,220	(9,718)
Non-controlling interests		1,950	1,909
Total comprehensive income/(loss) for the period		28,171	(7,809)

(3) Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2017

(Millions of yen)

						Other components of equity						
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2016		10,273	13,070	613,974	(15,633)	248	(2,811)	(44,619)	(47,183)	574,501	23,159	597,661
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	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 of the Parent												
Acquisition of treasury stock		—	—	—	(6)	—	—	—	—	(6)	—	(6)
Disposal of treasury stock		—	447	—	52	—	—	—	—	499	—	499
Dividends	9	—	—	(16,824)	—	—	—	—	—	(16,824)	(1,531)	(18,356)
Share-based payments		—	776	—	—	—	—	—	—	776	—	776
Total transactions with the owners of the parent		—	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

For the six months ended 28 February 2018

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity				Equity attributable to owners of the Parent	Non-controlling interests	Total equity
						Available-for-sale reserve	Foreign currency translation reserve	Cash-flow hedge reserve	Total			
As at 1 September 2017		10,273	14,373	698,584	(15,563)	2	21,806	2,293	24,102	731,770	30,272	762,043
Net changes during the period												
Comprehensive income												
Profit for the period		—	—	104,150	—	—	—	—	—	104,150	9,495	113,646
Other comprehensive income		—	—	—	—	804	(2,502)	(23,605)	(25,304)	(25,304)	(636)	(25,940)
Total comprehensive income		—	—	104,150	—	804	(2,502)	(23,605)	(25,304)	78,846	8,859	87,705
Transactions with the owners of the Parent												
Disposal of treasury stock		—	782	—	91	—	—	—	—	874	—	874
Dividends	9	—	—	(17,847)	—	—	—	—	—	(17,847)	(2,916)	(20,763)
Share-based payments		—	1,132	—	—	—	—	—	—	1,132	—	1,132
Increase in equity due to capital increase by consolidated subsidiary		—	—	—	—	—	—	—	—	—	173	173
Capital contributions from non-controlling interests		—	1,874	—	—	—	—	—	—	1,874	1,754	3,629
Total transactions with the owners of the Parent		—	3,789	(17,847)	91	—	—	—	—	(13,966)	(987)	(14,954)
Total net changes during the period		—	3,789	86,303	91	804	(2,502)	(23,605)	(25,304)	64,880	7,871	72,751
As at 28 February 2018		10,273	18,163	784,887	(15,472)	806	19,303	(21,312)	(1,201)	796,650	38,144	834,794

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Six months ended 28 February 2017	Six months ended 28 February 2018
Cash flows from operating activities			
Profit before income taxes		147,610	165,196
Depreciation and amortization	8	17,996	21,742
Impairment losses		—	9,940
Increase/(decrease) in provisions		(4,858)	(6,049)
Interest and dividend income		(2,872)	(3,009)
Interest expenses		1,660	1,361
Foreign exchange losses/(gains)		(15,496)	6,943
Share of profit and loss of associates		(340)	(270)
Losses on disposal of property, plant and equipment		599	289
Decrease/(increase) in trade and other receivables		(3,186)	(6,391)
Decrease/(increase) in inventories		44,638	20,572
Increase/(decrease) in trade and other payables		12,643	(70,439)
Decrease/(increase) in other assets		(2,006)	(65,866)
Increase/(decrease) in other liabilities		11,394	176,135
Others, net		(2,333)	3,947
Cash generated from operations		205,448	254,102
Interest and dividends income received		3,074	3,008
Interest paid		(1,683)	(1,354)
Income taxes paid		(16,537)	(35,509)
Income taxes refund		20,920	—
Net cash generated by operating activities		211,222	220,245
Cash flows used in investing activities			
Amounts deposited into bank deposits with original maturities of three months or longer		(113,288)	(29,231)
Amounts withdrawn from bank deposits with original maturities of three months or longer		118,598	27,636
Payments for property, plant and equipment		(17,415)	(13,969)
Proceeds from sales of property, plant and equipment		22	—
Payments for intangible assets		(4,944)	(6,276)
Payments for lease and guarantee deposits		(1,767)	(2,146)
Proceeds from collection of lease and guarantee deposits		1,130	1,236
Investment in associates		(196)	—
Returns of construction assistance fund		(575)	(759)
Receipts of construction assistance fund		859	1,001
Others, net		990	(2,688)
Net cash used in investing activities		(16,586)	(25,196)

