



**FAST RETAILING**

**FAST RETAILING CO., LTD.**

**迅銷有限公司**

Third Quarterly Report 2018/19

2019.3.1–2019.5.31

Stock Code: 6288

## **Contents**

1. Corporate Profile	<b>2</b>
2. Financial Highlights	<b>3</b>
3. Management Discussion and Analysis	<b>5</b>
4. Information about the Reporting Entity	<b>8</b>
5. Financial Section	<b>10</b>
1. Interim Condensed Consolidated Financial Statements	
(1) Interim Condensed Consolidated Statement of Financial Position	<b>11</b>
(2) Interim Condensed Consolidated Statement of Profit or Loss and Interim Condensed Consolidated Statement of Comprehensive Income	<b>12</b>
Interim Condensed Consolidated Statement of Profit or Loss	
Interim Condensed Consolidated Statement of Comprehensive Income	
(3) Interim Condensed Consolidated Statement of Changes in Equity	<b>16</b>
(4) Interim Condensed Consolidated Statement of Cash Flows	<b>18</b>
(5) Notes to the Interim Condensed Consolidated Financial Statements	<b>20</b>
2. Others	<b>29</b>
Independent Accountant’s Review Report	<b>30</b>

## 1. Corporate Profile

### Board of Directors

#### Executive Director

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

### Principal Place of Business in Japan

Midtown Tower 9-7-1, Akasaka, Minato-ku  
Tokyo 107-6231  
Japan

### Independent Directors

Toru Hambayashi (External)

Nobumichi Hattori (External)

Masaaki Shintaku (External)

Takashi Nawa (External)

Naotake Ohno (External)

### 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

### Directors

Takeshi Okazaki

Kazumi Yanai

Koji Yanai

### 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

### Audit & Supervisory Board Members

Akira Tanaka

Masaaki Shinjo

Takaharu Yasumoto (External)

Keiko Kaneko (External)

Takao Kashitani (External)

### Stock Code

Hong Kong: 6288

Japan: 9983

### Company Secretary

Shea Yee Man

### Website Address

<https://www.fastretailing.com>

### External Independent Accountants

Deloitte Touche Tohmatsu LLC

### Principal Banks

Sumitomo Mitsui Banking Corporation;

MUFG Bank, 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

## 2. Financial Highlights

### Consolidated Financial Summary

Term	57th Fiscal Year	58th Fiscal Year	57th Fiscal Year
Accounting period	Nine months ended 31 May 2018	Nine months ended 31 May 2019	Year ended 31 August 2018
Revenue (Millions of yen)	1,704,149	1,822,877	2,130,060
Operating profit (Millions of yen)	238,897	247,688	236,212
Profit before income taxes (Millions of yen)	237,475	247,211	242,678
Profit for the period attributable to owners of the Parent (Millions of yen)	148,335	158,668	154,811
Comprehensive income attributable to owners of the Parent (Millions of yen)	140,889	147,420	165,378
Equity attributable to owners of the Parent (Millions of yen)	838,368	963,770	862,936
Total assets (Millions of yen)	1,648,823	1,974,493	1,953,466
Basic earnings per share (Yen)	1,454.29	1,554.94	1,517.71
Diluted earnings per share (Yen)	1,451.77	1,552.35	1,515.23
Ratio of equity attributable to owners of the Parent to total assets	50.8	48.8	44.2
Net cash generated by operating activities (Millions of yen)	258,122	286,216	176,403
Net cash (used in) generated by investing activities (Millions of yen)	(35,892)	(73,575)	(57,180)
Net cash (used in) generated by financing activities (Millions of yen)	(43,129)	(94,753)	198,217
Cash and cash equivalents at end of the period (Millions of yen)	858,359	1,105,085	999,697

Accounting period	Three months ended 31 May 2018	Three months ended 31 May 2019
Revenue (Millions of yen)	517,384	555,180
Profit attributable to owners of the parent (Millions of yen)	44,184	44,639
Basic earnings per share for the period (Yen)	433.13	437.41

- (Notes)
1. FAST RETAILING CO., LTD. (the "Company", "Parent", or "reporting entity") prepared interim condensed consolidated financial statements and therefore has not included the non-consolidated financial summary of 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 nine months ended 31 May 2019.

In addition, there were no significant changes in the organizational structure of the Group, including the major subsidiaries, during the nine months ended 31 May 2019.

### 3. Management Discussion and Analysis

#### Business Review

##### 1. Business and Operational Risks

No new business-related risks have arisen during the nine months ended 31 May 2019.

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 reported rises in both revenue and profit in the third quarter of fiscal 2019, or the nine months from 1 September 2018 to 31 May 2019. Consolidated revenue increased to 1.8228 trillion yen (+7.0% year-on-year), operating profit expanded to 247.6 billion yen (+3.7% year-on-year), profit before income taxes totaled 247.2 billion yen (+4.1% year-on-year), and profit attributable to owners of the parent rose to 158.6 billion yen (+7.0% year-on-year). Among those data, revenue, operating profit, profit before income taxes, and profit attributable to owners of the parents attained new record levels in the nine months to 31 May 2019.

