

# **Fast Retailing Results for Fiscal 2015 and Estimates for Fiscal 2016**

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I am Takeshi Okazaki, Group Senior Vice President and CFO at Fast Retailing.

I will provide an overview of Fast Retailing's consolidated business performance for fiscal 2015, or the 12 months from September 2014 through August 2015. I will then move on to discuss our estimates for the full business year through August 2016.

|                                      |                |
|--------------------------------------|----------------|
| <b>I. Results for Fiscal 2015</b>    | <b>P3~P18</b>  |
| <b>II. Estimates for Fiscal 2016</b> | <b>P19~P21</b> |
| <b>III. Reference</b>                | <b>P22~P24</b> |

### **Disclosure of Corporate Performance**

Following the Group's adoption of International Financial Reporting Standards (IFRS) from the year ending August 31, 2014, all data in this document are calculated using IFRS standards.

Business profit = Revenue – (Cost of sales + SG&A expenses)

Group Operations:

UNIQLO Japan: UNIQLO Japan operations

UNIQLO International: All UNIQLO operations outside of Japan

Global Brands: GU, Theory, Comptoir des Cottonniers, Princesse tam.tam, J Brand

Consolidated results also include Fast Retailing Co., Ltd. performance and consolidated adjustments.

### **A Note on Business Forecasts**

When compiling business estimates, plans and target figures in this document, the figures that are not historical facts are forward looking statements based on management's judgment in light of currently available information. These business forecasts, plans and target figures may vary materially from the actual business results depending on the economic environment, our response to market demand and price competition, and changes in exchange rates.



## Group: FY2015 - Year to August 31, 2015

### Group achieves record results

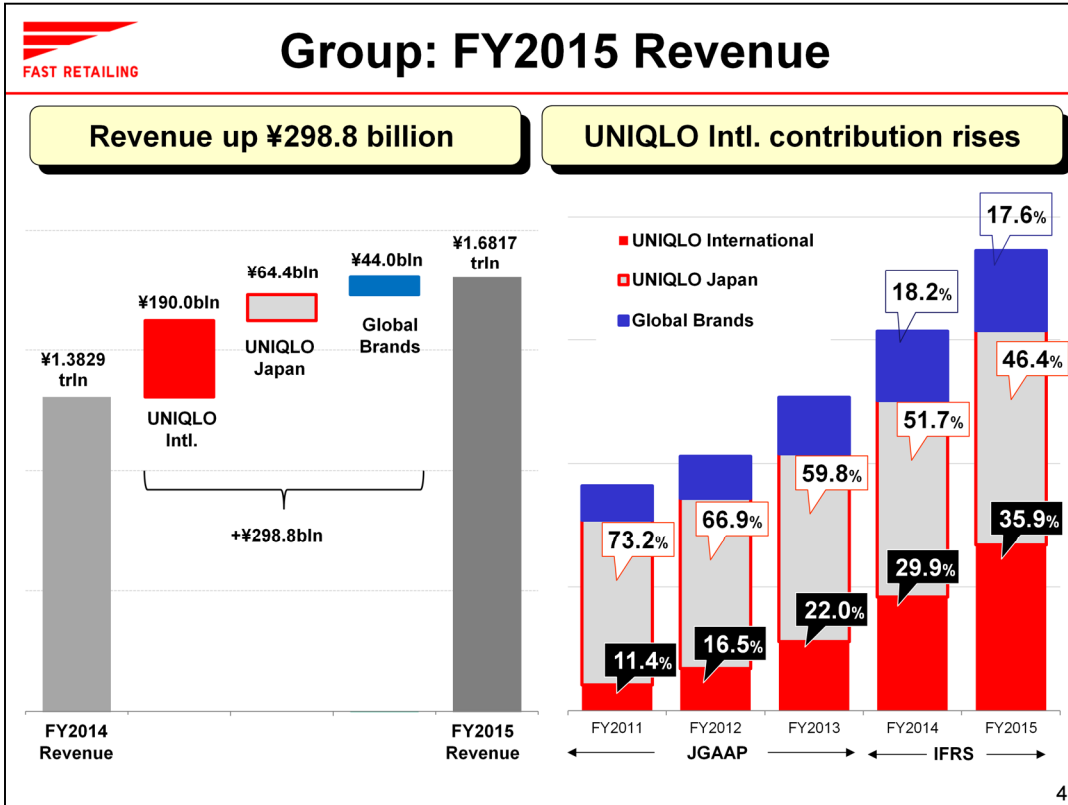
|  | Yr to Aug. 2014<br>Actual | Latest est.<br>(Jul.9) | Yr to Aug. 2015       |                 | Billions<br>of<br>Yen |
|--|---------------------------|------------------------|-----------------------|-----------------|-----------------------|
|  |                           |                        | Actual                | y/y             |                       |
| <b>Revenue</b>   | 1,382.9                   | <b>1,650.0</b>         | <b>1,681.7</b>        | +21.6%          |                       |
| <b>Gross profit</b><br>(to revenue)                                    | 699.7<br>50.6%            | -<br>-                 | <b>848.5</b><br>50.5% | +21.3%<br>-0.1p |                       |
| <b>SG&amp;A</b><br>(to revenue)  | 549.1<br>39.7%            | -<br>-                 | <b>671.8</b><br>39.9% | +22.3%<br>+0.2p |                       |
| <b>Business profit</b><br>(to revenue)                                 | 150.5<br>10.9%            | -<br>-                 | <b>176.6</b><br>10.5% | +17.3%<br>-0.4p |                       |
| <b>Other income, expenses</b><br>(to revenue)                          | -20.1<br>-                | -<br>-                 | <b>-12.2</b><br>-     | -<br>-          |                       |
| <b>Operating profit</b><br>(to revenue)                                | 130.4<br>9.4%             | <b>200.0</b><br>12.1%  | <b>164.4</b><br>9.8%  | +26.1%<br>+0.4p |                       |
| <b>Profit before income taxes</b><br>(to revenue)                      | 135.4<br>9.8%             | <b>211.5</b><br>12.8%  | <b>180.6</b><br>10.7% | +33.4%<br>+0.9p |                       |
| <b>Profit attributable to<br/>owners of the parent</b><br>(to revenue) | 74.5<br>5.4%              | <b>120.0</b><br>7.3%   | <b>110.0</b><br>6.5%  | +47.6%<br>+1.1p |                       |

Note: Business profit = Revenue – (Cost of sales + SG&A expenses).