(Millions of yen)

	Notes	Six months ended 28 February 2017	Six months ended 28 February 2018
Cash flows used in financing activities			
Proceeds from short-term loans payable		6,323	1,361
Repayment of short-term loans payable		(9,183)	(774)
Repayment of long-term loans payable		(1,163)	(1,675)
Dividends paid to owners of the Parent	9	(16,824)	(17,845)
Capital contributions from non-controlling interests		—	3,803
Dividends paid to non-controlling interests		(1,698)	(3,155)
Repayments of lease obligations		(2,504)	(3,665)
Others, net		(182)	(46)
Net cash used in financing activities		(25,234)	(21,998)
Effect of exchange rate changes on the balance of cash held in foreign currencies		15,027	(8,194)
Net increase/(decrease) in cash and cash equivalents		184,429	164,856
Cash and cash equivalents at the beginning of period		385,431	683,802
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		569,861	848,658

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Preparation

The interim condensed consolidated financial statements have been prepared in compliance with IAS 34. The Group meets all of the criteria of a "specified company" defined under Article 1-2 of the Consolidated Quarterly Financial Statements Rules, and accordingly applies Article 93 of the Consolidated Quarterly Financial Statements Rules. Since the interim condensed consolidated financial statements do not include all the information and disclosures required for consolidated financial statements, they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 August 2017.

The interim condensed consolidated financial statements were approved on 13 April 2018 by Tadashi Yanai, Chairman, President and CEO, and Takeshi Okazaki, Group Executive Vice President and CFO.

3. Significant Accounting Policies

Except for the following standards that have been newly applied, the accounting policies presented in the consolidated financial statements for the year ended 31 August 2017 are applied consistently in the preparation of these interim condensed consolidated financial statements.

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the interim condensed consolidated financial statements.

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

The adoption of the above amendments has no material impact on the interim condensed consolidated financial statements.

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 of Directors (the "Board") to make decisions about the allocation of resources and to assess performance.

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

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

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

UNIQLO Japan: UNIQLO clothing business within Japan
UNIQLO International: UNIQLO clothing business outside of Japan
GU: GU brand clothing business in Japan and overseas
Global Brands: Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand clothing operations

(ii) Segment revenue and results

For the 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	GU	Global Brands				
Revenue	455,122	392,862	97,783	70,415	1,016,184	1,324	—	1,017,508
Operating profit	68,788	48,773	7,426	2,640	127,629	113	2,914	130,657
Segment income (profit before income taxes)	71,242	49,223	7,369	2,619	130,454	113	17,042	147,610

(Note 1) "Others" includes the real estate leasing business, etc.
(Note 2) "Adjustments" mainly includes revenue and corporate expenses which are not allocated to individual reportable segments.

For the six months ended 28 February 2018

(Millions of yen)

	Reportable segments				Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
	UNIQLO Japan	UNIQLO International	GU	Global Brands				
Revenue	493,674	507,456	105,860	78,449	1,185,441	1,323	—	1,186,765
Operating profit	88,729	80,763	9,155	(5,653)	172,995	117	(2,619)	170,492
Segment income (profit before income taxes)	88,212	79,040	9,064	(5,719)	170,598	117	(5,520)	165,196
Other disclosure: Impairment losses (Note 3)	42	185	19	8,908	9,155	—	785	9,940

(Note 1) "Others" includes the real estate leasing business, etc.
(Note 2) "Adjustments" mainly includes revenue and corporate expenses which are not allocated to individual reportable segments.
(Note 3) *For the details of Impairment losses, refer to Note "8. Impairment losses".*

For the three months ended 28 February 2017

(Millions of yen)

