FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

First Quarterly Report 2018/19

2018.9.1–2018.11.30

Stock Code: 6288

Contents

1. Corporate Profile

Board of Directors

Executive Director

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

Independent Directors

Toru Hambayashi *(External)*
Nobumichi Hattori *(External)*
Masaaki Shintaku *(External)*
Takashi Nawa *(External)*
Naotake Ohno *(External)*

Directors

Takeshi Okazaki
Kazumi Yanai
Koji Yanai

Audit & Supervisory Board Members

Akira Tanaka
Masaaki Shinjo
Takaharu Yasumoto *(External)*
Keiko Kaneko *(External)*
Takao Kashitani *(External)*

Joint Company Secretaries

Japan: Mitsuru Ohki
Hong Kong: 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

https://www.fastretailing.com

2. Financial Highlights

Financial Summary

Term	First Quarter of 57th Year	First Quarter of 58th Year	57th Year
Accounting period	Three months ended 30 November 2017	Three months ended 30 November 2018	Year ended 31 August 2018
Revenue (Millions of yen)	617,026	644,466	2,130,060
Operating profit (Millions of yen)	113,901	104,665	236,212
Profit before income taxes (Millions of yen)	117,832	111,086	242,678
Profit for the period attributable to owners of the Parent (Millions of yen)	78,540	73,476	154,811
Comprehensive income (loss) attributable to owners of the Parent (Millions of yen)	88,565	96,072	165,378
Equity attributable to owners of the Parent (Millions of yen)	806,281	936,745	862,936
Total assets (Millions of yen)	1,633,058	2,031,729	1,953,466
Basic earnings per share (Yen)	770.11	720.16	1,517.71
Diluted earnings per share (Yen)	768.99	719.01	1,515,23
Ratio of equity attributable to owners of the Parent to total assets (%)	49.4	46.1	44.2
Net cash generated by operating activities (Millions of yen)	120,056	30,136	176,403
Net cash (used in) generated by investing activities (Millions of yen)	(5,390)	(31,195)	(57,180)
Net cash (used in) generated by financing activities (Millions of yen)	(16,600)	(27,144)	198,217
Cash and cash equivalents at end of the period (Millions of yen)	788,898	979,087	999,697

(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 reporting entity.
2. Revenue does not include consumption taxes, etc.
3. The financial figures are quoted from the 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 three months ended 30 November 2018.

In addition, there were no significant changes in the organizational structure, including the major subsidiaries, during the three months ended 30 November 2018.

3. Management Discussion and Analysis

Business Review

1. Business and Operational Risks

No new business-related risks have arisen during the three months ended 30 November 2018.

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

2. Financial Analysis

(1) Results of Operations

The Fast Retailing Group revenue rose but profit fell in the first quarter of fiscal 2019, or the three months from 1 September 2018 to 30 November 2018. Consolidated revenue reached 644.4 billion yen (+4.4% year-on-year) and operating profit totaled 104.6 billion yen (-8.1% year-on-year). While UNIQLO International continued to expand favorably and report consistent rises in both revenue and profit, UNIQLO Japan experienced a decline in both revenue and profit as mild winter weather resulted in sluggish sales. That sluggish performance from UNIQLO Japan was largely responsible for the decline in first-quarter consolidated profit. As a result, the consolidated gross profit margin declined by 1.0 point year-on-year in the first quarter, and the selling, general and administrative expense ratio rose by 1.3 points. A net gain of 6.4 billion yen was recorded under finance income/cost after the spot foreign exchange rate at the end of November closed below the spot rate at the start of the business term, increasing the carrying amount of our long-term foreign-currency denominated assets in yen terms. As a result, profit before income taxes declined to 111.0 billion yen (-5.7% year-on-year) and profit attributable to owners of the parent decreased to 73.4 billion yen (-6.4% year-on-year).

The Group's medium-term vision is to become the world's number one apparel retailer. In pursuit of this aim, we are focusing our efforts on expanding UNIQLO International and our GU casual fashion brand. We continue to increase UNIQLO store numbers in each country where we operate, and open global flagship stores and large-format stores in major cities around the world to help consolidate UNIQLO's position as a key global brand. Within the UNIQLO International segment, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are entering a new stage of growth as key drivers of operational growth for the Fast Retailing Group. In addition, UNIQLO USA is working solidly towards turning a profit in fiscal 2019. In terms of the GU operation, we plan to open more GU stores in Japan, while expanding the brand's international presence, primarily in Greater China and South Korea.

