FAST RETAILING CO., LTD.
迅 銷 有 限 公 司

First Quarterly Report 2019/20

2019.9.1–2019.11.30

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)*

Directors
Takeshi Okazaki
Kazumi Yanai
Koji Yanai

Independent Directors

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

Board of Statutory Auditors

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

Company Secretary

Shea Yee Man

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

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

Consolidated Financial Summary

Term	First Quarter of 58th Fiscal Year	First Quarter of 59th Fiscal Year	58th Fiscal Year
Accounting period	Three months ended 30 November 2018	Three months ended 30 November 2019	Year ended 31 August 2019
Revenue (Millions of yen)	644,466	623,484	2,290,548
Operating profit (Millions of yen)	104,665	91,690	257,636
Profit before income taxes (Millions of yen)	111,086	102,015	252,447
Profit for the period attributable to owners of the Parent (Millions of yen)	73,476	70,907	162,578
Comprehensive income attributable to owners of the Parent (Millions of yen)	96,072	107,628	140,900
Equity attributable to owners of the Parent (Millions of yen)	936,745	988,554	938,621
Total assets (Millions of yen)	2,031,729	2,528,281	2,010,558
Basic earnings per share (Yen)	720.16	694.73	1,593.20
Diluted earnings per share (Yen)	719.01	693.59	1,590.55
Ratio of equity attributable to owners of the Parent to total assets (%)	46.1	39.1	46.7
Net cash generated by operating activities (Millions of yen)	30,136	97,650	300,505
Net cash used in investing activities (Millions of yen)	(31,195)	(33,267)	(78,756)
Net cash used in financing activities (Millions of yen)	(27,144)	(56,640)	(102,429)
Cash and cash equivalents at end of the period (year) (Millions of yen)	979,087	1,115,031	1,086,519

(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 three months ended 30 November 2019.

In addition, there were no significant changes in the organizational structure of the Group, including the major subsidiaries, during the three months ended 30 November 2019.

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 2019.

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

2. Financial Analysis

(1) Financial Position and Results of Operations

(i) Results of Operations

Business Results for the three months to 30 November 2019

The Fast Retailing Group revenue and profit both declined in the first quarter of fiscal 2020, or the three months from 1 September 2019 to 30 November 2019. Consolidated revenue totaled 623.4 billion yen (-3.3% year-on-year) and operating profit totaled 91.6 billion yen (-12.4% year-on-year). This weaker performance was due primarily to significant reductions in profit from both UNIQLO South Korea and UNIQLO Hong Kong and a lower-than-expected improvement in profits from UNIQLO Japan. The first-quarter consolidated gross profit margin declined 0.2 point year-on-year to 50.2% and the first-quarter selling, general and administrative expense ratio increased by 1.5 points to 35.9%. In addition, we recorded 10.3 billion yen under finance income net of costs after reporting a net 9.2 billion yen of foreign-exchange gain on our long-term holdings of foreign-currency denominated assets. As a result, first-quarter profit before income taxes declined to 102.0 billion yen (-8.2% year-on-year) and profit attributable to owners of the Parent declined to 70.9 billion yen (-3.5% 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, as well as our GU brand and our global e-commerce operation. We continue to increase UNIQLO store numbers in each markets and areas in which we operate, and open global flagship stores and large-format stores in major cities around the world to instill deeper and more widespread empathy for UNIQLO's LifeWear concept. Within the UNIQLO International segment, Greater China (Mainland China, Hong Kong and Taiwan) and Southeast Asia are serving as the key pillars of our Group business and growth. In terms of our GU segment, in addition to expanding the GU store network primarily in Japan, we are working to establish GU's position as the brand that offers fun fashion at amazingly low prices.

UNIQLO Japan

UNIQLO Japan segment reported a decline in revenue but a rise in profit in the first quarter of fiscal 2020, with revenue totaling 233.0 billion yen (-5.3% year-on-year) and operating profit totaling 38.5 billion yen (+1.6% year-on-year). First-quarter same-store sales, including online sales, declined by 4.1% year-on-year. Despite multiple strong-selling items, including new curved pants, souffle yarn sweaters, trendy sweat shirts and pants, and leggings, the decline in same-store sales was caused by weaker demand for thermal clothing during the warm weather and our inability to sufficiently convey the attractiveness of in-focus, newsworthy products to our customers. E-commerce sales growth also slowed for the same reasons as for our physical stores, with online sales totaling 24.7 billion yen (+4.1% year-on-year) in the first quarter. UNIQLO Japan's gross profit margin improved by 2.3 points on the back of an appreciation in the yen exchange rate for merchandise purchasing. The selling, general and administrative expense ratio increased 1.0 point to 33.3%, but declined in monetary terms as expected.