	Reportable segments							
	UNIQLO Japan	UNIQLO International	GU	Global Brands	Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
Revenue	216,272	196,307	40,193	35,205	487,979	681	—	488,660
Operating profit	23,174	18,605	589	(103)	42,265	67	(266)	42,066
Segment income (profit before income taxes)	23,091	18,751	554	(97)	42,300	67	1,037	43,405

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

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

For the three months ended 28 February 2018

(Millions of yen)

	Reportable segments							
	UNIQLO Japan	UNIQLO International	GU	Global Brands	Total	Others (Note 1)	Adjustments (Note 2)	Interim Condensed Consolidated Statement of Profit or Loss
Revenue	236,606	249,173	45,045	38,397	569,223	515	—	569,738
Operating profit	34,616	34,092	143	(8,683)	60,168	83	(3,661)	56,591
Segment income (profit before income taxes)	34,113	32,223	68	(8,760)	57,644	84	(10,365)	47,363
Other disclosure: Impairment losses (Note 3)	42	185	19	8,908	9,155	—	785	9,940

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

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

(Note 3) *For the details of Impairment losses, refer to Note "8. Impairment losses*".

6. Inventories

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

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Write-down of inventories to net realizable value	3,832	3,919

7. Property, plant and equipment

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

(Millions of yen)

	As at 31 August 2017	As at 28 February 2018
Buildings and structures	96,778	98,374
Furniture, equipment and vehicles	13,757	13,666
Land	1,927	1,927
Construction in progress	6,824	5,413
Lease assets	17,690	19,689
Total	136,979	139,070

8. Impairment losses

During the six months ended 28 February 2018, the Group recognized impairment losses that amounted to 9,940 million yen on goodwill owned by the Comptoir des Cotonniers business and a trademark owned by the Helmut Lang brand under Theory business, because it is not expected to earn profit that was estimated initially. Those impairment losses are included in “other expenses” on the consolidated statement of profit or loss.

Six months ended 28 February 2017
Not applicable.

Six months ended 28 February 2018

(1) Impairment losses related to the Comptoir des Cotonniers business

Of the total impairment losses that amounted to 9,940 million yen, 7,792 million yen represented an impairment loss for goodwill owned by the Comptoir des Cotonniers business.

(2) Impairment losses related to the Helmut Lang brand under Theory business

Of the total impairment losses amounted to 9,940 million yen, 1,039 million yen represented an impairment loss for a trademark owned by the Helmut Lang brand.

9. Dividends

The total amount of dividends paid was as follows:

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.

Dividends paid during the six months ended 28 February 2018

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

Dividends for which the declared date is 31 August 2017 are paid on or after 10 November 2017 as the effective date.

Proposed dividends on common stock are as follows:

	Six months ended 28 February 2017	Six months ended 28 February 2018
Total dividends (Millions of yen)	17,846	20,401
Dividends per share (yen)	175	200

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 2018.

10. Selling, general and administrative expenses

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

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Selling, general and administrative expenses		
Advertising and promotion	38,588	38,766
Rental expenses	89,627	98,762
Depreciation and amortization	17,996	21,742
Outsourcing	16,078	20,365
Salaries	122,301	138,596
Others	80,894	85,405
Total	365,486	403,638

11. Other income and other expenses

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

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Other income		
Foreign exchange gains*	2,238	—
Others	1,026	910
Total	3,265	910

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Other expenses		
Foreign exchange losses*	—	1,708
Loss on retirement of property, plant and equipment	599	289
Impairment losses	—	9,940
Others	1,072	749
Total	1,671	12,688

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

12. Finance income and finance costs

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

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Finance income		
Foreign exchange gains*	15,496	—
Interest income	2,867	3,008
Others	250	0
Total	18,613	3,009

(Millions of yen)

	Six months ended 28 February 2017	Six months ended 28 February 2018
Finance costs		
Foreign exchange losses*	—	6,943
Interest expenses	1,658	1,361
Others	2	—
Total	1,660	8,305

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

13. Earnings per share

Six months ended 28 February 2017		Six months ended 28 February 2018	
Equity per share attributable to owners of the Parent (Yen)	7,224.61	Equity per share attributable to owners of the Parent (Yen)	7,809.69
Basic earnings per share for the period (Yen)	953.55	Basic earnings per share for the period (Yen)	1,021.16
Diluted earnings per share for the period (Yen)	952.17	Diluted earnings per share for the period (Yen)	1,019.36