UNIQLO Japan

UNIQLO Japan reported declines in both revenue and profit in the first quarter of fiscal 2019, with revenue totaling 246.1 billion yen (-4.3% year-on-year) and operating profit totaling 37.9 billion yen (-29.9% year-on-year). First-quarter same-store sales, including online sales, declined 4.3% year-on-year. While new ranges and trendy products such as premium lambswool sweaters, boa fleece sweatshirts, fluffy fleece, and knitted coats sold well, sales of core Winter items struggled overall in the face of especially mild weather in October and November. Conversely, online sales expanded by an impressive 30.9% year-on-year, increasing the proportion of online sales from 7.0% to 9.7% of total sales. On the profit front, the continued rise in cost of sales due to a weakening in internal yen exchange rates, along with stronger discounting of Winter items resulted in a 3.2 point decline in the gross profit margin year-on-year. Meanwhile, the selling, general and administrative expense ratio increased by 2.2 points year-on-year on the back of higher distribution costs, and higher depreciation costs in relation to the automation of the Ariake warehouse.

UNIQLO International

UNIQLO International revenue and profit rose in the first quarter of fiscal 2019, with revenue totaling 291.3 billion yen (+12.8% year-on-year) and operating profit increasing to 52.5 billion yen (+12.6% year-on-year). UNIQLO International revenue and profit far outstripped that of UNIQLO Japan in the first quarter, making it the largest business segment in the Fast Retailing Group. In terms of individual markets, UNIQLO Greater China reported higher revenue and profits despite the mild winter weather. The operation in Mainland China continued strong, reporting double-digit growth in operating profit. Mainland China also achieved further double-digit growth in online sales, thanks to efforts to smoothly unify physical and online store operations. UNIQLO South Korea reported higher operating profit in the first quarter on the back of stricter discounting, and greater operational efficiency achieved through the use of RFID tags. UNIQLO Southeast Asia & Oceania reported higher revenue and profit thanks to strong same-store sales rises in all markets. UNIQLO USA reported significant increases in both revenue and profit on the back of a successful review of regional product mixes and continued strong online sales growth, and efforts to help the operation turn a profit in the current financial year are proceeding smoothly. UNIQLO Europe also reported strong rises in both revenue and profit, with Russia generating an especially strong performance. UNIQLO opened its first store in the Netherlands in Amsterdam in September 2018, and its biggest Southeast Asian global flagship store in Manila, the Philippines in October 2018.

GU

The GU business segment reported a rise in revenue but a fall in profit in the first quarter of fiscal 2019, with revenue climbing to 65.4 billion yen (+7.7% year-on-year) and operating profit declining to 8.5 billion yen (-4.9% year-on-year). The gross profit margin declined slightly, and business costs increased on stronger advertising and promotion activities, resulting in a slight decline in operating profit. However, revenue picked up following decisions to start focusing on mass trend items and recommence TV advertising to strengthen GU marketing. Sales of advertising campaign items such as sweat shirts and oversized knitted products were especially buoyant, and outerwear sales picked up sharply once the temperature started to drop.

Global Brands

Global Brands revenue rose but profit fell in the first quarter of fiscal 2019. Revenue rose to 40.7 billion yen (+1.8% year-on-year), while operating profit declined to 2.7 billion yen (-9.9% year-on-year). The Theory fashion operation reported a considerable increase in profit, thanks to strong sales, and subsequent reduced discounting losses, at the Theory label operation in the United States. Our Japan-based PLST brand, which offers elegant, versatile everyday fashion of the highest quality, generated higher revenue. However, PLST operating profit dipped slightly due to increased costs associated with higher new store openings. Comptoir des Cotonniers, Princesse tam.tam and J Brand reported continued losses in the first quarter.

Sustainability

In keeping with our key sustainability message “Unlocking the power of clothing,” Fast Retailing seeks to contribute to the sustainable development of global society through our core clothing business. Fast Retailing’s sustainability activities seek to promote human rights, environmental protection and broader social contributions within six clear material areas: Create new value through products and services; Respect human rights in our supply chain; Respect the environment; Strengthen communities; Support employee fulfillment, and; Corporate governance. In October 2018, Fast Retailing signed the United Nations Global Compact (UNGC), as set of 10 universal sustainability principles that companies agree to adhere to under the four categories of Human Rights, Labor, Environment and Anti-Corruption.

On specific product-related initiatives, the Fast Retailing Group’s Jeans Innovation Center in Los Angeles has developed technologies that can greatly reduce the huge volume of water used in jeans processing by using nanobubble and ozone washing machines and highly skilled jeans designer techniques. As a result, we were able to reduce the amount of water used to make 2018 Fall Winter Men’s regular fit jeans by a maximum 99%, and an average of over 90%, compared to the 2017 product. We intend to introduce this water-conserving technology for all jeans produced and retailed under the Fast Retailing Group umbrella by 2020, and start expanding production.

In November 2018, we published a list of UNIQLO core fabric mills to complement the existing lists of core UNIQLO and GU production partners, as part of our ongoing commitment to increase transparency across our supply chain to help protect the environment, ensure proper working conditions for all, and safeguard human rights. In addition to inspecting working conditions at these core fabric mills, factory wastewater uis regularly tested help eliminate the discharge of hazardous chemicals. We are also working to introduce the Higg Index at fabric mills, a suite of tools developed by the leading industry alliance, the Sustainable Apparel Coalition (SAC), to help reduce the environmental impact of factories by reducing reduce energy and water consumption.