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The Fast Retailing Group generated a record performance in fiscal 2015, with revenue reaching ¥1.6817 trillion (up 21.6% year on year), operating profit totalling ¥164.4 billion (up 26.1%), profit before income taxes reaching ¥180.6 billion (up 33.4%), and profit attributable to owners of the parent totaling ¥110.0 billion (up 47.6%).

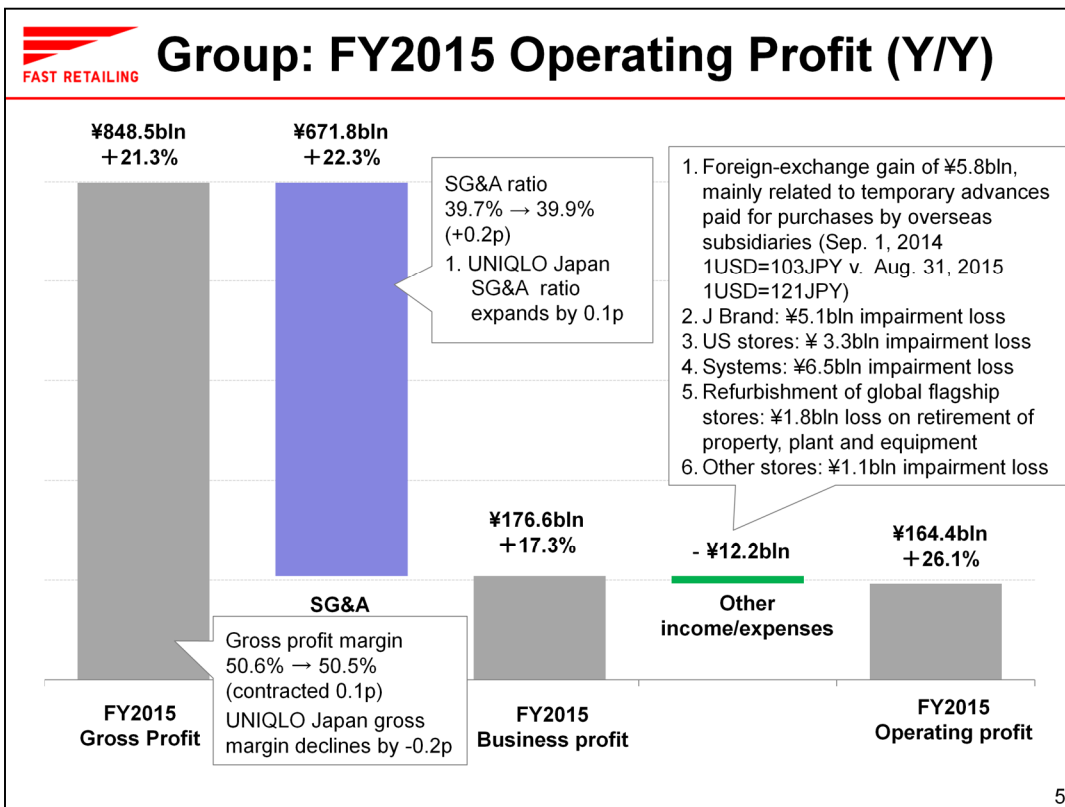
These overall results were impressive, but consolidated operating profit did fall short of the latest full-year target announced on July 9, 2015.



The Fast Retailing Group reported revenue of ¥1.6817 trillion in fiscal 2015.

That represents an increase of 21.6%, or ¥298.8 billion, compared to the previous year. This figure breaks down into revenue increases of ¥190.0 billion for UNIQLO International, ¥64.4 billion for UNIQLO Japan, and ¥44.0 billion for Global Brands.

As a result, UNIQLO International's contribution to overall sales in fiscal 2015 increased 6.0 points year on year to 35.9%.



Consolidated gross profit expanded 21.3% year on year to ¥848.5 billion in fiscal 2015. The gross profit margin contracted 0.1 point year on year to 50.5%. The contraction in the overall gross profit margin can be attributed mainly to a 0.2 point fall in the gross profit margin at UNIQLO Japan.

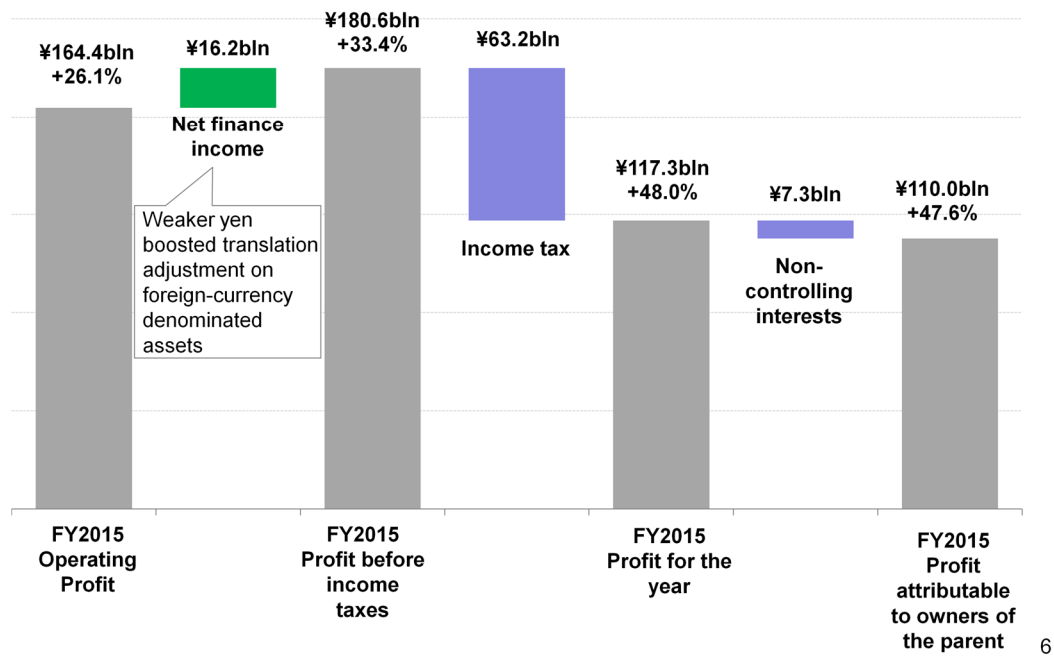
Selling, general and administration expenses rose 22.3% year on year to ¥671.8 billion. The SG&A to revenue ratio rose 0.2 point to 39.9%. That was largely due to a 0.1 point rise in the SG&A ratio at UNIQLO Japan.