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

	Six months ended 28 February 2017	Six months ended 28 February 2018
Basic earnings per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	97,233	104,150
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	97,233	104,150
Average number of common stock outstanding during the period (Shares)	101,970,207	101,992,395
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	148,102	180,861
(share subscription rights)	(148,102)	(180,861)

Three months ended 28 February 2017		Three months ended 28 February 2018	
Basic earnings per share for the period (Yen)	270.05	Basic earnings per share for the period (Yen)	251.09
Diluted earnings per share for the period (Yen)	269.63	Diluted earnings per share for the period (Yen)	250.65

(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 28 February 2017	Three months ended 28 February 2018
Basic earnings/(loss) per share for the period		
Profit/(loss) for the period attributable to owners of the parent (Millions of yen)	27,538	25,610
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit/(loss) attributable to common shareholders (Millions of yen)	27,538	25,610
Average number of common stock during the period (Shares)	101,973,477	101,997,945
Diluted earnings/(loss) per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	160,575	181,176
(share subscription rights)	(160,575)	(181,176)

14. Fair value of financial instruments

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

(Millions of yen)

	As at 31 August 2017		As at 28 February 2018	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term borrowings (Note)	12,146	12,253	10,201	10,264
Corporate bonds	249,583	253,504	249,632	253,269
Lease obligations (Note)	19,023	19,131	20,904	21,026
Total	280,753	284,889	280,738	284,559

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

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

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(Millions of yen)

As at 31 August 2017	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	16	—	—	16
Financial instruments at fair value through profit or loss ("FVTPL")	—	(86)	—	(86)
Foreign currency forward contracts designated as hedging instruments	—	273	—	273
Total	16	186	—	202

(Millions of yen)

As at 28 February 2018	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	3,456	—	—	3,456
Financial instruments at FVTPL	—	(3)	—	(3)
Foreign currency forward contracts designated as hedging instruments	—	(36,357)	—	(36,357)
Total	3,456	(36,361)	—	(32,905)

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

The Company did not have any transfers between levels of fair value measurements during the year ended 31 August 2017 and the six months ended 28 February 2018.

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.

15. Commitments for expenditure

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2017	As at 28 February 2018
Commitment for the acquisition of property, plant and equipment	17,347	16,565
Commitment for the acquisition of intangible assets	11,110	7,155
Total	28,457	23,720

16. Subsequent Events

Not applicable.

Others

Dividends

The Company resolved to pay dividends from retained earnings at the meeting of the Board of Directors convened on 12 April 2018.

The total amount of dividends paid and amount per share are stated under “Financial section 1. Interim Condensed Consolidated Financial Statements, Notes to the Interim Condensed Consolidated Financial Statements 9. Dividends”.

(TRANSLATION)
Independent accountant's review report

April 13, 2018

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

Deloitte Touche Tohmatsu LLC

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

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

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

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim condensed consolidated financial statements included in the Financial Section, namely, the interim condensed consolidated statement of financial position of FAST RETAILING CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") as of 28 February 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and the related notes to the interim condensed consolidated financial statements.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

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

Accountant's responsibility

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

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements referred to above do not present fairly, in all material respects, the condensed consolidated financial position of the Company and its consolidated subsidiaries as of 28 February 2018, and the consolidated results of their operations for the three-month and six-month periods then ended, and their cash flows for the six-month period then ended in conformity with IAS 34.

Other information

Consolidated financial statements of the Group for the fiscal year ended 31 August 2017 and interim condensed consolidated financial statements that include the interim condensed consolidated statement of financial position of the Group as of 28 February 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and the related notes to the interim condensed consolidated financial statements were audited and reviewed respectively, by the predecessor auditor. The predecessor auditor has issued an unqualified opinion on the independent auditor's report dated 30 November 2017 and an unqualified conclusion on the independent accountant's review report dated 14 April 2017, respectively.

Interest

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

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