As part of our initiatives to strengthen communities, we donated 17,700 items of UNIQLO and GU clothing (as of November 2018) as emergency aid to victims of the September 2018 earthquake in Hokkaido. In November 2018, we also delivered approximately 90,000 items of clothing to Venezuelan refugees and immigrants in Columbia as part of our All-Product Recycling Initiative to deliver secondhand clothing collected in UNIQLO and GU store recycling boxes to people around the world in need of clothes. We also offer support for refugees that help foster independence. In November 2018, the Foundation for the Welfare and Education of the Asian People (FWEAP) recognized the achievements of one of the refugee staff working as a local-store, full-time UNIQLO Japan employee, and sent UNIQLO a thank you letter praising our refugee support activities, and efforts to promote the permanent settlement of refugees.

Financial Position

Total assets as at 30 November 2018 were 2,031.7 billion yen, which was an increase of 78.2 billion yen relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of 20.6 billion yen in cash and cash equivalents, an increase of 76.4 billion yen in trade and other receivables, an increase of 14.1 billion yen in other financial assets, a decrease of 11.8 billion yen in inventories and an increase of 20.7 billion yen in derivative financial assets.

Total liabilities as at 30 November 2018 were 1050.4 billion yen, which was a decrease of 0.1 billion yen relative to the end of the preceding consolidated fiscal year. The principal factors were a decrease of 7.3 billion yen in trade and other payables, a decrease of 20.0 billion yen in other financial liabilities, an increase of 15.4 billion yen in current tax liabilities and an increase of 12.9 billion yen in other current liabilities.

Total net assets as at 30 November 2018 were 981.2 billion yen, which was an increase of 78.4 billion yen relative to the end of the preceding consolidated fiscal year. The principal factors were an increase of 48.9 billion yen in retained earnings and an increase of 22.5 billion yen in other components of equity.

(2) Cash Flows Information

Cash and cash equivalents as at 30 November 2018 had decreased by 20.6 billion yen from the end of the preceding consolidated fiscal year, to 979.0 billion yen.

(Operating Cash Flows)

Net cash generated by operating activities for the three months ended 30 November 2018 was 30.1 billion yen, which was a decrease of 89.9 billion yen (-74.9% year-on-year) from the three months ended 30 November 2017. The principal factors were an increase of 74.3 billion yen in trade and other receivables (an increase of 6.5 billion yen from the three months ended 30 November 2017), a decrease of 15.5 billion yen in inventories (an increase of 23.7 billion yen from the three months ended 30 November 2017), a decrease of 10.5 billion yen in trade and other payables (an increase of 33.0 billion yen from the three months ended 30 November 2017), a decrease of 1.3 billion yen in other assets (an increase of 42.0 billion yen from the three months ended 30 November 2017), a decrease of 10.6 billion yen in other liabilities (a decrease of 199.9 billion yen from the three months ended 30 November 2017) and 13.8 billion yen in income taxes paid (an increase of 7.4 billion yen from the three months ended 30 November 2017).

(Investing Cash Flows)

Net cash used in investing activities for the three months ended 30 November 2018 was 31.1 billion yen, which was an increase of 25.8 billion yen (+478.8% year-on-year) from the three months ended 30 November 2017. The principal factors were 12.0 billion yen in bank deposits with original maturity over three months (an increase of 20.8 billion yen from the three months ended 30 November 2017) and 12.1 billion yen in payments for property, plant and equipment (an increase of 4.2 billion yen from the three months ended 30 November 2017).

(Financing Cash Flows)

Net cash used in financing activities for the three months ended 30 November 2018 was 27.1 billion yen, which was an increase of 10.5 billion yen (+63.5% year-on-year) from the three months ended 30 November 2017. The principal factors were 24.4 billion yen in dividends paid to owners of the Parent (an increase of 6.6 billion yen from the three months ended 30 November 2017) and 0.4 billion yen in capital contributions from non-controlling interests (an increase of 3.2 billion yen from the three months ended 30 November 2017).

(3) Operational and Financial Assignment

There have been no significant changes during the three months ended 30 November 2018 concerning issues that must be addressed by Group.

(4) Research and Development

Not applicable.

(5) Significant Facilities

The following are the significant facilities that were newly completed during the three months ended 30 November 2018.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
FAST RETAILING PHILIPPINES, INC.	UNIQLO International Store	UNIQLO Manila Global Flagship Store	Manila, Philippines	October 2018
UNIQLO CANADA INC.	UNIQLO International Store	Uniqlo Vaughan Mills	Vaughan, Canada	September 2018
UNIQLO EUROPE LIMITED	UNIQLO International Store	UNIQLO Köln	Cologne, Germany	October 2018
UNIQLO EUROPE LIMITED	UNIQLO International Store	Uniqlo Kalverstraat	Amsterdam, The Netherlands	September 2018

The following are the significant facilities that were newly planned during the three months ended 30 November 2018.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Amount of planned investment		Construction start	Construction completion	Planned sales floor area (m^2)	Reference
				Total (Millions of yen)	Amount already disbursed (Millions of yen)				
UNIQLO HAWAII INC.	UNIQLO International Store	Uniqlo Ala Moana	Hawaii, USA	558	62	May 2018	January 2019	559	Lease hold

(Notes) 1. It is expected that the Group will be able to meet its funding needs from equity capital.

