FAST RETAILING

**FAST RETAILING CO., LTD.**

迅 銷 有 限 公 司

# Third Quarterly Report 2019/20

2020.3.1–2020.5.31

Stock Code: 6288

## Contents

## 1. Corporate Profile

Board of Directors
Representative Director
Tadashi Yanai *(Chairman,President and CEO)*

Directors
Takeshi Okazaki
Kazumi Yanai
Koji Yanai

External Directors
Toru Hambayashi
Nobumichi Hattori
Masaaki Shintaku
Takashi Nawa
Naotake Ohno

Board of Statutory Auditors
Akira Tanaka
Masaaki Shinjo
Masumi Mizusawa
Takaharu Yasumoto (External)
Keiko Kaneko (External)
Takao Kashitani (External)

Company Secretary
Shea Yee Man

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 | 58th Fiscal Year | 59th Fiscal Year | 58th Fiscal Year |
|---|---|---|---|
| Accounting period | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 | Year ended 31 August 2019 |
| Revenue (Millions of yen) | 1,822,877 | 1,544,924 | 2,290,548 |
| Operating profit (Millions of yen) | 247,688 | 132,383 | 257,636 |
| Profit before income taxes (Millions of yen) | 247,211 | 142,420 | 252,447 |
| Profit for the period attributable to owners of the Parent (Millions of yen) | 158,668 | 90,640 | 162,578 |
| Comprehensive income attributable to owners of the Parent (Millions of yen) | 147,420 | 119,501 | 140,900 |
| Equity attributable to owners of the Parent (Millions of yen) | 963,770 | 968,616 | 938,621 |
| Total assets (Millions of yen) | 1,974,493 | 2,337,738 | 2,010,558 |
| Basic earnings per share (Yen) | 1,554.94 | 887.96 | 1,593.20 |
| Diluted earnings per share (Yen) | 1,552.35 | 886.42 | 1,590.55 |
| Ratio of equity attributable to owners of the Parent to total assets (%) | 48.8 | 41.4 | 46.7 |
| Net cash generated by operating activities (Millions of yen) | 286,216 | 173,122 | 300,505 |
| Net cash used in investing activities (Millions of yen) | (73,575) | (70,097) | (78,756) |
| Net cash used in financing activities (Millions of yen) | (94,753) | (149,492) | (102,429) |
| Cash and cash equivalents at end of the period (Millions of yen) | 1,105,085 | 1,045,734 | 1,086,519 |

| Accounting period | Three months ended 31 May 2019 | Three months ended 31 May 2020 |
|---|---|---|
| Revenue (Millions of yen) | 555,180 | 336,411 |
| Profit/(loss) attributable to owners of the Parent (Millions of yen) | 44,639 | (9,818) |
| Basic earnings/(loss) per share for the period (Yen) | 437.41 | (96.18) |

(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 sourced 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 2020.

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 2020.

## 3. Management Discussion and Analysis

Business Review

1. Business and Operational Risks

For the nine-month period ended 31 May 2020 and as of the date of submission of this quarterly report (10 July 2020), the following item should be added to business risks described in the Securities Report for the fiscal year ended 31 August 2019.

・Due to the global spread of COVID-19, the temporary closure of stores may cause a deterioration in performance and adversely affect the product supply system.

2. Financial Analysis

(1) Financial Position and Results of Operations

(ⅰ) Results of Operations

The Fast Retailing Group’s revenue and profit declined significantly in the first nine months of fiscal 2020 from 1 September 2019 to 31 May 2020. Consolidated revenue totaled 1.5449 trillion yen (-15.2% year-on-year) and operating profit totaled 132.3 billion yen (-46.6% year-on-year). This weak performance was caused primarily by the impact of COVID-19, which spurred our decision to either temporarily close or introduce shorter opening hours for many stores and resulted in large reductions in both revenue and profit across all four business segments. The worsening in business performance also prompted us to record impairment losses of 15.2 billion yen on property, plant, and equipment for loss-making stores and right-of-use assets. Under finance income net of costs, we recorded 10.0 billion yen after reporting a net 7.6 billion yen foreign-exchange gain on our long-term holdings of foreign-currency denominated assets. As a result, profit before income taxes declined to 142.4 billion yen (-42.4% year-on-year) and profit attributable to owners of the Parent declined to 90.6 billion yen (-42.9% year-on-year) in the nine months to 31 May 2020.

The Group’s medium-term vision is to become the world’s number one apparel retailer. In pursuit of this aim, we focus 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's 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 a brand that offers fun fashion at amazingly low prices.

**UNIQLO Japan**

UNIQLO Japan reported large declines in both revenue and profit in the first nine months of fiscal 2020, with revenue declining to 598.8 billion yen (-14.6% year-on-year) and operating profit contracting to 79.1 billion yen (-18.1% year-on-year). This decline in performance was due to a considerable worsening in UNIQLO Japan results caused by the COVID-19 impact for the three months from March to May 2020, when revenue declined by 35.5% year-on-year and operating profit plummeted by 74.0% year-on-year.

In March to May 2020, UNIQLO Japan same-store sales (including e-commerce sales) declined by 34.0% year-on-year following the temporary closure of a maximum 311 out of a total 813 stores during the period from late March through to early May. However, sales subsequently started to recover from the middle of May onwards once our stores reopened for business, resulting in a significant recovery in sales for the month of June. Meanwhile, e-commerce sales continued strong, recording a very healthy 47.7% year-on-year rise in the third quarter as digital advertising and TV commercials drew more customers to our online store. The gross profit margin improved 3.3 points year-on-year in the third quarter on the back of tighter discounting margins following our decision to restrict highly aggressive discounts to attract customers, and on improved cost of sales generated by the consistent appreciation in the yen exchange rate for merchandise purchasing. In light of the large decline in revenue, UNIQLO Japan’s selling, general and administrative expense ratio increased by 9.5 points year-on-year in the third quarter, but those expenses declined year-on-year in monetary terms.