UNIQLO International

UNIQLO International segment reported a decline in revenue and profit in the first quarter of fiscal 2020, with revenue falling to 280.7 billion yen (-3.6% year-on-year) and operating profit declining to 37.8 billion yen (-28.0% year-on-year). However, if we strip out the significant declines in revenue and profit from South Korea and Hong Kong, the remaining UNIQLO International markets generated rising first-quarter revenue and profit. Furthermore, following an early rundown of excess inventories at each operation, UNIQLO International's overall gross profit margin contracted by 3.0 points year-on-year, while the selling, general and administrative expense ratio increased 1.4 points on the back of lower-than-expected total sales.

Looking at individual regions, if we strip out the exchange rate effect, both revenue and profit from UNIQLO Greater China increased. However, if we include the yuan depreciation effect and the decline in Hong Kong profit, UNIQLO Greater China operating profit declined in the three months ended 30 November 2019. Revenue and profit from Mainland China increased on strong sales of Fall Winter ranges such as sweat shirts and pants, fleece, and flannel items. Mainland China e-commerce sales also continued to be strong, expanding by approximately 30% year-on-year. Meanwhile, UNIQLO South

Korea same-store sales declined sharply on the back of a move to boycott Japanese products that began in July 2019, resulting in an operating loss in the first quarter. Other Asia & Oceania operation, which includes Southeast Asian nations, Australia and India, continues to expand favorably, generating significant increases in both revenue and profit in the first quarter as expected. Within that grouping, Indonesia and the Philippines reported an especially strong performance led by double-digit growth in same-store sales. We swiftly followed the opening of our first store in India in October 2019 with the opening of a second store in Delhi in November 2019. Both stores are performing strongly. UNIQLO North America reported rising revenue and profit on the back of revenue and profit increases from Canada. While UNIQLO Europe reported double-digit growth in first-quarter revenue, operating profit contracted slightly due to local currency depreciation. New operations launched over the past couple of years in Spain, the Netherlands, and Italy performed strongly, with Italy in particular reporting higher-than-expected sales.

GU

GU segment reported significant increases in both revenue and profit in the first quarter of fiscal 2020, with revenue climbing to 72.9 billion yen (+11.4% year-on-year) and operating profit expanding to 12.3 billion yen (+44.4% year-on-year). Same-store sales increased due to a product mix that adapted successfully to the warmer weather, as well as strong sales knitwear promoted in TV commercials and advertising campaigns, and light outerwear. On the profit front, GU's gross profit margin improved by an impressive 3.2 points in the first quarter due to a decline in the cost of sales generated by further aggregate purchasing of core materials and early submission of production orders, and less discounting of excess stock. GU's selling, general and administrative expense ratio also improved by 0.7 point due to improvements in the personnel cost ratio achieved through greater efficiency of store operations and a lower advertising and promotion cost ratio.

Global Brands

Global Brands segment revenue and profit both declined in the first quarter of fiscal 2020. Revenue totaled 36.1 billion yen (-11.4% year-on-year) and operating profit at 1.8 billion yen (-31.5% year-on-year). Our Theory fashion label reported a decline in both revenue and profit after sales of winter items struggled slightly in Japan and USA due to the warmer weather worldwide. Our Japan-based PLST brand also reported a decline in revenue and profit. While clothes manufactured using our "cut-and-sew" method, cardigans and other Fall items sold well, sales of thermal outerwear and bottoms struggled. Finally, our France-based Comptoir des Cotonniers brand remained its operating loss in the first quarter compared with the same period of fiscal 2019.

Sustainability

In keeping with our key sustainability message, "Unlocking the power of clothing," Fast Retailing pursues sustainability activities through our core clothing business focused on six clear material areas: Creating new value through products and services; Respecting human rights in our supply chain; Respecting the environment; Strengthening communities; Supporting employee fulfillment; Implementing good corporate governance. Our main activities in the first quarter of fiscal 2020 from September to December 2019 involved:

■ Creating new value through products and services: UNIQLO Japan started a new recycling initiative in November 2019 that uses the down extracted from quality second-hand down items brought in by customers to any UNIQLO store in the country as material for new down products. From September 2019, we had collected approximately 620,000 second-hand down items under this project. We also plan to start producing high-functioning, quick-drying Dry Ex products using recycled polyester in some of our scheduled 2020 Spring Summer ranges. These initiatives show how we are creating new clothing value by using new technologies to encourage the reuse of resources.

■ Respecting the environment: In October 2019, our UNIQLO Kawagoe Store won the Industry Pioneer award hosted by the non-profit U.S. Green Buildings Council (USGBC) for its cutting-edge initiatives to reduce the environmental impact of its operations, and became the first retail store in Japan to receive a Gold certification under the USGBC's Leadership in Energy & Environmental Design (LEED) rating program that certifies environmentally conscious buildings and construction spaces. In addition, we joined industry-wide organizations including the Japan-based Clean Ocean Material Alliance (CLOMA) and the UK-based The Microfiber Consortium (TMC) to help address the problem of plastic waste in oceans.