2. The above figures do not include consumption taxes, etc.

3. Significant Contracts in Business Operation

None.

4. 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

(ii) Shares Issued

Type	As at 30 November 2018	Number of shares issued as of submission date (Shares) (As at 11 January 2019)	Name of financial instrument exchange of listing, or authorized financial instruments firms association	Remarks
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

1. Details of the Stock Option Program

The Company has instituted a stock option program that grants rights to acquire new shares pursuant to the Companies Act of Japan. Share subscription rights issued in the three months ended 30 November 2018 are as follows:

(i) 9th Share subscription rights A type

Resolution date	11 October 2018
Class and number of recipients (Persons)	Employees of the Company 17 Employees of Group subsidiaries 32
Number of stock options (Shares)	4,057
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	4,057
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times 1 yen exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 9 November 2021 to 8 November 2028
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 58,276 Paid-in capital: 29,138
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236 (1) viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization: Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights: Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription right that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

(ii) 9th Share subscription rights B type

Resolution date	11 October 2018
Class and number of recipients (Persons)	Employees of the Company 419 Employees of Group subsidiaries 1,267
Number of stock options (Shares)	36,275
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	36,275
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times 1 yen exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	From 9 December 2018 to 8 November 2028
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 58,892 Paid-in capital: 29,446
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as "Reorganization") consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as "Outstanding Share Subscription Rights") shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236 (1) viii of the Companies Act of Japan (hereinafter referred to as the "Company Resulting From Reorganization"). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization: Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights: Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription right that is issued.

5. Period during which share subscription rights can be exercised:
The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed above.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
To be determined in order to align with the conditions applicable to the subject share subscription rights.

(iii) 9th Share subscription rights C type

Resolution date	11 October 2018
Class and number of recipients (Persons)	Employees of the Company 40
Number of stock options (Shares)	4,733
Number of share subscription rights for treasury stock (Shares)	—
Type of shares to be issued upon exercise of share subscription rights	Common Stock
Number of shares to be issued upon exercise of share subscription rights (Shares)	4,733
Amount to be paid upon exercise of share subscription rights (Yen)	Number of shares allocated times 1 yen exercise price per share for all shares to be obtained through exercise of the share subscription rights.
Exercise period of share subscription rights	9 November 2021
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 59,764 Paid-in capital: 29,882
Exercise conditions of share subscription rights	If a holder of share subscription rights waives the right to acquire shares, the share subscription rights shall be forfeited and may not be exercised.
Matters pertaining to transfer of share subscription rights	Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors.
Matters pertaining to substitute payments	—
Matters pertaining to issuing of share subscription rights in conjunction with reorganization	(Note)

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in Article 236 (1) viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting From Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting From Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting From Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

1. Number of share subscription rights to be issued by the Company Resulting From Reorganization: Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
2. Type of shares of the Company Resulting From Reorganization underlying the share subscription rights: Common stock of the Company Resulting From Reorganization.
3. Number of shares of the Company Resulting From Reorganization underlying the share subscription rights:
   A proposal stating the conditions for Reorganization and the like shall include a finalized statement of the type and number of shares underlying the above-mentioned share subscription rights.
4. Value of property to be incorporated upon exercise of the share subscription rights:
   The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting From Reorganization underlying the share subscription rights that have been finalized as stated in No. 3. above. The exercise price after Reorganization shall be 1 yen per share of the Company Resulting From Reorganization that can be issued upon exercise of each share subscription right that is issued.
5. Period during which share subscription rights can be exercised:
   The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect.
6. Matters pertaining to the increase of capital and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
7. Restrictions on acquisition of share subscription rights by transfer:
   Any acquisition of share subscription rights by transfer shall require an authorizing resolution from the Board of Directors of the Company Resulting From Reorganization.
8. Terms and conditions for acquisition of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.
9. Conditions for exercise of share subscription rights:
   To be determined in order to align with the conditions applicable to the subject share subscription rights.

2. Other Share Subscription Rights
   Not applicable.

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

Not applicable.

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

Date	Increase (decrease) of total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase (decrease) of capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase/ decrease of capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
1 September 2018 to 30 November 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 30 November 2018.

(5) Principal Shareholders

There are no items to disclose during the three months ended 30 November 2018.

(6) Voting Rights

Concerning "Voting Rights" as at the end of the three months ended 30 November 2018, it has not been possible to confirm and state the details entered in the register of shareholders. Therefore, the stated details are based on the register of shareholders as of the immediately preceding record date (31 August 2018).