As part of our plan to open new stores where customers can truly experience our LifeWear clothing concept and LifeWear products, UNIQLO Japan opened the UNIQLO PARK Yokohama Bayside Store in April 2020, followed by UNIQLO Harajuku in early June, and UNIQLO TOKYO in Marronnier Gate Ginza, UNIQLO’s biggest global flagship store in Japan, later in June. All three stores got off to a strong start.

**UNIQLO International**

UNIQLO International reported a sharp decline in both revenue and profit in the first nine months of fiscal 2020, with revenue falling to 673.5 billion yen (-17.9% year-on-year) and operating profit contracting to 51.8 billion yen (-58.5% year-on-year).

In the three months from March to May 2020, all markets reported large declines in revenue and profit as a result of COVID-19, but e-commerce sales expanded strongly thanks to concerted efforts to strengthen digital marketing and expand free delivery services in all UNIQLO International operations. Breaking down the third-quarter performance into individual regions, while Greater China reported a large decline in revenue and profit for the quarter, both revenue and profit actually increased year-on-year in May and the region is now exhibiting a favorable pace of recovery. In South Korea, same-store sales declined sharply as Japan-Korean tensions and COVID-19 knocked customer visits lower, resulting in an overall operating loss for the quarter. UNIQLO South, Southeast Asia & Oceania, which includes Southeast Asian nations, Australia, and India, reported a sharp decline in revenue and an operating loss for the quarter after stores had to temporarily close their doors due to COVID-19 from the middle of March and tourist numbers also declined as a result of the virus. However, performance recovered favorably and exceeded expectations in Vietnam after that nation lifted its lockdown relatively quickly compared to other markets. Nearly all our stores in North America remained closed from the middle of March through end of May, resulting in a large decline in revenue and a wider operating loss for the quarter. UNIQLO Europe also reported a sharp fall in revenue and an expanding operating loss as stores in the region's larger markets of the UK, France, and Russia remained closed for business from the middle of March through to the end of May.

**GU**

Our GU operation reported a rise in revenue but a significant decline in operating profit in the nine months to May 2020, with revenue climbing to 187.4 billion yen (+1.1% year-on-year) but operating profit declining to 20.4 billion yen (-22.2% year-on-year). While GU managed to maintain a strong performance and generate double-digit growth in both revenue and profit in the first half from September 2019 to February 2020, revenue subsequently declined by 19.0% year-on-year and operating profit declined by 61.8% year-on-year in the third quarter from March to May 2020, owing to the COVID-19 impact.
In the March-to-May quarter, same-store sales declined by a considerable 27.0% year-on-year after a maximum of 192 stores were temporarily closed for business from the end of March through to the beginning of May. While performance did slump in April when many stores were closed, same-store sales recovered to previous year levels in May as stores reopened for business. Meanwhile, e-commerce sales near doubled year-on-year in the third quarter. GU's gross profit margin declined 3.3 points year-on-year in the third quarter partly because the measure was being compared to an especially high level achieved in the previous year and partly owing to stronger discounting of Spring Summer ranges. GU's selling, general and administrative expense ratio increased by 5.8 points year-on-year on the back of the heavy decline in sales, but, in monetary terms, business expenses declined year-on-year.

**Global Brands**

Global Brands revenue and profit declined sharply in the first nine months of fiscal 2020. Revenue declined to 83.3 billion yen (-26.7% year-on-year) and the segment posted an operating loss of 6.0 billion yen (compared to an operating profit of 4.6 billion in the first nine months of fiscal 2019).
In the March-to-May quarter, Global Brands revenue declined 63.2% year-on-year and the segment posted an operating loss of 6.7 billion yen (compared to an operating profit of 1.4 billion yen in the third quarter of fiscal 2019). With nearly all stores in Japan closed temporarily from the latter part of April through to the middle of May and all stores in the United States closed from the middle of March through to the end of May, our Theory fashion label reported falling revenue and an operating loss for the third quarter. Our PLST operation also reported a fall in revenue and an operating loss for the third quarter as a maximum 102 stores out of a total 104 stores were temporarily closed for business in the month of April. Finally, our France-based Comptoir des Cotonniers brand recorded a wider year-on-year loss in the third quarter as nearly all stores in Europe were temporarily closed from the middle of March through to the middle of May.

**Sustainability**

At Fast Retailing, we are promoting sustainability under the motto "From the power of clothing to the power of society." In Q3, we are continuing in our sustainability efforts to respond to the COVID-19 outbreak and to protect the health and well-being of our customers, our employees, our manufacturing partners and our communities. Our main activities are outlined below.

■ Community Support: Since March 2020, we have donated around 10 million masks to medical facilities around the world that are battling the virus. And since April, we have delivered protective equipment for use in medical settings to facilities across Japan, including 1.2 million isolation gowns, 4 million masks, and UNIQLO's functional AIRism clothing. We have also donated around 230,000 items of UNIQLO clothing, including AIRism and HEATTECH products and down jackets (as of the end of May), via overseas affiliates to medical institutions and charity groups supporting vulnerable individuals such as the homeless in 26 countries and regions. We plan to continue these efforts going forward.

■ Store and employee measures: We have been temporarily closing stores or shortening business hours in accordance with the state of COVID-19 in each country and region, but for those stores that have reopened, we are prioritizing the health of our customers and employees by instituting policies such as temperature checks for staff members before starting work, mask-wearing, hand-washing, mouth-rinsing and hand-sanitizing. We are also asking customers to wear masks, as well as to maintain social distancing during their visit. In order to make our locations a safe and secure place for our employees to work, we are providing masks and disinfectant, in addition to promoting working from home for relevant locations and roles.