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 as well as our GU casual fashion brand and our global e-commerce operation. We continue to increase UNIQLO store numbers in each country in which we operate, and open global flagship stores and large-format stores in major cities around the world to further develop UNIQLO as a 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 expansion. In terms of our 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 nine months of fiscal 2019, with revenue totaling 701.0 billion yen (-0.5% year-on-year) and operating profit totaling 96.7 billion yen (-19.5% year-on-year). The gross profit margin declined 2.4 points year-on-year as a result of stronger discounting of Winter items following the warm winter weather in the first half, and an early rundown of Spring Summer inventory in the third quarter. Meanwhile, the selling, general and administrative expense ratio increased by 0.9 points year-on-year. While new IC tags (radio frequency identification) helped increase cash-register and store-operation efficiencies and reduce the personnel-to-net-sales ratio, the distribution-to-net-sales ratio rose on the back of expanding online sales and higher inventory levels, and we also recorded higher depreciation expenses on investment linked to the automation of our Ariake warehouse.

For the three months through 31 May 2019, UNIQLO Japan same-store sales, including online sales, declined 0.1% year-on-year, resulting in a 0.5% year-on-year decline in revenue. While sweat wear, UV-cut items, leggings, T-shirts and other ranges sold well throughout the quarter, the deferral of our hallmark UNIQLO anniversary sale until June meant that same-store sales in the traditionally bumper month of May actually declined year-on-year, and that was what generated the slight contraction in revenue for the three-month period as a whole. Meanwhile, online sales expanded by 16.1% year-on-year in the three months to 31 May 2019 to 19.0 billion yen, increasing their proportion of total sales from 7.8% to 9.1% of total sales. On the profit front, operating profit declined by 7.5% year-on-year on the back of a higher selling, general and administrative expense ratio, and a lower gross profit margin, which was dampened by our decision to bring forward discounting of leftover Spring Summer inventory.

###### UNIQLO International

UNIQLO International revenue and profit rose in the first nine months of fiscal 2019, with revenue rising to 820.5 billion yen (+14.6% year-on-year) and operating profit expanding to 124.8 billion yen (+11.1% year-on-year).

For the three months from March to May 2019, the segment also reported strong results, with revenue expanding 15.3% year-on-year and operating profit expanding 14.9% year-on-year over that period. In terms of individual markets, within the UNIQLO Greater China region, the Mainland China operation continued to achieve significant year-on-year growth in both revenue and profit. UNIQLO Southeast Asia & Oceania achieved double-digit growth in both revenue and profit on the back of strong sales of Summer ranges. UNIQLO South Korea reported a fall in same-store sales and a slight decline in profit. While the loss generated by UNIQLO USA shrank year-on-year, overall performance was lower than expected after unseasonal weather dampened sales of Spring Summer ranges. UNIQLO Europe reported a decline in profit caused by unseasonal weather patterns and political uncertainty. However, within that region, Russia continued to perform strongly and report expanding revenue and profit.

In terms of new-store activity, UNIQLO International opened its first store in the Netherlands in Amsterdam in September 2018, as well as its biggest Southeast Asian global flagship store in Manila, the Philippines in October 2018, and its first store in Denmark in Copenhagen in April 2019.

###### GU

The GU business segment reported a large recovery in profits over the first nine months of fiscal 2019, with revenue expanding 11.2% year-on-year to 185.3 billion yen and operating profit expanding 74.5% year-on-year to 26.3 billion yen.

Over the three-month period from March to May 2019, that profit recovery was even more marked, as revenue expanded by 12.1% year-on-year and operating profit increased by 105.8% year-on-year. GU generated further strong sales over the Spring Summer period thanks to its persistent drive to concentrate the number of product items, and developing product mixes that focus on mass fashion trends. Furthermore, the GU operating profit margin improved by an impressive 8.2 points year-on-year on reduced discounting, and a lower cost of sales resulting from early submission of orders and aggregate purchasing of raw materials.

## Global Brands

Global Brands reported a decline in revenue but a rise in profit over the first nine months of fiscal 2019, with revenue totaling 113.6 billion yen (-1.0% year-on-year) and operating profit standing at 4.6 billion yen (compared to a 3.5 billion yen loss in the previous year following the recording of 8.9 billion yen in impairment losses).

For the three months from March to May 2019, Global Brands reported a 1.1% year-on-year decline in revenue and a 29.0% decline in operating profit. Breaking down that performance into individual brands, our Theory operation reported a steady operating profit and our PLST brand achieved a slight rise in profit. Meanwhile, our France-based Comptoir des Cotonniers and Princesse tam.tam brands reported increasing losses, while our US-based J Brand premium denim label generated a similar loss to the previous year.

## Sustainability

In keeping with our key sustainability message “Unlocking the power of clothing,” Fast Retailing aims 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.