■ Strengthening communities: In October 2019, we donated approximately 70,000 items of outerwear, fleece and innerwear to typhoon-struck areas in the Tohoku region of Northeast Japan. Then, in November 2019, we decided to contribute 1 million US dollars to refugee-support activities in Mali and South Sudan operated by the United Nations Refugee Agency (UNHCR).

(ii) Financial Position

Total assets as at 30 November 2019 were 2,528.2 billion yen, which was an increase of 517.7 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 80.4 billion yen in trade and other receivables, an increase of 14.1 billion yen in other financial assets, an increase of 14.0 billion yen in inventories, a decrease of 27.5 billion yen in property, plant and equipment, an increase of 389.8 billion yen in right-of-use assets and an increase of 18.9 billion yen in derivative financial assets.

Total liabilities as at 30 November 2019 were 1,494.0 billion yen, which was an increase of 467.0 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 35.6 billion yen in trade and other payables, an increase of 30.7 billion yen in other financial liabilities, an increase of 9.3 billion yen in current tax liabilities, a decrease of 29.2 billion yen in non-current financial liabilities, an increase of 443.5 billion yen in lease liabilities and a decrease of 13.0 billion yen in other non-current liabilities.

Furthermore, the increases of right-of-use assets and lease liabilities are due to the application of IFRS 16 *Leases* as mentioned in “Notes to the Interim Condensed Consolidated Financial Statements 3. Significant Accounting Policies”.

Total net assets as at 30 November 2019 were 1,034.2 billion yen, which was an increase of 50.6 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 13.5 billion yen in retained earnings and an increase of 33.7 billion yen in other components of equity.

(2) Cash Flows Information

Cash and cash equivalents as at 30 November 2019 had increased by 28.5 billion yen from the end of the preceding fiscal year, to 1,115.0 billion yen.

(Operating Cash Flows)

Net cash generated by operating activities for the three months ended 30 November 2019 was 97.6 billion yen, which was an increase of 67.5 billion yen (+224.0% year-on-year) from the three months ended 30 November 2018. The principal factors were 102.0 billion yen in profit before income taxes (a decrease of 9.0 billion yen from the three months ended 30 November 2018), 9.2 billion yen in foreign exchange gains (a decrease of 4.2 billion yen from the three months ended 30 November 2018), 43.0 billion yen in depreciation and amortization (an increase of 31.0 billion yen from the three months ended 30 November 2018), an increase of 77.2 billion yen in trade and other receivables (a decrease of 2.9 billion yen from the three months ended 30 November 2018), an increase of 4.9 billion yen in inventories (a decrease of 20.4 billion yen from the three months ended 30 November 2018), an increase of 32.0 billion yen in trade and other payables (an increase of 42.6 billion yen from the three months ended 30 November 2018), an increase of 31.7 billion yen in other liabilities (an increase of 42.3 billion yen from the three months ended 30 November 2018) and 22.0 billion yen in income taxes paid (a decrease of 8.1 billion yen from the three months ended 30 November 2018).

(Investing Cash Flows)

Net cash used in investing activities for the three months ended 30 November 2019 was 33.2 billion yen, which was an increase of 2.0 billion yen (+6.6% year-on-year) from the three months ended 30 November 2018. The principal factors were 9.1 billion yen in bank deposits with original maturity over three months (a decrease of 2.8 billion yen from the three months ended 30 November 2018), 14.1 billion yen in payments for property, plant and equipment (an increase of 1.9 billion yen from the three months ended 30 November 2018), and 2.6 billion yen in payments for right-of-use assets (an increase of 2.6 billion yen from the three months ended 30 November 2018).

(Financing Cash Flows)

Net cash used in financing activities for the three months ended 30 November 2019 was 56.6 billion yen, which was an increase of 29.4 billion yen (+108.7% year-on-year) from the three months ended 30 November 2018. The principal factor was 32.8 billion yen in repayments of lease liabilities (an increase of 32.8 billion yen from the three months ended 30 November 2018).

(3) Operational and Financial Challenges

There have been no significant challenges during the three months ended 30 November 2019 that resulted in issues that must be addressed by the 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 2019.

<Subsidiaries in Japan>

Not applicable.

<Overseas Subsidiaries>

Company name	Type of facility	Name of business	Location	Completion date
UNIQLO EUROPE LIMITED	UNIQLO International Store	UNIQLO Piazza Cordusio	Milan, Italy	September 2019
UNIQLO INDIA PRIVATE LIMITED	UNIQLO International Store	UNIQLO Ambience Mall Vasant Kunj store	New Delhi, India	October 2019

The following are the significant facilities that were newly planned during the three months ended 30 November 2019.