(i) Shares issued

As at 30 November 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 4,053,800	—	—
Shares with full voting rights (others)	Common stock 101,961,100	1,019,611	(Note) 1
Shares less than one unit	Common stock 58,756	—	(Notes) 1,2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,019,611	—

(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, respectively, held in the name of Japan Securities Depository Center, Inc.

2. Common stock in the "Shares less than one unit" row includes 72 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 30 November 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)	Ratio of total number of shares held to total number of shares issued (%)
FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-shi, Yamaguchi	4,053,800	—	4,053,800	3.82
Total	—	4,053,800	—	4,053,800	3.82

2. Directors

Since the submission of the year-end report for the preceding consolidated fiscal year, there has been no change of directors during the three months ended 30 November 2018.

5. Financial Section

1. Preparation of Interim Condensed Consolidated Financial Statements

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

2. Review Report

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

(Amounts are stated in millions of 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 2018	As at 30 November 2018
ASSETS			
Current assets			
Cash and cash equivalents		999,697	979,087
Trade and other receivables		52,677	129,146
Other financial assets	14	35,359	49,536
Inventories	6	464,788	452,891
Derivative financial assets	14	35,519	56,303
Income taxes receivable		1,702	1,468
Other assets		28,353	23,621
Total current assets		1,618,097	1,692,055
Non-current assets			
Property, plant and equipment	7	155,077	160,702
Goodwill		8,092	8,092
Intangible assets		46,002	51,034
Financial assets	14	79,476	76,920
Investments in associates accounted for using the equity method		14,649	14,552
Deferred tax assets		26,378	19,030
Other assets		5,691	9,341
Total non-current assets		335,368	339,673
Total assets		1,953,466	2,031,729
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		214,542	207,222
Other financial liabilities	14	171,854	151,848
Derivative financial liabilities	14	6,917	1,307
Current tax liabilities		21,503	36,921
Provisions		11,868	12,640
Other liabilities		72,722	85,654
Total current liabilities		499,410	495,595
Non-current liabilities			
Financial liabilities	14	502,671	504,791
Provisions		18,912	19,168
Deferred tax liabilities		13,003	13,307
Other liabilities		16,690	17,631
Total non-current liabilities		551,277	554,899
Total liabilities		1,050,688	1,050,494
EQUITY			
Capital stock		10,273	10,273
Capital surplus		18,275	20,433
Retained earnings		815,146	864,138
Treasury stock, at cost		(15,429)	(15,365)
Other components of equity		34,669	57,265
Equity attributable to owners of the Parent		862,936	936,745
Non-controlling interests		39,841	44,489
Total equity		902,777	981,234
Total liabilities and equity		1,953,466	2,031,729

(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

(Millions of yen)

	Notes	Three months ended 30 November 2017	Three months ended 30 November 2018
Revenue	9	617,026	644,466
Cost of sales		(299,961)	(319,658)
Gross profit		317,065	324,808
Selling, general and administrative expenses	10	(204,226)	(221,515)
Other income	11	1,111	1,951
Other expenses	11	(221)	(769)
Share of profit and loss of associates accounted for using the equity method		173	189
Operating profit		113,901	104,665
Finance income	12	4,566	7,560
Finance costs	12	(635)	(1,139)
Profit before income taxes		117,832	111,086
Income tax expense		(33,186)	(30,801)
Profit for the period		84,646	80,285
Profit for the period attributable to:			
Owners of the Parent		78,540	73,476
Non-controlling interests		6,106	6,808
		84,646	80,285
Earnings per share			
Basic (yen)	13	770.11	720.16
Diluted (yen)	13	768.99	719.01

Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Profit for the period	84,646	80,285
Other comprehensive income (loss), net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	—	(116)
Total items that will not be reclassified subsequently to profit or loss	—	(116)
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sales financial assets during the period	(50)	—
Exchange differences on translating foreign operations	7,143	6,835
Cash flow hedges	3,775	16,807
Share of other comprehensive income of associates	—	18
Total items that may be reclassified subsequently to profit or loss	10,868	23,662
Other comprehensive income (loss), net of income tax	10,868	23,545
Total comprehensive income (loss) for the period	95,515	103,831
Attributable to:		
Owners of the Parent	88,565	96,072
Non-controlling interests	6,950	7,759
Total comprehensive income (loss) for the period	95,515	103,831

(3) Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 November 2017

(Millions of yen)

						Other components of equity							
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash flow hedge reserve	Share of other comprehensive income of associates	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2017		10,273	14,373	698,584	(15,563)	2	21,806	2,293	–	24,102	731,770	30,272	762,043
Net changes during the period													
Comprehensive income (loss)													
Profit for the period		–	–	78,540	–	–	–	–	–	–	78,540	6,106	84,646
Other comprehensive income (loss)		–	–	–	–	(50)	5,500	4,574	–	10,025	10,025	843	10,868
Total comprehensive income (loss)		–	–	78,540	–	(50)	5,500	4,574	–	10,025	88,565	6,950	95,515
Transactions with the owners of the Parent													
Disposal of treasury stock		–	92	–	11	–	–	–	–	–	103	–	103
Dividends	8	–	–	(17,847)	–	–	–	–	–	–	(17,847)	(2,269)	(20,116)
Share-based payments		–	1,814	–	–	–	–	–	–	–	1,814	–	1,814
Changes in ownership interests in subsidiaries without losing control		–	1,874	–	–	–	–	–	–	–	1,874	1,754	3,629
Total transactions with the owners of the Parent		–	3,782	(17,847)	11	–	–	–	–	–	(14,053)	(514)	(14,567)
Total net changes during the period		–	3,782	60,692	11	(50)	5,500	4,574	–	10,025	74,511	6,435	80,947
As at 30 November 2017		10,273	18,155	759,276	(15,552)	(47)	27,307	6,868	–	34,127	806,281	36,708	842,990