Regarding human rights, a common theme in several material areas, including respecting human rights and working environments in our supply chain, and supporting employee fulfillment, we started offering human rights training for employees from August 2018. By the end of May 2019, a total of 1,700 employees had participated in the program, including store managers from Fast Retailing Group companies in Japan.

In terms of environmental protection, in February 2019, we committed to establish science-based targets (SBT) within two years, and are currently preparing to determine those goals. SBT are tools to help to reduce greenhouse gas emissions based on targets laid out in the Paris Agreement on climate change.

In the area of strengthening communities, we continue to contribute to local communities in all locations in which we operate. For instance, in September 2018, we distributed approximately 18,000 items of clothing aid to victims of the Hokkaido Eastern Iburi earthquake. In support of surrounding local communities, UNIQLO launched a Casal U program in Barcelona, Spain in September 2018, with the aim of providing a place for socially vulnerable children and young people to enjoy and learn about fashion, music, and dance. We continue to proactively support refugees, donating approximately 90,000 items of clothing to refugees and displaced persons from Venezuela in Columbia in November 2018 through our All-Product Recycling Initiative. This initiative delivers second-hand clothing brought by our customers to UNIQLO and GU stores to people in need of clothes worldwide. In addition, employees serve as instructors in our Power of Clothing Project, a school outreach program designed to help children deepen their understanding of the international refugee and displaced person problem. The project received multiple accolades in 2018, including award for excellence in the 9th Career Education Awards for outstanding educational activities in the industrial sector sponsored by Japan’s Ministry of Economy, Trade and Industry, and the Special Award from the Panel (in the large companies category) for Companies That Provide Experiences for Young People, sponsored by Japan’s Ministry of Education, Culture, Sports, Science and Technology.

## (2) Financial Position

Total assets as at 31 May 2019 were 1,974.4 billion yen, which was an increase of 21 billion yen relative to total assets at the end of the preceding consolidated fiscal year. The principal factors were an increase of 105.3 billion yen in cash and cash equivalents, an increase of 30.9 billion yen in trade and other receivables, an increase of 21.6 billion yen in other financial assets, an increase of 11.8 billion yen in intangible assets and a decrease of 149.2 billion yen in inventories.

Total liabilities as at 31 May 2019 were 964.3 billion yen, which was a decrease of 86.3 billion yen relative to total liabilities at the end of the preceding consolidated fiscal year. The principal factors were an increase of 21.7 billion yen in current tax liabilities and an increase of 6.5 billion yen in other liabilities, a decrease of 71 billion yen in trade and other payables and a decrease of 42 billion yen in other current financial liabilities,

Total net assets as at 31 May 2019 were 1,010.1 billion yen, which was an increase of 107.4 billion yen relative to total net assets at the end of the preceding consolidated fiscal year. The principal factor was an increase of 109.6 billion yen in retained earnings.

(3) Cash Flow Information

Cash and cash equivalents as at 31 May 2019 increased by 105.3 billion yen from the end of the preceding consolidated fiscal year to 1,105 billion yen.

(Operating Cash Flows)

Net cash generated by operating activities for the nine months ended 31 May 2019 was 286.2 billion yen (an increase by 10.9% from the nine months ended 31 May 2018), which was an increase of 28 billion yen from the nine months ended 31 May 2018. The principal factors were 247.2 billion yen in profit before income taxes (an increase of 9.7 billion yen from the nine months ended 31 May 2018), 2 billion yen in impairment losses (a decrease of 8.3 billion yen from the nine months ended 31 May 2018), an increase of 30.1 billion yen in trade and other receivables (an increase of 2.8 billion yen from the nine months ended 31 May 2018), a decrease of 144.6 billion yen in inventories (an increase of 129.8 billion yen from the nine months ended 31 May 2018), a decrease of 5.7 billion yen in other assets (an increase of 44.5 billion yen from the nine months ended 31 May 2018), a decrease of 6.7 billion yen in other liabilities (a decrease of 147.4 billion yen from the nine months ended 31 May 2018).

(Investing Cash Flows)

Net cash used in investing activities for the nine months ended 31 May 2019 was 73.5 billion yen (an increase by 105.0% from the nine months ended 31 May 2018), which was an increase of 37.6 billion yen from the nine months ended 31 May 2018. The principal factors were an increase of 22.1 billion yen in bank deposits with original maturities over three months or longer (an increase of 23.4 billion yen from the nine months ended 31 May 2018), 31.8 billion yen in payments for property, plant and equipment (an increase of 9.4 billion yen from the nine months ended 31 May 2018) and 18.1 billion yen in payments for intangible assets (an increase of 7.5 billion yen from the nine months ended 31 May 2018).

(Financing Cash Flows)

Net cash used in financing activities for the nine months ended 31 May 2019 was 94.7 billion yen (an increase by 119.7% from the nine months ended 31 May 2018), which was an increase of 51.6 billion yen from the nine months ended 31 May 2018. The principal factor was 30 billion yen in repayment of redemption of bonds (an increase of 30 billion yen from the nine months ended 31 May 2018) and 48.9 billion yen in dividends paid to owners of the Parent (an increase of 10.7 billion yen from the nine months ended 31 May 2018).