Business profit (revenue minus cost of sales and SG&A expenses) increased 17.3% to ¥176.6 billion.

The net amount of other income/expenses stood at -¥12.2 billion. That total includes a foreign-exchange gain of ¥5.8 billion, earned mainly due to the effect of further yen weakening on temporary advances paid for purchases by overseas subsidiaries. The net total for other income/expenses also includes a number of losses: a ¥5.1 billion impairment loss on J Brand, a ¥3.3 billion impairment loss on stores in the United States, a ¥6.5 billion impairment loss on systems linked to system upgrades, a ¥1.8 billion loss on retirement of property, plant and equipment resulting from the refurbishment of global flagship stores in London and Shanghai, and finally a ¥1.1 billion impairment loss relating to other stores.

As a result of the above factors, operating profit increased by 26.1% to ¥164.4 billion in fiscal 2015.

## Group: FY2015 Profit Attributable to Owners of the Parent



Moving on to net finance income, we reported a total net finance income of ¥16.2 billion in the 12 months to August 2015, after a further weakening of the Japanese yen boosted the value of our foreign-currency-denominated assets in yen terms.

As a result, profit before income taxes expanded by 33.4% to ¥180.6 billion, and profit attributable to the owners of the parent increased by 47.6% to ¥110.0 billion.



## Drag Factors on FY2015 Operating Profit

|                             | Approximate financial drag | Impairment and retirement losses, etc. |  | Operational factors                                 |                                       |
|-----------------------------|----------------------------|--|--|---|---------------------------------------|
| <b>Total</b>                | <b>-35.6bln</b>            | <b>-17.8bln</b>                        |  | <b>-17.8bln</b>                                     |                                       |
| <b>UNIQLO Japan</b>         | <b>-10.0bln</b>            |  |  | 4Q sales and gross profit margin fell short of plan |                                       |
| <b>UNIQLO International</b> | <b>-9.0bln</b>             | <b>-5.1bln</b>                         | Impairment loss: US stores   | -3.3bln   | Higher losses in the US               |
|                             |                            |  | Loss on retirement of property, plant, and equipment: Global flagship store refurbishment            | -1.8bln   | UNIQLO S.E. Asia downturn             |
| <b>Global Brand</b>         | <b>-7.5bln</b>             | <b>-6.2bln</b>                         | Impairment loss: J Brand   | -5.1bln   | Higher losses at J Brand              |
|                             |                            |  | Impairment and loss on retirement of property, plant, and equipment: CDC & Theory, warehousing, etc. | -1.1bln   | Lower performance at Theory, CDC      |
| <b>Others, Adjustments</b>  | <b>-9.0bln</b>             | <b>-6.5bln</b>                         | Impairment loss: systems   | -6.5bln   | Higher business expenses at FR parent |

Consolidated operating profit fell roughly ¥35.6 billion short of the most recent ¥200.0 billion forecast for fiscal 2015. I would like to explain the reasons for that shortfall.

The shortfall on consolidated operating profit can be divided into two equal amounts: approximately ¥17.8 billion in impairment and retirement losses, and approximately ¥17.8 billion that relates to various operational factors.

Analyzing this breakdown further, operating profit at UNIQLO Japan came in approximately ¥10.0 billion below our most recent estimate for fiscal 2015, following shortfalls in fourth-quarter sales and gross profit margin.

At UNIQLO International, we reported impairment and retirement losses of ¥5.1 billion, comprising a ¥3.3 billion impairment loss on stores in the United States and a ¥1.8 billion loss on the retirement of property, plant and equipment relating to the refurbishment of global flagship stores in London and Shanghai. In addition, UNIQLO USA saw higher operating losses while UNIQLO Southeast Asia saw a lower-than-expected performance in the second half of the business year from March to August 2015. As a result, total operating profit at UNIQLO International came in approximately ¥9.0 billion below our most recent estimate for fiscal 2015.

At Global Brands, we reported impairment and sales losses of ¥6.2 billion, comprising ¥5.1 billion in impairment loss on J Brand, and ¥1.1 billion in sales losses and impairment losses on warehousing and other items at Theory and Comptoir des Cotonniers. In addition, J Brand saw higher fiscal 2015 operating losses, and Theory and Comptoir des Cotonniers lower-than-expected second-half performance. As a result, total operating profit at Global Brands came in approximately ¥7.5 billion below our most recent estimate for fiscal 2015.

In addition, the “others” and “adjustments” totals fell ¥9.0 billion short of our most recent estimates for fiscal 2015, following the reporting of a ¥6.5 billion impairment loss on systems, and increased business expenses at the Fast Retailing parent company. The impairment loss on systems resulted from our decision to upgrade platforms as part of our strategy to expand E-commerce business.