■ Supporting manufacturing partners and factory staff: We are implementing measures to help keep our manufacturing partners and factory employees safe and secure. In order to reduce the risk of infection for our factory staff, we are asking employees to ensure that they wash their hands regularly, undergo temperature checks and wear masks while inside the factory. For some factories we are providing infrared thermometers free of charge, in order to help further control the risk of infection. We have also established a help desk for wage compensation and other employment-related issues arising from the closure of our factories. This is being done to help support and compensate our employees fairly. Additionally, we have taken measures to reduce financial risks for factories owing to a reduction in orders received by flexibly adjusting the production schedule in manufacturing of our year-round products.

(ii) Financial Position

Total assets as at 31 May 2020 were 2,337.7 billion yen, which was an increase of 327.1 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 373.1 billion yen in right-of-use assets, a decrease of 40.7 billion yen in cash and cash equivalents and a decrease of 29.8 billion yen in inventories.

Total liabilities as at 31 May 2020 were 1,328.1 billion yen, which was an increase of 301.1 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 436.2 billion yen in lease liabilities, an increase of 85.6 billion yen in other current financial liabilities, a decrease of 129.1 billion yen in non-current financial liabilities, a decrease of 40.3 billion yen in trade and other payables and a decrease of 24.9 billion yen in other 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 31 May 2020 were 1,009.5 billion yen, which was an increase of 26.0 billion yen relative to the end of the preceding fiscal year. The principal factors were an increase of 7.3 billion yen in retained earnings and an increase of 19.8 billion yen in other components of equity.

(2) Cash Flow Information

Cash and cash equivalents as at 31 May 2020 had decreased by 40.7 billion yen from the end of the preceding fiscal year, to 1,045.7 billion yen.

(Operating Cash Flows)

Net cash generated by operating activities for the nine months ended 31 May 2020 was 173.1 billion yen, which was a decrease of 113.0 billion yen (-39.5% year-on-year) from the nine months ended 31 May 2019. The principal factors were 142.4 billion yen in profit before income taxes (a decrease of 104.7 billion yen from the nine months ended 31 May 2019), a decrease of 31.3 billion yen in inventories (a decrease of 113.3 billion yen from the nine months ended 31 May 2019), 131.1 billion yen in depreciation and amortization (an increase of 94.5 billion yen from the nine months ended 31 May 2019), a decrease of 39.4 billion yen in trade and other payables (an increase of 33.1 billion yen from the nine months ended 31 May 2019), a decrease of 36.2 billion yen in other liabilities (a decrease of 29.5 billion yen from the nine months ended 31 May 2019), an increase of 14.9 billion yen in trade and other receivables (an increase of 15.1 billion yen from the nine months ended 31 May 2019) and 7.6 billion yen in foreign exchange gains (a decrease of 13.4 billion yen from the nine months ended 31 May 2019).

(Investing Cash Flows)

Net cash used in investing activities for the nine months ended 31 May 2020 was 70.0 billion yen, which was a decrease of 3.4 billion yen (-4.7% year-on-year) from the nine months ended 31 May 2019. The principal factors were a net increase of 14.6 billion yen in bank deposits with original maturity over three months (a decrease of 7.4 billion yen from the nine months ended 31 May 2019), 35.9 billion yen in payments for property, plant and equipment (an increase of 4.1 billion yen from the nine months ended 31 May 2019) and 4.8 billion yen in proceeds from collection of lease and guarantee deposits (a decrease of 1.8 billion yen from the nine months ended 31 May 2019).

(Financing Cash Flows)

Net cash used in financing activities for the nine months ended 31 May 2020 was 149.4 billion yen, which was an increase of 54.7 billion yen (+57.8% year-on-year) from the nine months ended 31 May 2019. The principal factors were 103.3 billion yen in repayments of lease liabilities (an increase of 103.3 billion yen from the nine months ended 31 May 2019), 30.0 billion yen in repayment of redemption of bonds for the nine months ended 31 May 2019 (a decrease of 30.0 billion yen from the nine months ended 31 May 2019) and 0.9 billion yen in repayment of short-term loans payable (a decrease of 10.6 billion yen from the nine months ended 31 May 2019).

(3) Operational and Financial Challenges

There have been no significant challenges during the nine months ended 31 May 2020 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 nine months ended 31 May 2020.

<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 nine months ended 31 May 2020.

<Subsidiaries in Japan>

| Company name | Type of facility | Name of business | Location | Amount of planned investment | | Construction commencement date | Construction completion date | Planned sales floor area ($m^2$) | Reference |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total (Millions of yen) | Amount already disbursed (Millions of yen) | | | | |
| UNIQLO CO., LTD. | UNIQLO Japan Store | UNIQLO Harajuku | Shibuya-ku, Tokyo | 1,028 | 988 | November 2018 | June 2020 | 2,039 | Leasehold |
| UNIQLO CO., LTD. | UNIQLO Japan Store | UNIQLO TOKYO | Chuo-ku, Tokyo | 2,577 | 1,358 | October 2019 | June 2020 | 4,415 | 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.

<Overseas Subsidiaries>

| Company name | Type of facility | Name of business | Location | Amount of planned investment | | Construction commencement date | Construction completion date | Planned sales floor area ($m^2$) | Reference |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total (Millions of yen) | Amount already disbursed (Millions of yen) | | | | |
| UNIQLO EUROPE LIMITED | UNIQLO International Store | UNIQLO Westfield Mall of Scandinavia | Stockholm, Kingdom of Sweden | 695 | 263 | March 2020 | August 2020 | 1,841 | 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 31 May 2020 | Number of shares issued as at submission date (As at 10 July 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

Not applicable.