<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 VIETNAM Co., Ltd	UNIQLO International Store	UNIQLO Dong Khoi	Ho Chi Minh, Vietnam	614	171	July 2019	December 2019	3,097	Leasehold

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

(ii) Shares Issued

Type	Number of shares issued as at 30 November 2019	Number of shares issued as at submission date (As at 10 January 2020)	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 2019 are as follows:

(i) 10th Share subscription rights A type

Resolution date	10 October 2019
Class and number of recipients (Persons)	Employees of the Company: 11 Employees of Group subsidiaries: 46
Number of stock options (Shares)	3,548
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)	3,548
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 8 November 2022 to 7 November 2029
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 66,059 Paid-in capital: 33,030
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 issuing of share subscription rights in conjunction with reorganization	(Notes)

※ The above information is disclosed as at the date of issuing share subscription rights (8 November 2019).

(Notes) Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of a 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; however provided, 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) 10th Share subscription rights B type

Resolution date	10 October 2019
Class and number of recipients (Persons)	Employees of the Company: 528 Employees of Group subsidiaries: 1,389
Number of stock options (Shares)	37,424
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)	37,424
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 8 December 2019 to 7 November 2029
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 66,733 Paid-in capital: 33,367
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 issuing of share subscription rights in conjunction with reorganization	(Notes)

※The above information is disclosed as at the date of issuing share subscription rights (8 November 2019).

(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; however provided 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) 10th Share subscription rights C type

Resolution date	10 October 2019
Class and number of recipients (Persons)	Employees of the Company: 40
Number of stock options (Shares)	3,666
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)	3,666
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	8 November 2022
Fair value on the grant date and amount of paid-in capital per share upon exercise of share subscription rights (Yen)	Issue price: 67,685 Paid-in capital: 33,843
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 issuing of share subscription rights in conjunction with reorganization	(Notes)

※The above information is disclosed as at the date of issuing share subscription rights (8 November 2019).

(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; however provided 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	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 September 2019 to 30 November 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 30 November 2019.

(5) Major Shareholders

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

(6) Voting Rights

Concerning “Voting Rights” as at the end of the three months ended 30 November 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 (31 August 2019).

(i) Shares issued

As at 30 November 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 4,011,900	—	—
Shares with full voting rights (i.e., other than treasury stock)	Common stock 102,003,400	1,020,034	(Note) 1
Shares less than one unit	Common stock 58,356	—	(Notes) 1, 2
Total number of shares issued	106,073,656	—	—
Total number of voting rights of all shareholders	—	1,020,034	—

(Notes) 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.

2. Common stock in the “Shares less than one unit” row includes 21 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 30 November 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	4,011,900	—	4,011,900	3.78
Total	—	4,011,900	—	4,011,900	3.78

2. Directors

Since the submission of the year-end report for the preceding fiscal year, there has been no change of directors during the three months ended 30 November 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 30 November 2019, the related interim condensed consolidated statements of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the three-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 2019	As at 30 November 2019
ASSETS			
Current assets			
Cash and cash equivalents		1,086,519	1,115,031
Trade and other receivables		60,398	140,834
Other financial assets	14	44,473	58,649
Inventories	6	410,526	424,615
Derivative financial assets	14	14,787	16,938
Income taxes receivable		1,492	1,246
Other assets		19,975	18,693
Total current assets		1,638,174	1,776,010
Non-current assets			
Property, plant and equipment	7	162,092	134,583
Right-of-use assets		—	389,820
Goodwill		8,092	8,092
Intangible assets		60,117	63,639
Financial assets	14	77,026	68,105
Investments in associates accounted for using the equity method		14,587	14,543
Deferred tax assets		33,163	37,442
Derivative financial assets	14	9,442	26,197
Other assets		7,861	9,845
Total non-current assets		372,384	752,271
Total assets		2,010,558	2,528,281
Liabilities and equity			
LIABILITIES			
Current liabilities			
Trade and other payables		191,769	227,427
Other financial liabilities	14	159,006	189,780
Derivative financial liabilities	14	2,985	1,317
Lease liabilities		—	104,646
Current tax liabilities		27,451	36,769
Provisions		13,340	691
Other liabilities		82,103	79,406
Total current liabilities		476,658	640,039
Non-current liabilities			
Financial liabilities	14	499,948	470,675
Lease liabilities		—	338,869
Provisions		20,474	34,011
Deferred tax liabilities		8,822	5,971
Derivative financial liabilities	14	3,838	263
Other liabilities		17,281	4,250
Total non-current liabilities		550,365	854,041
Total liabilities		1,027,024	1,494,080
EQUITY			
Capital stock		10,273	10,273
Capital surplus		20,603	23,167
Retained earnings		928,748	942,343
Treasury stock, at cost		(15,271)	(15,245)
Other components of equity		(5,732)	28,015
Equity attributable to owners of the Parent		938,621	988,554
Non-controlling interests		44,913	45,646
Total equity		983,534	1,034,201
Total liabilities and equity		2,010,558	2,528,281