## FY2015 Breakdown by Group Operation

|                      |                        | Yr to Aug. 2014 | Yr to Aug. 2015 |               | Billions of Yen |
|----------------------|------------------------|-----------------|-----------------|---------------|-----------------|
|                      |                        | Actual          | Actual          | y/y           |                 |
| UNIQLO Japan         | Revenue                | 715.6           | <b>780.1</b>    | <b>+9.0%</b>  |                 |
|                      | Business profit        | 107.6           | <b>115.6</b>    | <b>+7.5%</b>  |                 |
|                      | (to revenue)           | 15.0%           | 14.8%           | -0.2p         |                 |
|                      | Other income, expenses | -1.3            | <b>1.5</b>      | -             |                 |
| UNIQLO International | Revenue                | 413.6           | <b>603.6</b>    | <b>+45.9%</b> |                 |
|                      | Business profit        | 33.8            | <b>50.7</b>     | <b>+50.0%</b> |                 |
|                      | (to revenue)           | 8.2%            | 8.4%            | +0.2p         |                 |
|                      | Other income, expenses | -0.8            | <b>-7.3</b>     | -             |                 |
| Global Brand         | Revenue                | 251.2           | <b>295.3</b>    | <b>+17.6%</b> |                 |
|                      | Business profit        | 16.3            | <b>20.9</b>     | <b>+27.9%</b> |                 |
|                      | (to revenue)           | 6.5%            | 7.1%            | +0.6p         |                 |
|                      | Other income, expenses | -20.5           | <b>-6.5</b>     | -             |                 |
|                      | Operating profit       | -4.1            | <b>14.4</b>     | -             |                 |
|                      | (to revenue)           | -               | 4.9%            | -             |                 |

Notes: Consolidated results also include Fast Retailing Co., Ltd. performance and consolidated adjustments.

All UNIQLO Japan data (except revenue) include inter-Group transactions.

Business profit = Revenue – (Cost of sales + SG&A expenses).

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This slide displays the breakdown of performance by Group operation.

All segments reported increases in revenue and profit in the 12 months to August 2015, with UNIQLO Japan generating revenue of ¥780.1 billion and operating profit of ¥117.2 billion, UNIQLO International reporting revenue of ¥603.6 billion and operating profit of ¥43.3 billion, and Global Brands generating revenue of ¥295.3 billion and operating profit of ¥14.4 billion.



## Achieves record results

|   | Yr to Aug. 2014<br>Actual | Yr to Aug. 2015        |                        | Billions<br>of Yen |
|---|---------------------------|------------------------|------------------------|--------------------|
|   |                           | Actual                 | y/y                    |                    |
| <b>Revenue</b><br>(to revenue)                | <b>715.6</b><br>100.0%    | <b>780.1</b><br>100.0% | <b>+9.0%</b>           |                    |
| <b>Gross profit</b><br>(to revenue)           | <b>352.4</b><br>49.3%     | <b>383.3</b><br>49.1%  | <b>+8.8%</b><br>-0.2p  |                    |
| <b>SG&amp;A</b><br>(to revenue)               | <b>244.8</b><br>34.2%     | <b>267.7</b><br>34.3%  | <b>+9.3%</b><br>+0.1p  |                    |
| <b>Business profit</b><br>(to revenue)        | <b>107.6</b><br>15.0%     | <b>115.6</b><br>14.8%  | <b>+7.5%</b><br>-0.2p  |                    |
| <b>Other income, expenses</b><br>(to revenue) | <b>-1.3</b><br>-0.2%      | <b>1.5</b><br>0.2%     | <b>-</b><br>+0.4p      |                    |
| <b>Operating profit</b><br>(to revenue)       | <b>106.3</b><br>14.9%     | <b>117.2</b><br>15.0%  | <b>+10.3%</b><br>+0.1p |                    |

All UNIQLO Japan data (except revenue) include inter-Group transactions.

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I would now like to go through performance at UNIQLO Japan in fiscal 2015 in more detail.

As I mentioned earlier, UNIQLO Japan achieved a record result in fiscal 2015, reporting a rise in revenue to ¥780.1 billion, and an increase in operating profit to ¥117.2 billion.



## UNIQLO Japan: FY2015 Revenue

**Revenue: ¥780.1bln (+9.0% y/y)**

- Same-store sales: +6.2% y/y (Customer spend +9.4%, customer visits -2.9%)
- Sales per store increased as size of individual stores expanded
- Strong E-commerce sales (+27.9% y/y)

### Sales trend

- Early launch of Fall Winter ranges in the 1H helped generate strong sales of core ranges such as HEATTECH Extra Warm, Ultra Light Down, sweatshirts and pants and wool sweaters.
- Same-store sales expanded a strong 9.9% in 3Q (March-May) thanks to warm weather, but contracted 4.5% in Q4 (June-August) after an unseasonal cold rainy season from June through early July dampened sales of summer items. Summer items later recovered in the hot weather from mid July, but shortages of popular items left overall Q4 sales below target.

### Customer spend

- 1H: Rose on strong sales of HEATTECH Extra Warm ranges and outerwear.
- 2H: Rose on strong sales of comparatively expensive jackets and bottoms.

| Same-store sales | Yr to Aug. 2015 |        |        |       |       |        |           |       |
|------------------|-----------------|--------|--------|-------|-------|--------|-----------|-------|
|                  | 1H              | 3Q     | June   | July  | Aug   | 2H     | Full year | Sep   |
| Net sales        | + 8.4%          | + 9.9% | -11.7% | -1.5% | +2.5% | + 3.1% | + 6.2%    | +2.6% |
| Customer visits  | -1.6%           | + 0.1% | -14.6% | -6.1% | -5.1% | -4.4%  | -2.9%     | -4.2% |
| Customer spend   | +10.2%          | +9.8%  | +3.4%  | +4.9% | +8.0% | +7.9%  | +9.4%     | +7.1% |

UNIQLO directly run stores at end August 2015: 811 (-20 stores y/y)

Franchise stores: 30 (+9 stores)

Directly run stores overall sales space: +0.9%, individual store sales space: +3.4%

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Revenue at UNIQLO Japan rose 9.0% year on year to ¥780.1 billion in fiscal 2015. This strong performance can be attributed to a number of factors: a 6.2% year-on-year rise in same-store sales, increased sales per store generated by our determined strategy to expand the average size of our stores, and a 27.9% year-on-year increase in E-commerce sales.

The 6.2% year-on-year increase in same-store sales breaks down into a 9.4% rise in customer spend on the one hand, and a 2.9% contraction in customer visits on the other.