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 March 2020 to 31 May 2020 | - | 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 2020.

(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 2020, 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 (29 February 2020).

(i) Shares issued

As at 31 May 2020

| Class | Number of shares | Number of voting rights | Remarks |
|---|---|---|---|
| Non-voting shares | - | - | - |
| Shares subject to restrictions on voting rights (e.g., treasury stock) | - | - | - |
| Shares subject to restrictions on voting rights (e.g., other than treasury stock) | - | - | - |
| Shares with full voting rights (e.g., treasury stock) | (Shares held as treasury stock) Common stock 3,991,400 | - | - |
| Shares with full voting rights (e.g., other than treasury stock) | Common stock 102,016,500 | 1,020,165 | (Note) 1 |
| Shares less than one unit | Common stock 65,756 | – | (Notes) 1, 2 |
| Total number of shares issued | 106,073,656 | – | - |
| Total number of voting rights of all shareholders | - | 1,020,165 | - |

(Note) 1.The columns for the number of shares of "Shares with full voting rights (e.g., 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 35 shares of treasury stock held by the Company.

(ii) Treasury Stock

As at 31 May 2020

| 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 | 3,991,400 | – | 3,991,400 | 3.76 |
| Total | - | 3,991,400 | – | 3,991,400 | 3.76 |

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 2020.

## 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 2020, 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 2019 | As at 31 May 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,086,519 | 1,045,734 |
| Trade and other receivables | | 60,398 | 78,240 |
| Other financial assets | 16 | 44,473 | 63,366 |
| Inventories | 6 | 410,526 | 380,673 |
| Derivative financial assets | 16 | 14,787 | 21,469 |
| Income taxes receivable | | 1,492 | 5,361 |
| Other assets | | 19,975 | 12,773 |
| Total current assets | | 1,638,174 | 1,607,620 |
| Non-current assets | | | |
| Property, plant and equipment | 7, 8 | 162,092 | 132,750 |
| Right-of -use assets | 8 | − | 373,184 |
| Goodwill | | 8,092 | 8,092 |
| Intangible assets | 8 | 60,117 | 68,858 |
| Financial assets | 16 | 77,026 | 67,807 |
| Investments in associates accounted for using the equity method | | 14,587 | 14,383 |
| Deferred tax assets | | 33,163 | 32,242 |
| Derivative financial assets | 16 | 9,442 | 24,990 |
| Other assets | | 7,861 | 7,809 |
| Total non-current assets | | 372,384 | 730,118 |
| Total assets | | 2,010,558 | 2,337,738 |
| **Liabilities and equity** | | | |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Trade and other payables | | 191,769 | 151,420 |
| Other financial liabilities | 9, 16 | 159,006 | 244,653 |
| Derivative financial liabilities | 16 | 2,985 | 1,262 |
| Lease liabilities | | − | 104,875 |
| Current tax liabilities | | 27,451 | 22,517 |
| Provisions | | 13,340 | 822 |
| Other liabilities | | 82,103 | 57,110 |
| Total current liabilities | | 476,658 | 582,661 |
| Non-current liabilities | | | |
| Financial liabilities | 9, 16 | 499,948 | 370,804 |
| Lease liabilities | | − | 331,335 |
| Provisions | | 20,474 | 32,998 |
| Deferred tax liabilities | | 8,822 | 7,217 |
| Derivative financial liabilities | 16 | 3,838 | 733 |
| Other liabilities | | 17,281 | 2,389 |
| Total non-current liabilities | | 550,365 | 745,479 |
| Total liabilities | | 1,027,024 | 1,328,141 |

| | Notes | As at 31 August 2019 | As at 31 May 2020 |
|---|---|---|---|
| **EQUITY** | | | |
| Capital stock | | 10,273 | 10,273 |
| Capital surplus | | 20,603 | 23,288 |
| Retained earnings | | 928,748 | 936,141 |
| Treasury stock, at cost | | (15,271) | (15,155) |
| Other components of equity | | (5,732) | 14,068 |
| Equity attributable to owners of the Parent | | 938,621 | 968,616 |
| Non-controlling interests | | 44,913 | 40,979 |
| Total equity | | 983,534 | 1,009,596 |
| Total liabilities and equity | | 2,010,558 | 2,337,738 |

(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 2020

(Millions of yen)

| | Notes | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|---|
| Revenue | 11 | 1,822,877 | 1,544,924 |
| Cost of sales | | (930,200) | (793,637) |
| Gross profit | | 892,677 | 751,286 |
| Selling, general and administrative expenses | 12 | (642,096) | (608,029) |
| Other income | 13 | 3,469 | 7,098 |
| Other expenses | 8, 13 | (6,842) | (18,425) |
| Share of profit and loss of associates accounted for using the equity method | | 480 | 453 |
| Operating profit | | 247,688 | 132,383 |
| Finance income | 14 | 8,792 | 15,938 |
| Finance costs | 14 | (9,268) | (5,901) |
| Profit before income taxes | | 247,211 | 142,420 |
| Income tax expense | | (73,218) | (50,944) |
| Profit for the period | | 173,993 | 91,475 |
| Profit for the period attributable to: | | | |
| Owners of the Parent | | 158,668 | 90,640 |
| Non-controlling interests | | 15,325 | 835 |
| Total | | 173,993 | 91,475 |
| | | | |
| Earnings per share | | | |
| Basic (yen) | 15 | 1,554.94 | 887.96 |
| Diluted (yen) | 15 | 1,552.35 | 886.42 |