(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

Three months ended 30 November 2019

(Millions of yen)

	Notes	Three months ended 30 November 2018	Three months ended 30 November 2019
Revenue	9	644,466	623,484
Cost of sales		(319,658)	(310,560)
Gross profit		324,808	312,923
Selling, general and administrative expenses	10	(221,515)	(224,098)
Other income	11	1,951	4,083
Other expenses	11	(769)	(1,467)
Share of profit and loss of associates accounted for using the equity method		189	249
Operating profit		104,665	91,690
Finance income	12	7,560	12,219
Finance costs	12	(1,139)	(1,894)
Profit before income taxes		111,086	102,015
Income tax expense		(30,801)	(30,174)
Profit for the period		80,285	71,840
Profit for the period attributable to:			
Owners of the Parent		73,476	70,907
Non-controlling interests		6,808	932
		80,285	71,840
Earnings per share			
Basic (yen)	13	720.16	694.73
Diluted (yen)	13	719.01	693.59

Interim Condensed Consolidated Statement of Comprehensive Income

Three months ended 30 November 2019

(Millions of yen)

	Three months ended 30 November 2018	Three months ended 30 November 2019
Profit for the period		
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss	80,285	71,840
Financial assets measured at fair value through other comprehensive income	(116)	18
Total items that will not be reclassified subsequently to profit or loss	(116)	18
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	6,835	18,002
Cash flow hedges	16,807	20,244
Share of other comprehensive income of associates	18	19
Total items that may be reclassified subsequently to profit or loss	23,662	38,266
Other comprehensive income, net of income tax	23,545	38,284
Total comprehensive income for the period	103,831	110,125
Attributable to:		
Owners of the Parent	96,072	107,628
Non-controlling interests	7,759	2,496
Total comprehensive income for the period	103,831	110,125

(3) Interim Condensed Consolidated Statement of Changes in Equity

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													
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

For the three months ended 30 November 2019

(Millions of yen)

						Other components of equity							
	Notes	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 interest	Total equity
As at 1 September 2019		10,273	20,603	928,748	(15,271)	(697)	(13,929)	8,906	(11)	(5,732)	938,621	44,913	983,534
Adjustments due to changes in accounting policy	3	–	–	(32,817)	–	–	–	–	–	–	(32,817)	(1,386)	(34,204)
Effect of change in counting policy		10,273	20,603	895,930	(15,271)	(697)	(13,929)	8,906	(11)	(5,732)	905,803	43,526	949,329
Net changes during the period													
Comprehensive income													
Profit for the period		–	–	70,907	–	–	–	–	–	–	70,907	932	71,840
Other comprehensive income		–	–	–	–	18	15,811	20,872	19	36,721	36,721	1,563	38,284
Total comprehensive income		–	–	70,907	–	18	15,811	20,872	19	36,721	107,628	2,496	110,125
Transactions with the owners of the Parent													
Acquisition of treasury stock		–	–	–	(5)	–	–	–	–	–	(5)	–	(5)
Disposal of treasury stock		–	291	–	32	–	–	–	–	–	323	–	323
Dividends	8	–	–	(24,494)	–	–	–	–	–	–	(24,494)	–	(24,494)
Share-based payments		–	2,271	–	–	–	–	–	–	–	2,271	–	2,271
Transfer to non-financial assets		–	–	–	–	–	–	(2,973)	–	(2,973)	(2,973)	(375)	(3,349)
Total transactions with the owners of the Parent		–	2,563	(24,494)	26	–	–	(2,973)	–	(2,973)	(24,878)	(375)	(25,254)
Total net changes during the period		–	2,563	46,412	26	18	15,811	17,898	19	33,747	82,750	2,120	84,871
As at 30 November 2019		10,273	23,167	942,343	(15,245)	(679)	1,881	26,804	8	28,015	988,554	45,646	1,034,201