In the first half of fiscal 2015, from September 2014 through February 2015, same-store sales expanded 8.4% year on year, thanks to the successful introduction of Fall Winter ranges, and strong sales of core items such as HEATTECH Extra Warm, Ultra Light Down, sweat shirts and pants, and wool sweaters.

In the third quarter from March to May 2015, perfect seasonal weather helped boost same-store sales by a further 9.9% year on year. However, in the fourth quarter from June to August 2015, same-store sales contracted 4.5% after an unusually cold rainy season from June to early July dampened sales of summer items. Sales of summer items did recover after the weather turned hotter from mid July onwards, but the recovery was hampered by shortages in some of the most popular selling items. As a result, fourth-quarter sales fell short of target.

As I mentioned a moment ago, customer spend increased by 9.4% year on year in fiscal 2015. This was the result of strong sales of HEATTECH Extra Warm and outerwear in the first half, and strong sales of comparatively expensive items, such as jackets and bottoms, in the second half.

The number of UNIQLO Japan stores fell by 20 to 811 stores at the end of August 2015 compared to the end of August 2014. However, nine of the 20 stores didn't actually close, but changed from directly operated stores to employee-franchise stores.

Also of note, total sales space at directly operated stores increased by 0.9% in fiscal 2015, thanks to our consistent "scrap and build" strategy to boost average store size by gradually closing smaller stores and opening more large-format stores. Sales space per store also increased by 3.4% year on year in fiscal 2015.

**FY2015 gross profit margin: 49.1%** (-0.2p y/y)

## 4Q gross margin fell way below target

- 1H: 1.8p increase, 2H: 2.7p decrease
- The decision at the planning stage to procure a percentage of Spring Summer items at spot exchange rates boosted the sales cost ratio in 2H.
- Sales of summer items dampened by unseasonal weather from June. 4Q gross margin fell sharply below target on back of aggressive discounting and offloading of excess inventory.

|           | Yr to Aug. 2014 | Yr to Aug. 2015 |       |
|-----------|-----------------|-----------------|-------|
|           |                 |                 | y/y   |
| Full year | 49.3%           | <b>49.1%</b>    | -0.2p |
| 1H        | 47.7%           | <b>49.5%</b>    | +1.8p |
| 2H        | 51.3%           | <b>48.6%</b>    | -2.7p |

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Turning now to business margins for UNIQLO Japan, the gross profit margin contracted by 0.2 point year on year in fiscal 2015 to 49.1%. This result was slightly below expectations.

The gross profit margin improved 1.8 points to 49.5% in the first half, but then contracted 2.7 points to 48.6% in the second half.

Our estimate for the second-half gross profit margin incorporated a higher sales cost ratio following our decision, made early on in the planning stage, to procure a percentage of Spring Summer items at spot exchange rates. However, after unseasonal cold weather from June dampened sales of summer items, we were also forced to discount heavily on excess summer stock, and, as a result, the gross profit margin fell considerably short of target in the fourth quarter from June to August 2015.



## UNIQLO Japan: FY2015 SG&A

**FY2015 SG&A to revenue ratio: 34.3% (+0.1p y/y)**

### Slightly over target (monetary and ratio)

- Personnel +0.4p: Ratio up on lower-than-expected 4Q sales, salary bonuses and other costs up on increase in local-store employees
- Other expenses: +0.4p: Higher logistics and outsourcing costs
- Advertising and promotions -0.2p: Targeted cut after cost review
- Rental expenses -0.2p: Efficiency up on strong same-store sales

|                       | Yr to Aug. 2014 |           | Yr to Aug. 2015 |              | Change       |              | Billions of Yen |
|-----------------------|-----------------|-----------|-----------------|--------------|--------------|--------------|-----------------|
|                       | Actual          | (% sales) | Actual          | (% sales)    |              | (% sales)    |                 |
| <b>SG&amp;A Total</b> | 244.8           | 34.2%     | <b>267.7</b>    | <b>34.3%</b> | <b>+22.8</b> | <b>+0.1p</b> |                 |
| Personal              | 74.3            | 10.4%     | <b>84.0</b>     | <b>10.8%</b> | <b>+9.6</b>  | <b>+0.4p</b> |                 |
| A&P                   | 34.6            | 4.8%      | <b>35.9</b>     | <b>4.6%</b>  | <b>+1.2</b>  | <b>-0.2p</b> |                 |
| Store rents           | 50.8            | 7.1%      | <b>53.9</b>     | <b>6.9%</b>  | <b>+3.0</b>  | <b>-0.2p</b> |                 |
| Depreciation          | 8.7             | 1.2%      | <b>7.4</b>      | <b>1.0%</b>  | <b>-1.2</b>  | <b>-0.2p</b> |                 |
| Other                 | 76.2            | 10.7%     | <b>86.3</b>     | <b>11.1%</b> | <b>+10.0</b> | <b>+0.4p</b> | 12              |

UNIQLO Japan's SG&A to revenue ratio rose 0.1 point year on year to 34.3% in fiscal 2015. That result was slightly above target in both monetary and percentage terms.

Looking at key components of the SG&A ratio, the personnel cost ratio increased 0.4 point year on year and the other expense ratio increased by 0.4 point. Meanwhile, the advertising and promotion ratio contracted 0.2 point, the store-rent expense ratio contracted 0.2 point and the depreciation expense ratio contracted 0.2 point.

The personnel cost ratio rose partly as a result of the shortfall in fourth-quarter sales, as well as salary bonuses and additional costs relating to rising numbers of local-store employees.

The rise in the other expense ratio was due to increased distribution and outsourcing costs.

The slight fall in the advertising and promotion ratio was part of our deliberate strategy to reduce overall business expenses.

The store-rent expense ratio contracted after strong same-store sales boosted overall store efficiency.