Three months ended 31 May 2020

(Millions of yen)

| | Notes | Three months ended 31 May 2019 | Three months ended 31 May 2020 |
|---|---|---|---|
| Revenue | | 555,180 | 336,411 |
| Cost of sales | | (269,276) | (161,915) |
| Gross profit | | 285,904 | 174,495 |
| Selling, general and administrative expenses | | (208,632) | (169,231) |
| Other income | | 1,363 | 2,805 |
| Other expenses | | (4,104) | (12,825) |
| Share of profit and loss of associates accounted for using the equity method | | 216 | 402 |
| Operating profit/(loss) | | 74,747 | (4,352) |
| Finance income | | 3,378 | 2,408 |
| Finance costs | | (5,127) | (6,494) |
| Profit/(loss) before income taxes | | 72,997 | (8,438) |
| Income tax expense | | (23,934) | (3,530) |
| Profit/(loss) for the period | | 49,062 | (11,969) |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Parent | | 44,639 | (9,818) |
| Non-controlling interests | | 4,423 | (2,150) |
| Total | | 49,062 | (11,969) |
| | | | |
| Earnings/(loss) per share | | | |
| Basic (yen) | 15 | 437.41 | (96.18) |
| Diluted (yen) | 15 | 436.69 | (96.18) |

Interim Condensed Consolidated Statement of Comprehensive Income

Nine months ended 31 May 2020

(Millions of yen)

| | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Profit for the period | 173,993 | 91,475 |
| Other comprehensive income, 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 | (393) | (244) |
| Total items that will not be reclassified subsequently to profit or loss | (393) | (244) |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translating foreign operations | (15,266) | 1,084 |
| Cash flow hedges | 3,717 | 27,165 |
| Share of other comprehensive income of associates | (0) | (10) |
| Total items that may be reclassified subsequently to profit or loss | (11,549) | 28,239 |
| Other comprehensive (loss)/income, net of income tax | (11,942) | 27,994 |
| Total comprehensive income for the period | 162,051 | 119,470 |
| Attributable to: | | |
| Owners of the Parent | 147,420 | 119,501 |
| Non-controlling interests | 14,630 | (31) |
| Total comprehensive income for the period | 162,051 | 119,470 |

Three months ended 31 May 2020

(Millions of yen)

| | Three months ended 31 May 2019 | Three months ended 31 May 2020 |
|---|---|---|
| Profit/(loss) for the period | 49,062 | (11,969) |
| Other comprehensive income, 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 | (169) | (13) |
| Total items that will not be reclassified subsequently to profit or loss | (169) | (13) |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translating foreign operations | (18,760) | (13,631) |
| Cash flow hedges | (13) | 1,608 |
| Share of other comprehensive income of associates | (17) | (29) |
| Total items that may be reclassified subsequently to profit or loss | (18,792) | (12,052) |
| Other comprehensive loss, net of income tax | (18,961) | (12,066) |
| Total comprehensive income/(loss) for the period | 30,101 | (24,035) |
| Attributable to: | | |
| Owners of the Parent | 26,499 | (20,651) |
| Non-controlling interests | 3,601 | (3,383) |
| Total comprehensive income/(loss) for the period | 30,101 | (24,035) |

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

For the nine months ended 31 May 2019

(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 interest | 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 | | - | - | 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 |

For the nine months ended 31 May 2020

(Millions of yen)

| | Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Other components of equity | | | | | Equity attributable to owners of the Parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 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 | | | |
| 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 |
| Effect of change in accounting policy | 3 | - | - | (34,252) | - | - | - | - | - | - | (34,252) | (1,361) | (35,614) |
| Net changes during the period | | 10,273 | 20,603 | 894,495 | (15,271) | (697) | (13,929) | 8,906 | (11) | (5,732) | 904,368 | 43,551 | 947,920 |
| Comprehensive income | | | | | | | | | | | | | |
| Profit for the period | | - | - | 90,640 | - | - | - | - | - | - | 90,640 | 835 | 91,475 |
| Other comprehensive income / (loss) | | - | - | - | - | (244) | 1,911 | 27,204 | (10) | 28,860 | 28,860 | (866) | 27,994 |
| Total comprehensive income / (loss) | | - | - | 90,640 | - | (244) | 1,911 | 27,204 | (10) | 28,860 | 119,501 | (31) | 119,470 |
| Transactions with the owners of the Parent | | | | | | | | | | | | | |
| Acquisition of treasury stock | | - | - | - | (5) | - | - | - | - | - | (5) | - | (5) |
| Disposal of treasury stock | | - | 1,261 | - | 121 | - | - | - | - | - | 1,382 | - | 1,382 |
| Dividends | 10 | - | - | (48,994) | - | - | - | - | - | - | (48,994) | (1,565) | (50,560) |
| Share-based payments | | - | 1,424 | - | - | - | - | - | - | - | 1,424 | - | 1,424 |
| Transfer to non-financial assets | | - | - | - | - | - | - | (9,060) | - | (9,060) | (9,060) | (974) | (10,035) |
| Total transactions with the owners of the Parent | | - | 2,685 | (48,994) | 116 | - | - | (9,060) | - | (9,060) | (55,253) | (2,540) | (57,793) |
| Total net changes during the period | | - | 2,685 | 41,645 | 116 | (244) | 1,911 | 18,143 | (10) | 19,800 | 64,248 | (2,572) | 61,676 |
| As at 31 May 2020 | | 10,273 | 23,288 | 936,141 | (15,155) | (942) | (12,018) | 27,050 | (21) | 14,068 | 968,616 | 40,979 | 1,009,596 |