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Note	Three months ended 30 November 2018	Three months ended 30 November 2019
Cash flows from operating activities			
Profit before income taxes		111,086	102,015
Depreciation and amortization		11,982	43,067
Impairment losses		—	836
Interest and dividend income		(2,530)	(2,921)
Interest expenses		1,139	1,894
Foreign exchange gains		(5,030)	(9,297)
Share of profit and loss of associates accounted for using the equity method		(189)	(249)
Losses on disposal of property, plant and equipment		59	73
Increase in trade and other receivables		(74,305)	(77,222)
Decrease/(increase) in inventories		15,510	(4,963)
(Decrease)/increase in trade and other payables		(10,562)	32,042
Decrease/(increase) in other assets		1,396	(65)
(Decrease)/increase in other liabilities		(10,640)	31,703
Others, net		3,988	965
Cash generated from operations		41,904	117,879
Interest and dividends income received		2,461	2,891
Interest paid		(361)	(1,081)
Income taxes paid		(13,867)	(22,039)
Net cash generated by operating activities		30,136	97,650
Cash flows from investing activities			
Amounts deposited into bank deposits with original maturities of three months or longer		(29,175)	(30,454)
Amounts withdrawn from bank deposits with original maturities of three months or longer		17,153	21,327
Payments for property, plant and equipment		(12,176)	(14,127)
Payments for intangible assets		(5,912)	(5,433)
Payments for acquisition of Right-of-use assets		—	(2,636)
Payments for lease and guarantee deposits		(1,346)	(1,609)
Proceeds from collection of lease and guarantee deposits		858	1,000
Others, net		(595)	(1,334)
Net cash used in investing activities		(31,195)	(33,267)

(Millions of yen)

	Note	Three months ended 30 November 2018	Three months ended 30 November 2019
Cash flows from financing activities			
Proceeds from short-term loans payable		1,257	625
Repayment of short-term loans payable		(967)	—
Dividends paid to owners of the Parent	8	(24,455)	(24,473)
Capital contributions from non-controlling interests		420	—
Dividends paid to non-controlling interests		(560)	—
Repayments of financial lease obligations		(2,878)	—
Repayments of lease liabilities		—	(32,819)
Others, net		39	26
Net cash used in financing activities		(27,144)	(56,640)
Effect of exchange rate changes on the balance of cash held in foreign currencies		7,594	20,769
Net (decrease)/increase in cash and cash equivalents		(20,609)	28,511
Cash and cash equivalents at the beginning of period		999,697	1,086,519
Cash and cash equivalents at the end of period		979,087	1,115,031

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 2019.

The interim condensed consolidated financial statements were approved on 10 January 2020 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 2019 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 16	Leases	Amendments to accounting treatment for leave arrangement
IFRIC 23	Uncertainty over Income Tax Treatments	Clarifies the accounting for uncertainties in income tax

(1) Application of IFRS 16: Leases

The Group began applying IFRS 16 *Leases* (announced in January 2016; hereinafter "IFRS 16"), from the first quarter of the current fiscal year. In applying IFRS 16, the Group has adopted the cumulative catch-up approach that recognizes the cumulative effect of initial application of the standard as at the date of initial application (1 September 2019) as a transition method, without restating comparative information.

1) Definition of lease

The application of IFRS 16 requires that a judgment be made at the inception of a contract as to whether a contract is, or contains, a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

To determine whether or not a contract conveys the right to control the use of an identified asset, the Group examines whether the contract includes the use of the specified asset, whether the Group has the right to obtain substantially all of the economic benefits from use of identified asset throughout the period of use, and whether the Group has the right to direct the use of the identified asset.

2) Accounting treatment of leases

2.1) Leases in which Fast Retailing Group is the lessee

Separate from short-term leases or leases for which the underlying asset is of low value, the Group accounts for each lease component within the contract as a lease and recognizes a right-of-use asset and a lease liability. On the date of commencement of a lease, the right-of-use asset is measured at cost, and the lease liability is calculated as the present value of lease payments outstanding.

The cost of the right-of-use asset is mainly composed of the initial measurement of the lease liability, initial direct costs and the amount of any prepaid lease payments. Furthermore, the discount rate used to calculate the present value of lease payments is the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The lease term is determined as the non-cancelable period which includes an option to extend the lease (if it is reasonably certain that the Group will exercise that option), or an option to cancel the lease (if it is reasonably certain that the Group will not exercise that option).

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. When depreciating right-of-use assets, the Group applies the depreciation requirements in IAS 16 *Property, Plant and Equipment*. In addition, the Group applies IAS 36, *Impairment of Assets*, to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Depreciation of right-of-use asset is measured from the commencement date to the end of the useful life of the underlying asset if ownership of the underlying asset is to be transferred to the Group by the end of the lease term, or if it is reasonably certain that the lessee purchase options will be exercised; otherwise the straight-line method will be used to calculate depreciation from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the carrying amount of the lease liability is increased to reflect the interest rates on the lease liability and reduced to reflect any lease payments made. Furthermore, any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments is remeasured.

The Group uses the straight-line basis to recognize any lease payments associated with short-term leases or leases for which an underlying asset is of low value.

2.2) Leases in which the Group is the lessor

The Group classifies a lease as either a finance lease or an operating lease at the inception of the lease contract.

To classify each lease, the Group comprehensively assesses whether all the risks and rewards incidental to ownership of the underlying asset will be substantially transferred or not. If the risks and rewards value are to be transferred, the lease is classified as a finance lease; if not, it is classified as an operating lease.