For the three months ended 30 November 2018

(Millions of yen)

						Other components of equity							
	Note	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Financial assets measured at fair value through other comprehensive income	Foreign currency translation reserve	Cash flow hedge reserve	Share of other comprehensive income of associates	Total	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
As at 1 September 2018		10,273	18,275	815,146	(15,429)	37	15,429	19,202	–	34,669	862,936	39,841	902,777
Net changes during the period													
Comprehensive income (loss)													
Profit for the period		–	–	73,476	–	–	–	–	–	–	73,476	6,808	80,285
Other comprehensive income (loss)		–	–	–	–	(116)	6,145	16,548	18	22,595	22,595	950	23,545
Total comprehensive income (loss)		–	–	73,476	–	(116)	6,145	16,548	18	22,595	96,072	7,759	103,831
Transactions with the owners of the Parent													
Disposal of treasury stock		–	508	–	63	–	–	–	–	–	572	–	572
Dividends	8	–	–	(24,484)	–	–	–	–	–	–	(24,484)	(3,531)	(28,016)
Share-based payments		–	1,649	–	–	–	–	–	–	–	1,649	–	1,649
Incorporation of a new subsidiary		–	–	–	–	–	–	–	–	–	–	250	250
Changes in ownership interests in subsidiaries without losing control		–	–	–	–	–	–	–	–	–	–	169	169
Total transactions with the owners of the Parent		–	2,157	(24,484)	63	–	–	–	–	–	(22,262)	(3,111)	(25,374)
Total net changes during the period		–	2,157	48,991	63	(116)	6,145	16,548	18	22,595	73,809	4,648	78,457
As at 30 November 2018		10,273	20,433	864,138	(15,365)	(79)	21,575	35,750	18	57,265	936,745	44,489	981,234

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Note	Three months ended 30 November 2017	Three months ended 30 November 2018
Cash flows from operating activities			
Profit before income taxes		117,832	111,086
Depreciation and amortization		9,927	11,982
Interest and dividend income		(1,741)	(2,530)
Interest expenses		635	1,139
Foreign exchange losses (gains)		(2,824)	(5,030)
Share of profit and loss of associates accounted for using the equity method		(173)	(189)
Losses on disposal of property, plant and equipment		100	59
Decrease (increase) in trade and other receivables		(80,878)	(74,305)
Decrease (increase) in inventories		(8,229)	15,510
Increase (decrease) in trade and other payables		(43,619)	(10,562)
Decrease (increase) in other assets		(40,649)	1,396
Increase (decrease) in other liabilities		189,307	(10,640)
Others, net		258	3,988
Cash generated from operations		139,943	41,904
Interest and dividends income received		1,715	2,461
Interest paid		(303)	(361)
Income taxes paid		(21,299)	(13,867)
Net cash generated by operating activities		120,056	30,136
Cash flows from investing activities			
Amounts deposited into bank deposits with original maturities of three months or longer		(2,348)	(29,175)
Amounts withdrawn from bank deposits with original maturities of three months or longer		11,206	17,153
Payments for property, plant and equipment		(7,940)	(12,176)
Payments for intangible assets		(3,110)	(5,912)
Payments for lease and guarantee deposits		(1,490)	(1,346)
Proceeds from collection of lease and guarantee deposits		635	858
Others, net		(2,342)	(595)
Net cash (used in) generated by investing activities		(5,390)	(31,195)

(Millions of yen)

	Note	Three months ended 30 November 2017	Three months ended 30 November 2018
Cash flows from financing activities			
Proceeds from short-term loans payable		1,123	1,257
Repayment of short-term loans payable		(767)	(967)
Dividends paid to owners of the Parent	8	(17,800)	(24,455)
Capital contributions from non-controlling interests		3,629	420
Dividends paid to non-controlling interests		(270)	(560)
Repayments of lease obligations		(2,384)	(2,878)
Others, net		(130)	39
Net cash (used in) generated by financing activities		(16,600)	(27,144)
Effect of exchange rate changes on the balance of cash held in foreign currencies		7,030	7,594
Net increase (decrease) in cash and cash equivalents		105,096	(20,609)
Cash and cash equivalents at the beginning of period		683,802	999,697
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		788,898	979,087

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting Entity

FAST RETAILING CO., LTD. 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 are the operations of the UNIQLO business (casual clothing 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), and other businesses.