(4) Operational and Financial Challenges

There have been no significant challenges during the nine months ended 31 May 2019 that resulted in issues that must be addressed by the Group.

(5) Research and Development

Not applicable.

(6) Significant Facilities

The following are the significant facilities that were planned as at the end of the preceding consolidated fiscal year and newly completed during the nine months ended 31 May 2019.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
FAST RETAILING PHILIPPINES, INC.	UNIQLO International Stores	UNIQLO Manila Global Flagship Store	Manila, Philippines	October 2018
UNIQLO CANADA INC.	UNIQLO International Stores	UNIQLO Vaughan Mills	City of Vaughan, Canada	September 2018
UNIQLO EUROPE LIMITED	UNIQLO International Stores	UNIQLO Köln	Cologne, Germany	October 2018
UNIQLO EUROPE LIMITED	UNIQLO International Stores	UNIQLO Kalverstraat	Amsterdam, The Netherlands	September 2018
UNIQLO HAWAII INC.	UNIQLO International Stores	UNIQLO Ala Moana	Hawaii, USA	January 2019

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
Common stock	300,000,000
Total	300,000,000

##### (ii) Shares Issued

Type	Number of shares issued as at 31 May 2019	Number of shares issued as at submission date (As at 12 July 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

##### (i) Details of the Stock Option Program

Not applicable.

##### (ii) 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	Balance of total number of shares issued	Increase (decrease) of capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Increase (decrease) of capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
1 March 2019 to 31 May 2019	—	106,073,656	—	10,273	—	4,578

(Note) There was no change in the total number of shares issued, capital stock or capital reserve during the three months ended 31 May 2019.

##### (5) Major Shareholders

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

## (6) Voting Rights

Concerning “Voting Rights” as at the end of the third quarterly accounting period ended 31 May 2019, 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 at the immediately preceding record date (28 February 2019).

### (i) Shares issued

As at 31 May 2019

Class	Number of shares	Number of voting rights	Remarks
Non-voting shares	—	—	—
Shares subject to restrictions on voting rights (i.e., treasury stock, etc.)	—	—	—
Shares subject to restrictions on voting rights (i.e., other than treasury stock)	—	—	—
Shares with full voting rights (i.e., treasury stock, etc.)	(Shares held as treasury stock) Common stock 4,022,700	—	—
Shares with full voting rights (i.e., other than treasury stock)	Common stock 101,989,900	1,019,899	(Note 1)
Shares less than one unit	Common stock 61,056	—	(Notes 1 and 2)
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all Shareholders	—	1,019,899	—

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

(Note 2) Common stock in the “Shares less than one unit” row includes 30 shares of treasury stock held by the Company.

### (ii) Treasury Stock

As at 31 May 2019

Name or trade name of holder	Holder's address	Number of shares held in own name	Number of shares held in other's name	Total number of shares held	Percentage of total number of shares issued
FAST RETAILING CO., LTD.	717-1 Sayama, Yamaguchi-shi, Yamaguchi	4,022,700	—	4,022,700	3.79
Total	—	4,022,700	—	4,022,700	3.79

## 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 nine months ended 31 May 2019.

## **5. 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 at 31 May 2019, the related interim condensed consolidated statements of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-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” (Cabinet Office Ordinance No. 64 of 2007, 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 31 May 2019
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		999,697	1,105,085
Trade and other receivables		52,677	83,674
Other financial assets	16	35,359	56,966
Inventories	6	464,788	315,503
Derivative financial assets	16	35,519	38,261
Income taxes receivable		1,702	3,955
Other assets		28,353	18,212
Total current assets		1,618,097	1,621,658
Non-current assets			
Property, plant and equipment	7, 8	155,077	158,627
Goodwill	8	8,092	8,092
Intangible assets	8	46,002	57,813
Financial assets	16	79,476	77,931
Investments in associates accounted for using the equity method		14,649	14,516
Deferred tax assets		26,378	26,830
Other assets		5,691	9,020
Total non-current assets		335,368	352,834
Total assets		1,953,466	1,974,493
<b>Liabilities and equity</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		214,542	143,448
Other financial liabilities	9, 16	171,854	129,822
Derivative financial liabilities	16	6,917	3,993
Current tax liabilities		21,503	43,236
Provisions		11,868	12,971
Other liabilities		72,722	79,226
Total current liabilities		499,410	412,698
Non-current liabilities			
Financial liabilities	9, 16	502,671	499,479
Provisions		18,912	19,723
Deferred tax liabilities		13,003	15,426
Other liabilities		16,690	16,975
Total non-current liabilities		551,277	551,604
Total liabilities		1,050,688	964,303
<b>EQUITY</b>			
Capital stock		10,273	10,273
Capital surplus		18,275	20,531
Retained earnings		815,146	924,837
Treasury stock, at cost		(15,429)	(15,294)
Other components of equity		34,669	23,421
Equity attributable to owners of the Parent		862,936	963,770
Non-controlling interests		39,841	46,419
Total equity		902,777	1,010,190
Total liabilities and equity		1,953,466	1,974,493