If the Group is acting as an intermediate lessor, the Group accounts for head leases and subleases separately. A sublease classification is determined by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

The Group recognizes lease payments from operating leases as lease income on a straight-line basis over the lease term.

Lease payments from finance leases are recognized at the commencement date as assets held under finance leases and presented as receivables at an amount equal to the net investment in the lease.

3) Treatment on transition

In applying IFRS 16, the Group applies the practical expedient in place of the judgments previously used to determine whether or not a contract is a lease. Consequently, the requirements in IFRS 16 is applied only to contracts entered into or changed on or after 1 September 2019.

3.1) Leases in which the Group is the lessee

(Leases previously classified as operating leases applying IAS 17)

Lease liabilities on transition are measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as at 1 September 2019. In addition, right-of-use assets on transition are measured using one of the following methods.

- Its carrying amount calculated on the assumption that IFRS 16 was applied from the commencement of the lease. Note that the discount rate used is the lessee's incremental borrowing rate on the date of initial application of IFRS 16.

- The amount measured for the lease liability, is adjusted by the amount of any prepaid or accrued lease payments.

Note that the followings apply when IFRS 16 is applied to leases that were previously classified as operating leases IAS 17.

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

- Leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 are accounted for in the same way as short-term leases.

- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application of IFRS 16.

- The Group uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(Leases previously classified as operating leases applying IAS 17)

The Group accounts the carrying amount of the right-of-use asset and the lease liability at the date of initial application at the amount of the lease asset and lease liability applying IAS 17 immediately prior to the date of initial application of IFRS 16.

3.2) Leases in which the Group is the lessor

Leases in which the Group acts as lessor require no adjustment on transition to IFRS 16, except for subleases. Subleases will be accounted in accordance with the transition provisions under IFRS 16 as stated below.

- In applying IFRS 16, the Group classifies sublease transactions as at the date of initial application as either operating leases or finance leases. This classification is determined based on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date.

- Any subleases classified as operating leases applying IAS 17 but finance leases applying IFRS 16 are accounted for as new finance leases entered into at the date of initial application.

4) Impact on condensed quarterly consolidated financial statements

With the application of IFRS 16, the Group recognized an additional 368,714 million yen in right-of-use assets, 420,488 million yen in lease liabilities and a decrease of 32,817 million yen in retained earnings in its interim condensed consolidated statement of financial position at the start of the fiscal year.

The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized in interim condensed consolidated statement of financial position as at the date of initial application of IFRS 16 is 0.9%.

The major factors for the difference in the commitment amount related to operating leases applying IAS 17 disclosed in interim condensed consolidated statement of financial position as at 31 August 2019 and the lease liabilities recognized in interim condensed consolidated statement of financial position as at the date of initial application of IFRS 16 are as follows.

(Unit: Million Yen)

Minimum future lease payments for non-cancelable operating lease contracts (31 August 2019)	344,888
Present value of non-cancelable operating lease contracts (31 August 2019)	337,009
Finance lease obligations (31 August 2019)	38,726
Extension or termination options that are reasonably certain to be exercised	4,751
Lease liabilities recognized in interim condensed consolidated statement of financial position as at the date of initial application of IFRS 16	420,488

(2) Application of IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 interpretations are additional to the requirement of IAS 12 *Income Taxes* and establish accounting procedures for uncertain tax positions, such as items with no clear tax treatment or items related to matters that are not yet resolved with the tax authorities. If it is determined that the tax treatment used by the Group is not likely to be approved by the tax authorities, the Group's calculation of taxable income will recognize additional taxable income in an amount equivalent to the impact of that uncertainty, using either the most likely amount or expected value.

The application of IFRIC 23 does not have a significant impact on the Group's condensed quarterly consolidated financial statements.

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. 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 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, PLST, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM and J Brand clothing operations

(ii) Segment revenue and results

For the three months ended 30 November 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	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 (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.

For the three months ended 30 November 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	233,031	280,748	72,949	36,113	622,842	642	—	623,484
Operating profit/ (losses)	38,557	37,836	12,376	1,870	90,639	(33)	1,084	91,690
Segment income/ (losses) (i.e., profit/ losses before income taxes)	39,452	37,020	12,377	1,770	90,621	(33)	11,427	102,015

(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 2018	Three months ended 30 November 2019
Write-down of inventories to net realizable value	2,685	1,981

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 2019	As at 30 November 2019
Buildings and structures	94,659	107,946
Furniture, equipment and vehicles	17,076	19,813
Land	1,927	1,927
Construction in progress	10,404	4,896
Lease assets (Note)	38,024	—
Total	162,092	134,583

(Note) With the application of IFRS 16 as at the first quarter of the current fiscal year, leased assets have been reclassified and are presented under “right-of-use assets”.

8. Dividends

The total amount of dividends paid was as follows:

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 at 31 August 2018.