(4) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

| | Notes | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income taxes | | 247,211 | 142,420 |
| Depreciation and amortization | | 36,629 | 131,157 |
| Impairment losses | 8 | 2,050 | 15,296 |
| Interest and dividend income | | (8,792) | (8,286) |
| Interest expenses | | 3,512 | 5,901 |
| Foreign exchange losses/(gains) | | 5,755 | (7,651) |
| Share of profit and loss of associates accounted for using the equity method | | (480) | (453) |
| Losses on disposal of property, plant and equipment | | 253 | 712 |
| Increase in trade and other receivables | | (30,122) | (14,999) |
| Decrease in inventories | | 144,649 | 31,327 |
| Decrease in trade and other payables | | (72,600) | (39,409) |
| Decrease in other assets | | 5,731 | 4,090 |
| Decrease in other liabilities | | (6,727) | (36,243) |
| Others, net | | 6,569 | 5,629 |
| Cash generated from operations | | 333,641 | 229,492 |
| Interest and dividends income received | | 7,266 | 7,866 |
| Interest paid | | (2,687) | (4,776) |
| Income taxes paid | | (52,004) | (60,287) |
| Income taxes refunded | | - | 827 |
| Net cash generated by operating activities | | 286,216 | 173,122 |
| | | | |
| **Cash flows from investing activities** | | | |
| Amounts deposited into bank deposits with original maturities of three months or longer | | (95,593) | (67,776) |
| Amounts withdrawn from bank deposits with original maturities of three months or longer | | 73,427 | 53,079 |
| Payments for property, plant and equipment | | (31,846) | (35,974) |
| Payments for intangible assets | | (18,124) | (16,504) |
| Payments for acquisition of right-of-use assets | | - | (1,366) |
| Payments for lease and guarantee deposits | | (5,835) | (4,723) |
| Proceeds from collection of lease and guarantee deposits | | 3,081 | 4,882 |
| Others, net | | 1,315 | (1,715) |
| Net cash used in investing activities | | (73,575) | (70,097) |

(Millions of yen)

| | Notes | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from short-term loans payable | | 13,299 | 10,319 |
| Repayment of short-term loans payable | | (11,575) | (931) |
| Repayment of long-term loans payable | | (2,237) | (4,343) |
| Repayment of redemption of bonds | 9 | (30,000) | - |
| Dividends paid to owners of the Parent | 10 | (48,949) | (48,965) |
| Capital contributions from non-controlling interests | | 420 | - |
| Dividends paid to non-controlling interests | | (8,461) | (2,328) |
| Repayments of finance lease obligations | | (7,464) | - |
| Repayments of lease liabilities | | - | (103,358) |
| Others, net | | 214 | 116 |
| Net cash used in financing activities | | (94,753) | (149,492) |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | (12,499) | 5,681 |
| Net increase/(decrease) in cash and cash equivalents | | 105,387 | (40,785) |
| Cash and cash equivalents at the beginning of period | | 999,697 | 1,086,519 |
| Cash and cash equivalents at the end of period | | 1,105,085 | 1,045,734 |

**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).

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 July 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. (1) Application of IFRS 16: Leases 5) Covid-19-Related Rent Concessions has been applied from the third quarter of the current fiscal year.

| IFRS | Title | Summary of new standards and amendments |
|---|---|---|
| IFRS 16 | Leases | Amendments to accounting treatment for lease 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 finance leases applying IAS 17)
The Group accounts for 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 for 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 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 interim condensed consolidated financial statements
With the application of IFRS 16, the Group recognized an additional 369,995 million yen in right-of-use assets, 421,943 million yen in lease liabilities and a decrease of 34,252 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.

(Millions of 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 | 46,207 |
| Lease liabilities recognized in interim condensed consolidated statement of financial position as at the date of initial application of IFRS 16 | 421,943 |

5) Covid-19-Related Rent Concessions

In accordance with the amendment to IFRS 16 published in May 2020, a rent concession arising as a direct result of the Covid-19 pandemic and which also meets all of the following conditions will not be considered as a change to the terms of the lease and accounted for variable lease payments.

• The revised lease consideration resulting from a change in the lease fee is approximately equal to or less than the lease consideration immediately prior to the change.

• The lease-fee reduction only affects payments that are due prior to June 30, 2021.

• There are no material changes to the other terms and conditions of the lease.

Any amount of gain or loss recognized as being due to the concession not being treated as a change to the terms of the lease will not have a significant impact on the Group's interim condensed consolidated financial statements.

(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 interim condensed 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.

With the global spread of Covid-19, the Group's performance has been adversely affected to due to temporarily closing stores, etc. Regarding impairment to our non-financial assets, although we assume that business activities will gradually return to normal from June 2020 onward, we estimate that the impact of the Covid-19 pandemic will continue to be felt through to the end of August 2021, and we are working on the assumption that we will see recovery from that point onward. The estimates are made while taking the level of impact that differ region to region and case-by-case basis into consideration.

In principle, 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 except the impact of the above and applying IFRS16.