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

Interim Condensed Consolidated Statement of Profit or Loss

Nine months ended 31 May 2019

(Millions of yen)

	Notes	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Revenue	11	1,704,149	1,822,877
Cost of sales		(853,756)	(930,200)
Gross profit		850,393	892,677
Selling, general and administrative expenses	12	(598,017)	(642,096)
Other income	13	2,124	3,469
Other expenses	8, 13	(16,060)	(6,842)
Share of profit and loss of associates accounted for using the equity method		457	480
Operating profit		238,897	247,688
Finance income	14	5,414	8,792
Finance costs	14	(6,836)	(9,268)
Profit before income taxes		237,475	247,211
Income tax expense		(76,220)	(73,218)
Profit for the period		161,254	173,993
Profit for the period attributable to:			
Owners of the Parent		148,335	158,668
Non-controlling interests		12,919	15,325
		161,254	173,993
Earnings per share			
Basic (yen)	15	1,454.29	1,554.94
Diluted (yen)	15	1,451.77	1,552.35

Three months ended 31 May 2019

(Millions of yen)

	Notes	Three months ended 31 May 2018	Three months ended 31 May 2019
Revenue		517,384	555,180
Cost of sales		(252,629)	(269,276)
Gross profit		264,754	285,904
Selling, general and administrative expenses		(194,378)	(208,632)
Other income		1,346	1,363
Other expenses		(3,504)	(4,104)
Share of profit and loss of associates accounted for using the equity method		186	216
Operating profit		68,404	74,747
Finance income		4,584	3,378
Finance costs		(710)	(5,127)
Profit before income taxes		72,279	72,997
Income tax expense		(24,671)	(23,934)
Profit for the period		47,608	49,062
Profit for the period attributable to:			
Owners of the Parent		44,184	44,639
Non-controlling interests		3,423	4,423
		47,608	49,062
Earnings per share			
Basic (yen)	15	433.13	437.41
Diluted (yen)	15	432.42	436.69

## Interim Condensed Consolidated Statement of Comprehensive Income

Nine months ended 31 May 2019

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Profit for the period	161,254	173,993
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 (loss)	—	(393)
Total items that will not be reclassified subsequently to profit or loss	—	(393)
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sales financial assets during the period	778	—
Exchange differences on translating foreign operations	(1,398)	(15,266)
Cash flow hedges	(6,688)	3,717
Share of other comprehensive income of associates	—	(0)
Total items that may be reclassified subsequently to profit or loss	(7,308)	(11,549)
Other comprehensive income (loss), net of income tax	(7,308)	(11,942)
Total comprehensive income (loss) for the period	153,946	162,051
Attributable to:		
Owners of the Parent	140,889	147,420
Non-controlling interests	13,057	14,630
Total comprehensive income (loss) for the period	153,946	162,051

Three months ended 31 May 2019

(Millions of yen)

	Three months ended 31 May 2018	Three months ended 31 May 2019
Profit for the period	47,608	49,062
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 (loss)	—	(169)
Total items that will not be reclassified subsequently to profit or loss	—	(169)
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sale financial assets during the period	(25)	—
Exchange differences on translating foreign operations	742	(18,760)
Cash flow hedges	17,916	(13)
Share of other comprehensive income of associates	—	(17)
Total items that may be reclassified subsequently to profit or loss	18,632	(18,792)
Other comprehensive income (loss), net of income tax	18,632	(18,961)
Total comprehensive income (loss) for the period	66,240	30,101
Attributable to:		
Owners of the Parent	62,042	26,499
Non-controlling interests	4,197	3,601
Total comprehensive income (loss) for the period	66,240	30,101



## (3) Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 May 2018

(Millions of yen)

	Notes	Other components of equity							Equity		Total equity		
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Available-for-sale reserve	Foreign currency translation reserve	Cash flow hedge reserve	Share of other comprehensive income of associates	Total		Equity attributable to owners of the Parent	Non-controlling interests
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		—	—	148,335	—	—	—	—	—	—	148,335	12,919	161,254
Other comprehensive income/loss		—	—	—	—	778	(1,966)	(6,257)	—	(7,445)	(7,445)	137	(7,308)
Total comprehensive income/loss		—	—	148,335	—	778	(1,966)	(6,257)	—	(7,445)	140,889	13,057	153,946
Transactions with the owners of the Parent													
Acquisition of treasury stock		—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Disposal of treasury stock		—	1,005	—	116	—	—	—	—	—	1,121	—	1,121
Dividends	10	—	—	(38,248)	—	—	—	—	—	—	(38,248)	(6,579)	(44,828)
Share-based payments		—	962	—	—	—	—	—	—	—	962	—	962
Increase in equity due to capital increase by consolidated subsidiary		—	—	—	—	—	—	—	—	—	—	173	173
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		—	3,842	(38,248)	114	—	—	—	—	—	(34,291)	(4,651)	(38,943)
Total net changes during the period		—	3,842	110,086	114	778	(1,966)	(6,257)	—	(7,445)	106,597	8,405	115,003
As at 31 May 2018		10,273	18,216	808,670	(15,449)	781	19,840	(3,964)	—	16,656	838,368	38,678	877,046