## Large gains in revenue and profit

- Greater China and South Korea achieve large gains
- Active store opening in Southeast Asia, Oceania
- USA losses expand, impairment loss on stores
- Global flagship refurbishment dampens profit, but Europe exceeds plan overall
- Store network (Aug. 2015): 798 stores (+165 y/y)

|                         |                                  | Yr to Aug. 2014<br>Actual | Yr to Aug. 2015     |                 | Billions<br>of Yen |
|-------------------------|----------------------------------|---------------------------|---------------------|-----------------|--------------------|
|                         |                                  |                           | Actual              | y/y             |                    |
| UNIQLO<br>International | Revenue                          | 413.6                     | <b>603.6</b>        | +45.9%          |                    |
|                         | Business profit<br>(to revenue)  | 33.8<br>8.2%              | <b>50.7</b><br>8.4% | +50.0%<br>+0.2p |                    |
|                         | Other income, expenses           | -0.8                      | <b>-7.3</b>         | -               |                    |
|                         | Operating profit<br>(to revenue) | 32.9<br>8.0%              | <b>43.3</b><br>7.2% | +31.6%<br>-0.8p |                    |
|                         |                                  |                           |                     |                 |                    |

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UNIQLO International reported significant gains in revenue and profit in fiscal 2015.

UNIQLO International revenue totalled ¥603.6 billion, and operating profit reached ¥43.3 billion.

UNIQLO Greater China and UNIQLO South Korea contributed a large portion of the segment's growth, after reporting strong gains in both revenue and profit.

Performance at UNIQLO Southeast Asia fell short of target in the second half. We continued to open new stores across Southeast Asia and Oceania in fiscal 2015, boosting the total number of UNIQLO stores in the region to 108 at the end of August 2015.

Operating losses expanded at UNIQLO USA, with the operation also reporting an impairment loss on stores.

UNIQLO Europe exceeded expectations, despite a fall in operating profit relating to the refurbishment of our 311 Oxford Street London global flagship.

The UNIQLO International network expanded by a net 165 stores to 798 stores at the end of August 2015 compared to the end of August 2014.



## UNIQLO International: FY2015 (2)

### **Greater China: Significant gains in revenue and profit**

**Revenue ¥304.4bln (+46.3%), OP ¥38.6bln (+66.1%)** \* IFRS-base

Strong same-store sales growth and favorable store launches in all areas.

### **South Korea: Large gains in revenue and profit**

Continued strong same-store sales growth, sales top ¥100 billion.

### **Southeast Asia: Revenue up, but OP flat and below target**

Poor sales of spring items led to heavy discounting of excess stock.

### **Australia: Slightly above target, operating loss contracts**

2H: Favorable sales of fall winter items

### **USA: Fell short of targets, operating loss expands**

Losses expanded following rapid opening of 17 stores in FY2015.

Limited awareness of the UNIQLO brand meant sales persisted below target and excess stock had to be discounted.

### **Europe: Slightly above target on rise in business profit**

OP down on recording of losses on retirement of property, plant and equipment relating to the refurbishment of global flagship stores, but business profit up.

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Next, I would like to go through the UNIQLO International fiscal 2015 performance region by region.

Greater China (Mainland China, Hong Kong, and Taiwan) reported significant gains in revenue and profit. Revenue for the Greater China region expanded 46.3% year on year to ¥304.4 billion, and operating profit expanded by 66.1% to ¥38.6 billion. Same-store sales grew strongly and store openings proceeded favorably in all parts of the region. The operating profit margin also improved. At the end of August 2015, UNIQLO had a network of 467 stores in Greater China.

In South Korea, UNIQLO same-store sales continued to rise, helping to generate large gains in revenue and profit. Sales topped ¥100 billion in fiscal 2015. The number of stores in UNIQLO South Korea increased to 155 at the end of August 2015.

UNIQLO Southeast Asia, spanning Singapore, Malaysia, Thailand, the Philippines, and Indonesia, generated higher revenue, but the flat performance for operating profit fell short of target. Following the poor performance of spring ranges in Southeast Asia, we were forced to discount heavily to offload excess stock. UNIQLO stores in Southeast Asia totaled 102 at the end of August 2015.

UNIQLO Australia reported a slightly higher-than-expected performance in fiscal 2015 on the back of favorable sales of Fall Winter ranges in the second half. We have been able to start contracting operating losses. We had six UNIQLO stores in Australia at the end of August 2015.

UNIQLO USA fell short of target, reporting an expansion in operating losses in fiscal 2015. The reasons for this are twofold. First, the opening of 17 new stores over the period represented a rapid expansion of the store network. Second, the UNIQLO brand is still not widely recognized in the United States. As a result, sales continued to underperform, forcing us to discount excess stock heavily at the end of each season, thus swelling operating losses. Our store network in the United States had reached 42 at the end of August 2015.

At UNIQLO Europe (UK, France, Russia, and Germany), operating profit declined in fiscal 2015 after reporting losses on the retirement of property, plant and equipment relating to the temporary closure of our 311 Oxford Street global flagship store in London for refurbishment in March 2015. However, business profit expanded, and the operation performed better than expected overall. We had 26 UNIQLO stores in Europe at the end of August 2015.

## Global Brands: FY2015

### Gains in revenue and profit

**GU: Strong performance exceeds expectations**

**Revenue ¥141.5bln (+31.6%), OP ¥16.4bln (+174.9%)** \* IFRS-base

GU able to offer products playing to the latest trends, attracting a broader customer base. Able to increase production flexibly when required.

**Theory: Revenue up, but OP down and below target**

Downturn in US luxury market caused OP to contract (below target).

**Comptoir des Cottonniers: Slightly below target. OP falls**

**Princesse tam.tam: Flat performance roughly to plan**

**J Brand: Slightly higher losses led to impairment loss**

|              |                        | Yr to Aug. 2014 | Yr to Aug. 2015 |        | Billions of Yen |
|--------------|------------------------|-----------------|-----------------|--------|-----------------|
|              |                        | Actual          | Actual          | y/y    |                 |
| Global Brand | Revenue                | 251.2           | <b>295.3</b>    | +17.6% |                 |
|              | Business profit        | 16.3            | <b>20.9</b>     | +27.9% |                 |
|              | (to revenue)           | 6.5%            | 7.1%            | +0.6p  |                 |
|              | Other income, expenses | -20.5           | <b>-6.5</b>     | -      |                 |
|              | Operating profit       | -4.1            | <b>14.4</b>     | -      |                 |
|              | (to revenue)           | -               | 4.9%            | -      |                 |

Our Global Brands segment reported gains in both revenue and profit in fiscal 2015, with revenue rising to ¥295.3 billion and operating profit expanding to ¥14.4 billion.