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 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/(loss) 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 nine months ended 31 May 2020

(Millions of yen)

| | Reportable segments | | | | | Others (Note 1) | Adjustments (Note 2) | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---|---|---|---|---|---|---|---|
| | UNIQLO Japan | UNIQLO International | GU | Global Brands | Total | | | |
| Revenue | 598,843 | 673,532 | 187,488 | 83,344 | 1,543,208 | 1,715 | - | 1,544,924 |
| Operating profit/(loss) | 79,160 | 51,815 | 20,486 | (6,002) | 145,458 | 401 | (13,476) | 132,383 |
| Segment income/(loss) (i.e., Profit/(loss) before income taxes) | 80,732 | 53,121 | 20,340 | (6,361) | 147,833 | 402 | (5,814) | 142,420 |
| Other disclosure: Impairment loss (Note 3) | 2,776 | 11,328 | 436 | 755 | 15,296 | - | - | 15,296 |

(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 | | | | | Others (Note 1) | Adjustments (Note 2) | Interim Condensed Consolidated Statement of Profit or Loss |
|---|---|---|---|---|---|---|---|---|
| | UNIQLO Japan | UNIQLO International | GU | Global Brands | Total | | | |
| 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/(loss) 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. ”

For the three months ended 31 May 2020

(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 | 135,274 | 132,284 | 55,195 | 13,243 | 335,997 | 413 | - | 336,411 |
| Operating profit/(loss) | 7,533 | (1,452) | 4,663 | (6,744) | 4,000 | 122 | (8,475) | (4,352) |
| Segment income/(loss) (i.e., Profit/(loss) before income taxes) | 7,262 | (1,037) | 4,629 | (6,878) | 3,975 | 122 | (12,536) | (8,438) |
| Other disclosure: Impairment loss (Note 3) | 2,179 | 6,950 | 335 | 386 | 9,852 | - | - | 9,852 |

(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 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Write down of inventories to net realizable value | 5,046 | 5,883 |

7. Property, Plant and Equipment

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

(Millions of yen)

| | As at 31 August 2019 | As at 31 May 2020 |
|---|---|---|
| Buildings and structures | 94,659 | 100,693 |
| Furniture, equipment and vehicles | 17,076 | 16,069 |
| Land | 1,927 | 1,927 |
| Construction in progress | 10,404 | 14,059 |
| Lease assets (Note) | 38,024 | - |
| Total | 162,092 | 132,750 |

(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. Impairment Losses

The Group's impairment losses during the nine months ended 31 May 2020 amounted to 15,296 million yen, compared with 2,050 million yen during the nine months ended 31 May 2019, and are included in "other expenses" on the Interim condensed consolidated statement of profit or loss.

The breakdown of impairment losses is as follows:

For the nine months ended 31 May 2019

Impairment losses are mainly due to a reduction in profitability of store assets, and no material impairment losses are recognized.

For the nine months ended 31 May 2020

The breakdown of impairment losses by asset type is as follows:

(Millions of yen)

| | Nine months ended 31 May 2020 |
|---|---|
| Buildings and structures | 3,053 |
| Furniture and equipment | 507 |
| Subtotal on property, plant and equipment | 3,561 |
| Software | 0 |
| Subtotal on intangible assets | 0 |
| Right-of -use assets | 11,732 |
| Other non-current assets (long-term prepayments) | 2 |
| Total impairment losses | 15,296 |

(1) Property, plant and equipment and right-of-use assets

Impairment losses amounting to 15,296 million yen represented write downs of the carrying amounts of store assets to the recoverable amounts, primarily due to a reduction in profitability of certain stores, including flagship stores. With the global spread of Covid-19, the Group's performance has been adversely affected to due to temporarily closing stores, etc. We measured impairment losses on the assumption that the impact of the Covid-19 pandemic will continue to be felt through to the end of August 2021.

The grouping of assets is based on the smallest cash-generating unit ("CGU") that independently generates cash inflow. In principle, each store, including flagship stores, is considered as an individual CGU and recoverable amounts thereon are calculated based on value in use.

The value in use is calculated based on the cash flow projections with estimates and growth rates compiled by management at a discount rate of 6.3%. Theoretically, the projected cash flows cover a five-year period, and do not use a growth rate that exceeds the long-term average market growth rate. The pre-tax discount rate calculation is based on the weighted-average cost of capital. The main CGUs for which impairment losses were recorded are as follows:

| Operating segment | CGU | Type |
| --- | --- | --- |
| UNIQLO Japan | UNIQLO CO., LTD. stores | Buildings, structures and right-of-use assets |
| UNIQLO International | UNIQLO USA、FRL Korea Co., Ltd. etc., stores | Buildings, structures and right-of-use assets |
| GU | FRL Korea Co., Ltd. etc., stores | Buildings, structures and right-of-use assets |
| Global Brands | Theory LLC., etc stores | Buildings, structures and right-of-use assets |

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 9 months ended 31 May 2019.

10. Dividends

The total amount of dividends paid was as follows:

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.

For the nine months ended 31 May 2020

| Resolution | Total dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Meeting of the Board on 5 November 2019 | 24,494 | 240 |
| Meeting of the Board on 9 April 2020 | 24,499 | 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.

Dividends were declared on 9 April 2020 and paid on 11 May 2020. The effective date of the dividend was for shareholders as at 29 February 2020.

11. 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.

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 segment (Note 1) | 1,521,578 | 83.5 |
| GU segment (Note 2) | 185,358 | 10.2 |
| Global Brands segment (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.

Nine months ended 31 May 2020

| | Revenue (Millions of yen) | Percent of Total (%) |
|---|---|---|
| Japan | 598,843 | 38.8 |
| Greater China | 362,657 | 23.5 |
| Other parts of Asia & Oceania | 160,128 | 10.4 |
| North America & Europe | 150,746 | 9.8 |
| UNIQLO segment (Note 1) | 1,272,375 | 82.4 |
| GU segment (Note 2) | 187,488 | 12.1 |
| Global Brands segment (Note 3) | 83,344 | 5.4 |
| Others (Note 4) | 1,715 | 0.1 |
| Total | 1,544,924 | 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, Vietnam, 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.