For the nine months ended 31 May 2019

(Millions of yen)

	Notes	Other components of equity											Total equity
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Financial assets			Share of other comprehensive income of associates	Equity attributable to owners of the Parent		Non-controlling interest	
						measured at fair value through other comprehensive income	Foreign currency translation reserve	Cash flow hedge reserve		Total	of the Parent		
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													
Profit for the period		—	—	158,668	—	—	—	—	—	—	158,668	15,325	173,993
Other comprehensive income (loss)		—	—	—	—	(393)	(12,535)	1,681	(0)	(11,247)	(11,247)	(694)	(11,942)
Total comprehensive income (loss)		—	—	158,668	—	(393)	(12,535)	1,681	(0)	(11,247)	147,420	14,630	162,051
Transactions with the owners of the Parent													
Acquisition of treasury stock		—	—	—	(2)	—	—	—	—	—	(2)	—	(2)
Disposal of treasury stock		—	1,322	—	137	—	—	—	—	—	1,459	—	1,459
Dividends	10	—	—	(48,976)	—	—	—	—	—	—	(48,976)	(8,461)	(57,438)
Share-based payments		—	933	—	—	—	—	—	—	—	933	—	933
Incorporation of a new subsidiary		—	—	—	—	—	—	—	—	—	—	239	239
Changes in ownership interests in subsidiaries without losing control		—	—	—	—	—	—	—	—	—	—	169	169
Total transactions with the owners of the Parent		—	2,255	(48,976)	134	—	—	—	—	—	(46,586)	(8,052)	(54,638)
Total net changes during the period		—	2,255	109,691	134	(393)	(12,535)	1,681	(0)	(11,247)	100,834	6,578	107,413
As at 31 May 2019		10,273	20,531	924,837	(15,294)	(355)	2,894	20,883	(0)	23,421	963,770	46,419	1,010,190

## (4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Nine months ended 31 May 2018	Nine months ended 31 May 2019
<b>Cash flows from operating activities</b>			
Profit before income taxes		237,475	247,211
Depreciation and amortization		32,961	36,629
Impairment losses	8	10,353	2,050
Interest and dividend income		(5,414)	(8,792)
Interest expenses		2,072	3,512
Foreign exchange losses (gains)		4,764	5,755
Share of profit and loss of associates accounted for using the equity method		(457)	(480)
Losses on disposal of property, plant and equipment		726	253
Decrease in trade and other receivables		(32,973)	(30,122)
Increase in inventories		14,799	144,649
Decrease in trade and other payables		(56,288)	(72,600)
Increase (decrease) in other assets		(38,783)	5,731
Decrease (increase) in other liabilities		140,674	(6,727)
Others, net		(2,794)	6,569
Cash generated from operations		307,113	333,641
Interest and dividends income received		4,987	7,266
Interest paid		(1,203)	(2,687)
Income taxes paid		(53,036)	(52,004)
Income taxes refunded		260	—
Net cash generated by operating activities		258,122	286,216
<b>Cash flows from investing activities</b>			
Amounts deposited into bank deposits with original maturities of three months or longer		(29,282)	(95,593)
Amounts withdrawn from bank deposits with original maturities of three months or longer		30,549	73,427
Payments for property, plant and equipment		(22,431)	(31,846)
Payments for intangible assets		(10,588)	(18,124)
Payments for lease and guarantee deposits		(3,436)	(5,835)
Proceeds from collection of lease and guarantee deposits		1,978	3,081
Others, net		(2,681)	1,315
Net cash used in (generated) by investing activities		(35,892)	(73,575)

(Millions of yen)

	Notes	Nine months ended 31 May 2018	Nine months ended 31 May 2019
<b>Cash flows from financing activities</b>			
Proceeds from short-term loans payable		1,778	13,299
Repayment of short-term loans payable		(1,453)	(11,575)
Repayment of long-term loans payable		(1,655)	(2,237)
Repayment of redemption of bonds	9	—	(30,000)
Dividends paid to owners of the Parent	10	(38,217)	(48,949)
Capital contributions from non-controlling interests		3,803	420
Dividends paid to non-controlling interests		(3,618)	(8,461)
Repayments of finance lease obligations		(3,905)	(7,464)
Others, net		138	214
Net cash used in (generated) by financing activities		(43,129)	(94,753)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,543)	(12,499)
Net increase (decrease) in cash and cash equivalents		174,557	105,387
Cash and cash equivalents at the beginning of period		683,802	999,697
Cash and cash equivalents at the end of period		858,359	1,105,085

## (5) 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 (i.e., casual clothing retail business operating under the "UNIQLO" brand in Japan and overseas), GU business (i.e., casual clothing retail business operating under the "GU" brand in Japan and overseas), Theory business (i.e., 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 12 July 2019 by Tadashi Yanai, 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 the 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 were previously 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. The Group has chosen not 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 amortized 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 IFRS 9 has not had a significant impact on the financial position and financial performance of the Group for the nine months ended 31 May 2019.