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 2018.

The interim condensed consolidated financial statements were approved on 11 January 2019 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 2018 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
IFRS 9	Financial Instruments	Revisions to financial asset classification and measurement, hedge accounting, and impairment.
IFRS 15	Revenue from Contracts with Customers	A comprehensive framework for revenue recognition

(1) Application of IFRS 9: Financial Instruments

① Financial instruments: Classification and measurement

The Group began classifying equity instruments that used to be classified as "Available-for-sale financial assets" as "Financial assets measured at fair value through other comprehensive income" from the beginning of the consolidated fiscal year ending 31 August 2019. Accordingly, the Group reclassified those equity instruments out of "Available-for-sale financial assets" and into "Financial assets measured at fair value through other comprehensive income" in the Interim Condensed Consolidated Statement of Changes in Equity from the beginning of the consolidated fiscal year ending 31 August 2019.

The Group has not chosen to apply the full retrospective application of IFRS 9 on the consolidated financial statements for the consolidated fiscal year ended 31 August 2018 in accordance with the transition provisions set out in IFRS 9.

② Financial instruments: Impairment

The Group has changed the recognition of impairment of financial assets measured at amountized cost to recognize a loss allowance for expected credit losses on those financial assets.

③ Financial instruments: Hedge accounting

The Group applies IFRS 9 hedge accounting standards and considers the fulfilment of specific hedge accounting requirements under IAS 39, Financial Instruments: Recognition and Measurement and IFRS 9 as incremental parts of a consistent hedge accounting policy.

The application of IFRS9 has not had a significant impact on the financial position and/or financial performance of the Group for the three months ended 30 November 2018.

(2) Application of IFRS 15: Revenue from contracts with customers

The Group recognizes revenue in accordance with IFRS 15 by applying the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

As the developer of global clothing retail operations, the Group recognizes revenue when it satisfies its performance obligation by transferring the promised goods to the customer. An asset is transferred when the customer obtains control of that asset. In addition, the Group recognizes revenue at amount of the promised considerations that the customer would pay in accordance with a contract, less the sum of discounts, rebates, and refunds or credits.

The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group for the three months ended 30 November 2018.

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, significant estimates and judgments that have significant effects on the amounts recognized in the interim condensed consolidated financial statements are the same as those in 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 which are reviewed regularly by the Board of Directors (the "Board") to make decisions about the allocation of resources and to assess performance.

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 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 clothing business in Japan and overseas
Global Brands: Theory, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand clothing operations

(ii) Segment revenue and results

For the three months ended 30 November 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	257,068	258,283	60,815	40,052	616,218	808	—	617,026
Operating profit	54,113	46,671	9,011	3,030	112,826	33	1,041	113,901
Segment income (losses) (i.e., profit before income taxes)	54,099	46,817	8,995	3,041	112,953	33	4,845	117,832

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

For the three months ended 30 November 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	246,140	291,382	65,493	40,775	643,792	674	—	644,466
Operating profit	37,958	52,564	8,568	2,729	101,820	44	2,799	104,665
Segment income (losses) (i.e., profit before income taxes)	38,314	52,616	8,537	2,685	102,154	45	8,887	111,086

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

6. Inventories

Write-down of inventories to their net realizable values recognized in expenses is as follows:

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Write-down of inventories to net realizable value	2,596	2,685

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 2018	As at 30 November 2018
Buildings and structures	94,673	100,695
Furniture, equipment and vehicles	14,143	16,683
Land	1,927	1,927
Construction in progress	9,550	5,495
Lease assets	34,782	35,899
Total	155,077	160,702

8. Dividends

The total amount of dividends paid was as follows:

For the three months ended 30 November 2017

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

Dividends were declared on 2 November 2017 and paid on 10 November 2017. The effective date of the dividend was for shareholders as of 31 August 2017.

For the three months ended 30 November 2018

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board on 2 November 2018	24,484	240

Dividends were declared on 2 November 2018 and paid on 9 November 2018. The effective date of the dividend was for shareholders as of 31 August 2018.

9. Revenue

The Group performs global clothing retail operations through both physical stores and e-commerce channels. The following is a breakdown of total revenue by major regional market operation.

Three months ended 30 November 2018

(Millions of yen)

		Revenue (Millions of yen)	Percent of Total (%)
	Japan	246,140	38.2
	Greater China	134,848	20.9
	Other parts of Asia & Oceania	90,375	14.0
	North America & Europe	66,158	10.3
UNIQLO (Note 1)		537,523	83.4
GU (Note 2)		65,493	10.2
Global Brands (Note 3)		40,775	6.3
Others (Note 4)		674	0.1
Total		644,466	100.0

(Note 1) Revenue is classified by nation or region based on customer location.
The designated countries and regions are classified as followed:
Greater China: Mainland China, Hong Kong, Taiwan
Other parts of Asia & Oceania: South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia
North America & Europe: United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, Netherlands
(Note 2) Main national and regional market: Japan
(Note 3) Main national and regional markets: North America, Europe, Japan
(Note 4) The "Others" category includes real estate leasing operations.