For the three months ended 30 November 2019

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Meeting of the Board on 5 November 2019	24,494	240

Dividends were declared on 5 November 2019 and paid on 8 November 2019. The effective date of the dividend was for shareholders as at 31 August 2019.

9. Revenue

The Group conducts its 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 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

(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.

Three months ended 30 November 2019

(Millions of yen)

		Revenue (Millions of yen)	Percent of Total (%)
	Japan	233,031	37.4
	Greater China	142,671	22.9
	Other parts of Asia & Oceania	66,307	10.6
	North America & Europe	71,769	11.5
UNIQLO (Note 1)		513,780	82.4
GU (Note 2)		72,949	11.7
Global Brands (Note 3)		36,113	5.8
Others (Note 4)		642	0.1
Total		623,484	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, India
North America & Europe:	United States of America, Canada, United Kingdom, France, Russia, Germany, Belgium, Spain, Sweden, the Netherlands, Denmark, Italy

(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 2018	Three months ended 30 November 2019
Selling, general and administrative expenses		
Advertising and promotion	22,330	21,925
Rental expenses (Note)	52,659	20,302
Depreciation and amortization (Note)	11,982	43,067
Outsourcing	10,254	11,941
Salaries	75,270	75,038
Others	49,019	51,823
Total	221,515	224,098

(Note) The decrease of rental expenses and the increase of depreciation and amortization are due to the application of IFRS 16 *Leases* as mentioned in “Notes to the Interim Condensed Consolidated Financial Statements 3. Significant Accounting Policies”.

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 2018	Three months ended 30 November 2019
Other income		
Foreign exchange gains (Note)	1,534	3,317
Others	417	766
Total	1,951	4,083

(Millions of yen)

	Three months ended 30 November 2018	Three months ended 30 November 2019
Other expenses		
Loss on retirement of property, plant and equipment	59	73
Impairment losses	—	836
Others	709	557
Total	769	1,467

(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 2018	Three months ended 30 November 2019
Finance income		
Foreign exchange gains (Note)	5,030	9,297
Interest income	2,482	2,910
Others	48	11
Total	7,560	12,219

(Millions of yen)

	Three months ended 30 November 2018	Three months ended 30 November 2019
Finance costs		
Interest expenses	1,139	1,894
Total	1,139	1,894

(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 2018		Three months ended 30 November 2019	
Equity per share attributable to owners of the Parent (Yen)	9,180.49	Equity per share attributable to owners of the Parent (Yen)	9,685.06
Basic earnings per share (Yen)	720.16	Basic earnings per share (Yen)	694.73
Diluted earnings per share (Yen)	719.01	Diluted earnings per share (Yen)	693.59

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

	Three months ended 30 November 2018	Three months ended 30 November 2019
Basic earnings per share for the period		
Profit for the period attributable to owners of the Parent (Millions of yen)	73,476	70,907
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to common shareholders (Millions of yen)	73,476	70,907
Average number of common stock outstanding during the period (Shares)	102,027,782	102,064,495
Diluted earnings per share for the period		
Adjustment to profit (Millions of yen)	—	—
Increase in number of common stock (Shares)	163,218	167,866
(Number of share subscription rights included in increase)	(163,218)	(167,866)

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 2019		As at 30 November 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets				
Security deposits and guarantees	62,398	63,982	63,924	64,932
Total	62,398	63,982	63,924	64,932
Long-term borrowings (Note)	4,258	4,258	4,388	4,388
Corporate bonds (Note)	469,183	478,638	469,223	474,240
Total	473,442	482,896	473,611	478,628

(Note) The amount above include the outstanding balance of borrowings and corporate bonds 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 is 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 and long-term borrowings 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 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	1,471	—	173	1,645
Financial assets and financial liabilities designated as hedging instruments — Fair value	—	17,406	—	17,406
Fair value	1,471	17,406	173	19,051

(Millions of yen)

As at 30 November 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	1,521	—	174	1,696
Financial assets and financial liabilities designated as hedging instruments — Fair value	—	41,555	—	41,555
Fair value	1,521	41,555	174	43,251

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.

Financial instruments classified as Level 3 consist mainly of unlisted shares. The fair values of unlisted shares are measured by the division responsible in the Group according to the Group's accounting policy, etc., using the immediately preceding figures available for each quarter.

There were no significant changes due to the purchase, sale, issuance and settlement of Level 3 financial instruments, and no transfers between Levels 1, 2 and 3.

15. Commitments for Expenditures

The Group had the following commitments at each reporting date:

(Millions of yen)

	As at 31 August 2019	As at 30 November 2019
Commitment for the acquisition of property, plant and equipment	7,382	6,318
Commitment for the acquisition of intangible assets	4,340	2,860
Total	11,723	9,179

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 5 November 2019.

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

10 January 2020

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 at 30 November 2019 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 at 30 November 2019, 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.