## (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

The Group, as a global clothing retailer, 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 the amount of the promised consideration 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 financial performance of the Group for the nine months ended 31 May 2019.

## 4. Use of Estimates and Judgments

The preparation of the interim condensed consolidated financial statements 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. Any effects resulting from such review of accounting estimates are recognized prospectively by including the effects in profit or loss in the period of the change or the period of the change and future periods.

Significant estimates and judgments that have significant effects on the amounts recognized in the interim condensed consolidated financial statements are generally 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 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 clothing business in Japan and overseas

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

## (ii) Segment revenue and results

For the nine months ended 31 May 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	704,460	716,092	166,685	114,781	1,702,020	2,129	—	1,704,149
Operating profit (loss)	120,057	112,418	15,080	(3,549)	244,006	205	(5,314)	238,897
Segment income (loss) (i.e., Profit before income taxes)	119,991	111,292	14,937	(3,648)	242,573	207	(5,305)	237,475
Other disclosure: Impairment loss (Note 3)	375	237	19	8,937	9,568	—	785	10,353

(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 details on Impairment losses, please refer to Note "8. Impairment Losses."

For the nine months ended 31 May 2019

(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	701,072	820,506	185,358	113,686	1,820,623	2,253	—	1,822,877
Operating profit (loss)	96,705	124,842	26,318	4,619	252,485	249	(5,046)	247,688
Segment income (loss) (i.e., Profit before income taxes)	95,923	125,119	26,192	4,529	251,765	250	(4,803)	247,211
Other disclosure: Impairment loss (Note 3)	423	1,043	206	134	1,807	—	243	2,050

(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 details on Impairment losses, please refer to Note "8. Impairment Losses."

For the three months ended 31 May 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	210,785	208,635	60,824	36,332	516,578	806	—	517,384
Operating profit (loss)	31,327	31,655	5,925	2,103	71,011	88	(2,694)	68,404
Segment income (loss) (i.e., Profit before income taxes)	31,778	32,251	5,873	2,070	71,974	89	215	72,279
Other disclosure: Impairment loss (Note 3)	332	51	—	29	413	—	—	413

(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 details on Impairment losses, please refer to Note "8. Impairment Losses."

For the three months ended 31 May 2019

(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	209,728	240,500	68,163	35,941	554,333	847	—	555,180
Operating profit (loss)	28,963	36,356	12,195	1,494	79,010	139	(4,402)	74,747
Segment income (loss) (i.e., Profit before income taxes)	28,039	37,734	12,154	1,458	79,387	139	(6,528)	72,997
Other disclosure: Impairment loss (Note 3)	179	(65)	95	85	295	—	243	538

(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 details on Impairment losses, please refer to Note "8. Impairment Losses."



## 6. Inventories

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

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Write down of inventories to net realizable value	4,082	5,046

## 7. Property, Plant and Equipment

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

(Millions of yen)

	As at 31 August 2018	As at 31 May 2019
Buildings and structures	94,673	97,409
Furniture, equipment and vehicles	14,143	16,728
Land	1,927	1,927
Construction in progress	9,550	6,716
Lease assets	34,782	35,843
Total	155,077	158,627

## 8. Impairment Losses

The breakdown of Impairment losses for each reporting period is as follows:

### Nine months ended 31 May 2018

During the nine months ended 31 May 2018, the Group recognized impairment losses that amounted to 10,353 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.

#### (1) Impairment losses related to the COMPTOIR DES COTONNIERS business

Of the total impairment losses that amounted to 10,353 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 the Theory business

Of the total impairment losses that amounted to 10,353 million yen, 1,039 million yen represented an impairment loss for a trademark owned by the Helmut Lang brand.

### Nine months ended 31 May 2019

In overseas UNIQLO operations and domestic UNIQLO operations, impairment losses were recognised to exist mainly due to a drop in the profitability of store assets and other such factors, and a major impairment loss was not recorded.

## 9. Corporate Bonds

The 1st non-collateralized corporate bonds of 30 billion yen (interest rate: 0.110%, date of maturity: 18 December 2018) was repaid during the nine months ended 31 May 2019.

## 10. Dividends

The total amount of dividends paid was as follows:

For the nine months ended 31 May 2018

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board on 2 November 2017	17,847	175
Meeting of the Board on 12 April 2018	20,401	200

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

Dividends were declared on 12 April 2018 and paid on 11 May 2018. The effective date of the dividend was for shareholders as at 28 February 2018.

For the nine months ended 31 May 2019

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board on 2 November 2018	24,484	240
Meeting of the Board on 11 April 2019	24,492	240

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

Dividends were declared on 11 April 2019 and paid on 13 May 2019. The effective date of the dividend was for shareholders as at 28 February 2019.