10. Selling, General and Administrative Expenses

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

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Selling, general and administrative expenses		
Advertising and promotion	21,364	22,330
Rental expenses	51,053	52,659
Depreciation and amortization	9,927	11,982
Outsourcing	9,198	10,254
Salaries	69,913	75,270
Others	42,768	49,019
Total	204,226	221,515

11. Other Income and Other Expenses

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

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Other income		
Foreign exchange gains (Note)	845	1,534
Others	265	417
Total	1,111	1,951

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Other expenses		
Loss on retirement of property, plant and equipment	100	59
Others	121	709
Total	221	769

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

12. Finance Income and Finance Costs

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

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Finance income		
Foreign exchange gains (Note)	2,824	5,030
Interest income	1,741	2,482
Others	0	48
Total	4,566	7,560

(Millions of yen)

	Three months ended 30 November 2017	Three months ended 30 November 2018
Finance costs		
Interest expenses	635	1,139
Total	635	1,139

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

13. Earnings per Share

Three months ended 30 November 2017		Three months ended 30 November 2018	
Equity per share attributable to owners of the Parent (Yen)	7,905.74	Equity per share attributable to owners of the Parent (Yen)	9,180.49
Basic earnings per share (Yen)	770.11	Basic earnings per share (Yen)	720.16
Diluted earnings per share (Yen)	768.99	Diluted earnings per share (Yen)	719.01

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

	Three months ended 30 November 2017	Three months ended 30 November 2018
Basic earnings per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	78,540	73,476
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	78,540	73,476
Average number of common stock outstanding during the period (Shares)	101,985,476	102,027,782
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	148,315	163,218
(Number of share subscription rights included in increase)	(148,315)	(163,218)

14. Fair Value of Financial Instruments

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

(Millions of yen)

	As at 31 August 2018		As at 30 November 2018	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets				
Security deposits and guarantees	61,752	62,253	62,868	64,107
Total	61,752	62,253	62,868	64,107
Financial liabilities				
Long-term borrowings (Note)	8,884	8,924	9,079	9,121
Corporate bonds (Note)	499,020	501,708	499,064	501,548
Lease obligations (Note)	35,643	35,528	37,967	37,830
Total	543,548	546,161	546,110	548,499

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

The fair values of current financial assets, current financial liabilities and non-current financial assets, which are measured by amortized cost, approximate their carrying amounts.

The fair value of security deposits and guarantees is calculated on the basis of the current value, applying the current market interest rate.

The fair value of corporate bonds is calculated with reference to publicly available market prices.

The fair value of long-term borrowings and finance 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.

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

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 interim condensed 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

When multiple inputs are used to measure fair value, the fair value level is determined based on the input with the lowest level classification in the overall fair value assessment.

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

(Millions of yen)

As at 31 August 2018	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	2,513	—	—	2,513
Financial instruments at fair value through profit or loss ("FVTPL")	—	136	—	136
Foreign currency forward contracts designated as hedging instruments	—	28,464	—	28,464
Total	2,513	28,601	—	31,114

(Millions of yen)

As at 30 November 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	2,348	—	161	2,509
Financial instruments at FVTPL	—	13	—	13
Foreign currency forward contracts designated as hedging instruments	—	54,983	—	54,983
Total	2,348	54,996	161	57,506

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 using inputs such as interest rates, yield curves, currency rates and volatility in comparable instruments.

Most of the financial assets classified as Level 3 are unlisted shares. The fair value of unlisted shares is measured on a quarterly basis by management in accordance with Group accounting policy using the latest available data.

This does not involve any significant change relating to Level 3 purchases, sales, issuance or settlement, nor any transfer between Level 1, 2 or 3.

There were no transfers between levels of fair value measurements during the year ended 31 August 2018 and the three months ended 30 November 2018.

15. Commitments for Expenditures

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2018	As at 30 November 2018
Commitment for the acquisition of property, plant and equipment	10,046	6,101
Commitment for the acquisition of intangible assets	1,461	6,847
Total	11,508	12,948

16. Subsequent Events

Not applicable.

2. Others

Dividends

The Company resolved to pay dividends from retained earnings at the meeting of the Board convened on 2 November 2018.

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

(TRANSLATION)
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

January 11, 2019

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
Yohei Masuda

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim condensed consolidated financial statements included in the Financial Section, namely, the interim condensed consolidated statement of financial position of FAST RETAILING CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") as of 30 November 2018 and the related interim condensed consolidated statements of profit or loss and comprehensive income, statement of changes in equity and cash flows for the three-month period then ended, and the related notes.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

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

Accountant's responsibility

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

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements referred to above do not present fairly, in all material respects, the condensed consolidated financial position of the Company and its consolidated subsidiaries as of 30 November 2018, and the condensed consolidated results of their operations and their cash flows for the three-month period then ended in conformity with IAS 34.

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.