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 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Selling, general and administrative expenses | | |
| Advertising and promotion | 58,218 | 53,069 |
| Rental expenses (Note) | 153,312 | 43,009 |
| Depreciation and amortization (Note) | 36,629 | 131,157 |
| Outsourcing | 32,867 | 36,785 |
| Salaries | 221,237 | 207,768 |
| Others | 139,831 | 136,238 |
| Total | 642,096 | 608,029 |

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

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 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Other income | | |
| Foreign exchange gains (Note) | - | 1,841 |
| Others | 3,469 | 5,256 |
| Total | 3,469 | 7,098 |

(Millions of yen)

| | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Other expenses | | |
| Foreign exchange losses (Note) | 2,869 | - |
| Loss on retirement of property, plant and equipment | 253 | 712 |
| Impairment losses | 2,050 | 15,296 |
| Others | 1,669 | 2,416 |
| Total | 6,842 | 18,425 |

(Note) Currency adjustments incurred in the course of operating transactions are included in “other income” and "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 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Finance income | | |
| Foreign exchange gains (Note) | - | 7,651 |
| Interest income | 8,740 | 8,271 |
| Others | 51 | 14 |
| Total | 8,792 | 15,938 |

(Millions of yen)

| | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Finance costs | | |
| Foreign exchange losses (Note) | 5,755 | - |
| Interest expenses | 3,512 | 5,901 |
| Total | 9,268 | 5,901 |

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

15. Earnings Per Share

| Nine months ended 31 May 2019 | | Nine months ended 31 May 2020 | |
|---|---|---|---|
| Equity per share attributable to owners of the Parent (Yen) | 9,443.57 | Equity per share attributable to owners of the Parent (Yen) | 9,487.54 |
| Basic earnings per share (Yen) | 1,554.94 | Basic earnings per share (Yen) | 887.96 |
| Diluted earnings per share (Yen) | 1,552.35 | Diluted earnings per share (Yen) | 886.42 |

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

| | Nine months ended 31 May 2019 | Nine months ended 31 May 2020 |
|---|---|---|
| Basic earnings per share for the period | | |
| Profit for the period attributable to owners of the Parent (Millions of yen) | 158,668 | 90,640 |
| Profit not attributable to common shareholders (Millions of yen) | - | - |
| Profit attributable to common shareholders (Millions of yen) | 158,668 | 90,640 |
| Average number of common stock outstanding during the period (Shares) | 102,041,403 | 102,076,743 |
| Diluted earnings per share for the period | | |
| Adjustment to profit (Millions of yen) | - | -- |
| Increase in number of common stock (Shares) | 170,248 | 178,269 |
| Number of share subscription rights included in increase | (170,248) | (178,269) |

| Three months ended 31 May 2019 | | Three months ended 31 May 2020 | |
|---|---|---|---|
| Basic earnings per share (Yen) | 437.41 | Basic loss per share (Yen) | (96.18) |
| Diluted earnings per share (Yen) | 436.69 | Diluted loss per share (Yen) | (96.18) |

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

| | Three months ended 31 May 2019 | Three months ended 31 May 2020 |
|---|---|---|
| Basic earnings/(loss) per share for the period | | |
| Profit/(loss) for the period attributable to owners of the Parent (Millions of yen) | 44,639 | (9,818) |
| Profit not attributable to common shareholders (Millions of yen) | - | - |
| Profit/(loss) attributable to common shareholders (Millions of yen) | 44,639 | (9,818) |
| Average number of common stock outstanding during the period (Shares) | 102,053,519 | 102,088,765 |
| Diluted earnings/(loss) per share for the period | | |
| Adjustment to profit (Millions of yen) | - | - |
| Increase in number of common stock (Shares) | 167,118 | - |
| Number of share subscription rights included in increase | (167,118) | (-) |

(Note) In the third quarter of the current fiscal year, no adjustment has been made to the basic earnings per share for the period in respect of a dilution as the impact of the outstanding stock options had an anti-dilutive effect on the basic loss per share amounts presented.

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 2019 | | As at 31 May 2020 | |
|---|---|---|---|---|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Financial assets: | | | | |
| Security deposits and guarantees | 62,398 | 63,982 | 62,380 | 63,341 |
| Total | 62,398 | 63,982 | 62,380 | 63,341 |
| Financial liabilities: | | | | |
| Long-term borrowings (Note) | 4,258 | 4,258 | - | - |
| Corporate bonds (Note) | 469,183 | 478,638 | 469,302 | 472,244 |
| Total | 473,442 | 482,896 | 469,302 | 472,244 |

(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 present-value, applying a discount rate that takes into account the time remaining to maturity, and credit risk.

The fair value measurements of security deposits and guarantees, 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 measured at fair value through profit or loss | – | – | – | – |
| Financial assets and financial liabilities designated as hedging instruments — Fair value | – | 17,406 | – | 17,406 |
| Total | 1,471 | 17,406 | 173 | 19,051 |

(Millions of yen)

| As at 31 May 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through other comprehensive income | 1,189 | – | 171 | 1,360 |
| Financial assets measured at fair value through profit or loss | – | 4,771 | – | 4,771 |
| Financial assets and financial liabilities designated as hedging instruments — Fair value | – | 39,691 | – | 39,691 |
| Total | 1,189 | 44,463 | 171 | 45,823 |

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.

17. Commitments for Expenditures

The Group had the following commitments at each reporting date:

(Millions of yen)

| | As at 31 August 2019 | As at 31 May 2020 |
|---|---|---|
| Commitment for the acquisition of property, plant and equipment | 7,382 | 24,786 |
| Commitment for the acquisition of intangible assets | 4,340 | 2,163 |
| Total | 11,723 | 26,949 |

18. Subsequent Events

Not applicable.

## 2. Others

Dividends

The Company resolved to pay dividends from retained earnings at the meeting of the Board convened on 9 April 2020. 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 10. Dividends.”

**(TRANSLATION)**

# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

10 July 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 of 31 May 2020 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 2020, 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.