Our low-priced GU fashion casualwear brand exceeded expectations by reporting extremely strong rises in both revenue and profit. GU revenue increased 31.6% year on year to ¥141.5 billion and operating profit expanded by an impressive 174.9% to ¥16.4 billion. This strong performance was supported by GU's ability to create products, such as gaucho pants, that capture the latest fashion trends and appeal to customers of all ages. GU's ability to flexibly increase product when required was also a contributing factor. Our GU store network had expanded to 314 in Japan and five stores outside of Japan by the end of August 2015.

Our Theory fashion label reported a rise in revenue in fiscal 2015, but the slight contraction in operating profit was short of target. While Theory produced a flat year-on-year performance in Japan, the downturn in the luxury market knocked Theory revenue and profit below target in the United States, resulting in a small decline in operating profit.

Our France-based Comptoir des Cottonniers fashion label reported flat revenue and a contraction in operating profit that fell short of target.

Our Princesse tam.tam French corsetry, homewear, swimwear and sportswear brand produced a flat year-on-year performance, as expected.

Finally, the downturn in the US premium denim market knocked our US-based J Brand label below target. In response to expanding operating losses, the operation reported an impairment loss of ¥5.1 billion at the end of August 2015.

## Group: Balance Sheet at end August 2015

Billions of Yen

|                           | End Aug.<br>2014 | End Aug.<br>2015 | Change |
|---------------------------|------------------|------------------|--------|
| <b>Total Assets</b>       | 992.3            | <b>1,163.7</b>   | +171.3 |
| <b>Current Assets</b>     | 717.0            | <b>874.3</b>     | +157.3 |
| <b>Non-Current Assets</b> | 275.2            | <b>289.3</b>     | +14.0  |
| <b>Total Liabilities</b>  | 356.2            | <b>388.9</b>     | +32.6  |
| <b>Total Equity</b>       | 636.0            | <b>774.8</b>     | +138.7 |

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Next, I would like to take you through our balance sheet as it stood at the end of August 2015.

Compared to the end of August 2014, total assets increased by ¥171.3 billion to ¥1.1637 trillion. This includes an increase of ¥157.3 billion in current assets and an increase of ¥14.0 billion in non-current assets.

I will discuss the main components of the balance sheet in the next slide.





## Group: B/S Main Points v. end Aug. 2014

### **Current assets +¥157.3bln (¥717.0bln⇒ ¥874.3bln)**

▪ **Cash and cash equivalents +¥41.1bln (¥314.0bln⇒ ¥355.2bln)**

▪ **Inventories +¥36.7bln (¥223.2bln⇒¥260.0bln)**

UNIQLO Japan -¥5.6bln

UNIQLO Intl +¥34.1bln Total store numbers increased by 165

Global Brands +¥8.2bln Expansion of GU and Theory operations

▪ **Derivative financial assets +¥58.3bln (¥99.1bln⇒¥157.4bln)**

Recorded assets of ¥157.4bln after the end-August yen exchange rate fell below the average rate of our forward contract holdings at UNIQLO Japan and other operations. The ¥58.3bln increase was due to the widening gap between contract and period-end exchange rates.

### **Non-current assets +¥14.0bln (¥275.2bln⇒¥289.3bln)**

▪ **Tangible assets +¥14.9bln (¥114.3bln⇒¥129.3bln)**

UNIQLO International: +165 stores Global Brands +71 stores

▪ **Intangible assets -¥5.5bln (¥73.6bln⇒¥68.1bln)**

Global Brands: J Brand impairment loss FR parent: Impairment loss on systems

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Let's look first at the ¥157.3 billion increase in current assets at the end of August 2015.

Cash and cash equivalents increased by ¥41.1 billion year on year to ¥355.2 billion at the end of August 2015, due to an increase in operating cash flow at our UNIQLO and other business operations.

Looking next at inventories, total inventory increased by ¥36.7 billion to ¥260.0 billion.

Inventory at UNIQLO Japan decreased by ¥5.6 billion. Inventory at UNIQLO International expanded by ¥34.1 billion, mainly due to the expansion of UNIQLO's international network by 165 stores compared to the previous year. Inventory levels increased by ¥8.2 billion at our Global Brands segment as we continued to expand our GU and Theory operations.

Derivative financial assets totalled ¥157.4 billion at the end of August 2015. UNIQLO Japan and some of our other operations take out forward exchange contracts as part of its long-term strategy to hedge against future movements in foreign exchange rates. The ¥58.3 billion increase in derivative financial assets was due to the fact that end-August yen exchange rates fell below the average rates on our forward contract holdings, and the gap between the contract and period-end exchange rates widened. Please note, however, that this item is considered under hedge accounting and does not impact our profit and loss position.

Non-current assets increased by ¥14.0 billion year on year. This included a ¥14.9 billion increase in tangible assets linked to the opening of 165 new stores at UNIQLO International and 71 new stores at Global Brands. Meanwhile, intangible assets decreased by ¥5.5 billion following the reporting of period-end impairment losses relating to J Brand and some other items.