## 11. Revenue

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

Nine months ended 31 May 2019

	Revenue (Millions of yen)	Percent of Total
Japan	701,072	38.5
Greater China	402,594	22.1
Other parts of Asia & Oceania	248,258	13.6
North America & Europe	169,653	9.3
UNIQLO (Note 1)	1,521,578	83.5
GU (Note 2)	185,358	10.2
Global Brands (Note 3)	113,686	6.2
Others (Note 4)	2,253	0.1
Total	1,822,877	100.0

(Note 1) Revenue is classified by nation or region based on customer location.

The designated countries and regions are classified as follows:

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, the Netherlands, Denmark

(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.

## 12. Selling, General and Administrative Expenses

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

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Selling, general and administrative expenses		
Advertising and promotion	55,062	58,218
Rental expenses	147,979	153,312
Depreciation and amortization	32,961	36,629
Outsourcing	29,058	32,867
Salaries	209,622	221,237
Others	123,333	139,831
Total	598,017	642,096

## 13. Other Income and Other Expenses

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

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Other income		
Others	2,124	3,469
Total	2,124	3,469

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Other expenses		
Foreign exchange losses (Note)	1,577	2,869
Loss on retirement of property, plant and equipment	726	253
Impairment losses	10,353	2,050
Others	3,403	1,669
Total	16,060	6,842

(Note) Currency adjustments incurred in the course of operating transactions are included in "other expenses."

## 14. Finance Income and Finance Costs

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

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Finance income		
Interest income	5,413	8,740
Others	0	51
Total	5,414	8,792

(Millions of yen)

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Finance costs		
Foreign exchange losses (Note)	4,764	5,755
Interest expenses	2,072	3,512
Total	6,836	9,268

(Note) Currency adjustments incurred in the course of non-operating transactions are included in "finance costs."

15. Earnings Per Share

Nine months ended 31 May 2018		Nine months ended 31 May 2019	
Equity per share attributable to owners of the Parent (Yen)	8,218.13	Equity per share attributable to owners of the Parent (Yen)	9,443.57
Basic earnings per share (Yen)	1,454.29	Basic earnings per share (Yen)	1,554.94
Diluted earnings per share (Yen)	1,451.77	Diluted earnings per share (Yen)	1,552.35

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

	Nine months ended 31 May 2018	Nine months ended 31 May 2019
Basic earnings per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	148,335	158,668
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	148,335	158,668
Average number of common stock outstanding during the period (Shares)	101,998,432	102,041,403
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	176,805	170,248
Number of share subscription rights included in increase	176,805	170,248

Three months ended 31 May 2018		Three months ended 31 May 2019	
Basic earnings per share (Yen)	433.13	Basic earnings per share (Yen)	437.41
Diluted earnings per share (Yen)	432.42	Diluted earnings per share (Yen)	436.69

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

	Three months ended 31 May 2018	Three months ended 31 May 2019
Basic earnings (loss) per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	44,184	44,639
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	44,184	44,639
Average number of common stock outstanding during the period (Shares)	102,011,369	102,053,519
Diluted earnings (loss) per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	166,934	167,118
Number of share subscription rights included in increase	166,934	167,118

## 16. 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 31 May 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:				
Security deposits and guarantees	61,752	62,253	62,668	64,205
Total	61,752	62,253	62,668	64,205
Financial liabilities:				
Long-term borrowings (Note)	8,884	8,924	6,840	6,840
Corporate bonds (Note)	499,020	501,708	469,143	474,251
Lease obligations (Note)	35,643	35,528	37,410	37,335
Total	543,548	546,161	513,394	518,426

(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 is classified by term and 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
<b>Total</b>	<b>2,513</b>	<b>28,601</b>	<b>—</b>	<b>31,114</b>

(Millions of yen)

As at 31 May 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	1,795	—	173	1,968
Financial instruments at FVTPL	—	0	—	0
Foreign currency forward contracts designated as hedging instruments	—	34,268	—	34,268
<b>Total</b>	<b>1,795</b>	<b>34,268</b>	<b>173</b>	<b>36,237</b>

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.

The Company did not have any significant changes in Level 3 fair value measurement, that were resulted from Level 3 purchases, sales, issuance or settlement, nor any transfer between Levels 1, 2, or 3.

#### 17. Commitments for Expenditures

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2018	As at 31 May 2019
Commitment for the acquisition of property, plant and equipment	10,046	8,815
Commitment for the acquisition of intangible assets	1,461	5,002
<b>Total</b>	<b>11,508</b>	<b>13,818</b>

#### 18. Subsequent Events

Not applicable.

## 2. Others

#### Dividends

The Company resolved to pay dividends from retained earnings at the meeting of the Board of Directors convened on 11 April 2019.

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 10. Dividends".

**(TRANSLATION)**  
**INDEPENDENT ACCOUNTANT’S REVIEW REPORT**

July 12, 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 31 May 2019 and the related interim condensed consolidated statements of profit or loss and statement of comprehensive income for the three-month and nine-month periods then ended, statement of changes in equity and cash flows for the nine-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 31 May 2019, and the condensed consolidated results of their operations for the three-month and nine-month periods then ended, and their cash flows for the nine-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.