## Group: FY2015 Cash Flow

Billions of Yen

|  | Yr. to Aug 2014<br>Actual | Yr. to Aug 2015<br>Actual | Comments  |
|--|---------------------------|---------------------------|---|
| <b>Net cash from operating activities</b>                        | <b>+ 110.5</b>            | <b>+ 134.9</b>            |   |
| Profit before income taxes                                       | + 135.4                   | + 180.6                   | Profit contribution from UNIQLO and other operations  |
| Depreciation and amortization                                    | + 30.8                    | + 37.7                    |   |
| Impairment losses  | + 23.9                    | + 16.1                    | FY2014: ¥23.9bn recorded on J Brand and store losses<br>FY2015: ¥16.1bn recorded on systems, J Brand and store losses |
| Working capital  | -42.6                     | -43.9                     |   |
| Corporate tax payment/refund                                     | -55.5                     | -70.8                     |   |
| <b>Net cash used in investing activities</b>                     | <b>-56.3</b>              | <b>-73.1</b>              |   |
| Decrease/(increase) in bank deposits with maturity over 3 months | -2.1                      | -16.1                     | Temporary increase in bank deposits with maturity over 3 months   |
| Purchases of property, plant and equipment                       | -41.4                     | -44.6                     | Expansion of store network  |
| Purchases of intangible assets                                   | -7.5                      | -6.5                      | Systems investment, etc   |
| <b>Net cash used in financing activities</b>                     | <b>-44.0</b>              | <b>-41.7</b>              |   |
| Cash dividends paid  | -30.5                     | -33.1                     | FY2014 year-end dividend payment of ¥150 per share<br>FY2015 interim dividend payment of ¥175 per share               |
| Effect of exchange rate changes on cash and cash equivalents     | + 7.1                     | + 21.1                    |   |
| Increase in cash & equivalents                                   | + 17.3                    | + 41.1                    |   |
| Cash & equivalents period start                                  | 296.7                     | 314.0                     |   |
| Cash & equivalents period end                                    | 314.0                     | 355.2                     |   |

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Next, I will explain our cash flow position in fiscal 2015.

We enjoyed a net cash inflow of ¥134.9 billion from operating activities, with UNIQLO and other Group operations contributing profits of ¥180.6 billion.

Net cash used in investing activities totalled ¥73.1 billion in fiscal 2015. A temporary increase in bank deposits with maturities over three months constituted ¥16.1 billion of this total. In addition, ¥44.6 billion was spent on purchases of property, plants and equipment, and ¥6.5 billion was spent on purchases of intangible assets, such as systems investment. While the total number of bank deposits with maturities over three months did increase, these assets are considered to be very liquid.

Capital expenditure for the Fast Retailing Group totalled ¥62.4 billion. Of that total, ¥8.6 billion was invested in UNIQLO Japan, ¥37.7 billion was invested in UNIQLO International, ¥8.9 billion was invested in Global Brands and ¥7.1 billion was spent on systems investment, etc.

Net cash used in financing activities totalled ¥41.7 billion. Cash dividend payments accounted for ¥33.1 billion of that total.

As a result, the balance of cash and cash equivalents stood at ¥355.2 billion at the end of August 2015.

## Group: FY2016 Estimates

**Revenue : ¥1.90 trillion (+13.0% y/y)**  
**Operating profit : ¥200.0 billion (+21.6%)**  
**Profit attributable to owners of the parent : ¥115.0 billion (+4.5%)**

|  | Yr to Aug. 2015 | Yr to Aug. 2016 |                | Billions of Yen |
|--|-----------------|-----------------|----------------|-----------------|
|  | Actual          | Estimate        | y/y            |                 |
| <b>Revenue</b>                                     | 1,681.7         | <b>1,900.0</b>  | <b>+ 13.0%</b> |                 |
| (to revenue)                                       | 100.0%          | 100.0%          |                |                 |
| <b>Operating profit</b>                            | 164.4           | <b>200.0</b>    | <b>+ 21.6%</b> |                 |
| (to revenue)                                       | 9.8%            | 10.5%           | + 0.7 p        |                 |
| <b>Profit before income taxes</b>                  | 180.6           | <b>200.0</b>    | <b>+ 10.7%</b> |                 |
| (to revenue)                                       | 10.7%           | 10.5%           | -0.2 p         |                 |
| <b>Profit attributable to owners of the parent</b> | 110.0           | <b>115.0</b>    | <b>+ 4.5%</b>  |                 |
| (to revenue)                                       | 6.5%            | 6.1%            | -0.4 p         |                 |

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I would now like to explain our consolidated business estimates for fiscal 2016, or the 12 months ending August 31, 2016.

Fast Retailing expects fiscal 2016 consolidated revenue will expand 13.0% year on year to ¥1.9000 trillion, operating profit will increase 21.6% to ¥200.0 billion, and profit attributable to owners of the parent will expand 4.5% ¥115.0 billion.

In fiscal 2015, the depreciation in the Japanese yen generated a net finance income of ¥16.2 billion. However, we have not incorporated any similar gains into our fiscal 2016 estimates. For that reason, the expected increase in fiscal 2016 profit attributable to owners of the parent is much lower than the expected increase for fiscal 2016 operating profit.



## FY2016 Estimates by Group Operation

### UNIQLO Japan: Rise in revenue and profit

- Expect sales revenue to increase, and same-store sales to rise by 4.0% y/y.
- Expect operating profit to increase and OP margin to hold steady.

### UNIQLO International: Large gains in revenue and profit

- Plan to open approximately 175 new stores across whole segment.
- Expect operating profit to expand significantly, OP margin to improve slightly.
- Limit new store openings, boost E-commerce to curb losses at UNIQLO USA.

### Global Brands: Rise in revenue and profit

- Expect large gains in GU revenue and profit, 50 stores in and outside Japan.
- Expect profitability of Theory and other affordable luxury brands to improve.

| UNIQLO Intl. approx. store openings |            | Global Brands approx. store openings |           |
|-------------------------------------|------------|--------------------------------------|-----------|
| Greater China                       | 100        | GU                                   | 50        |
| South Korea                         | 20         | Theory                               | 25        |
| Southeast Asia and Oceania          | 40         | CDC                                  | 5         |
| United States                       | 5          | <b>Total</b>                         | <b>80</b> |
| Europe                              | 10         |                                      |           |
| <b>Total</b>                        | <b>175</b> |                                      |           |

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Now, let's look at fiscal 2016 estimates for individual business segments.

We expect UNIQLO Japan to report rises in both revenue and profit. We forecast sales revenue will rise on the back of an approximate 4.0% year-on-year increase in same-store sales. We also estimate operating profit will expand, while the operating profit margin is expected to hold fairly steady.

Moving on to UNIQLO International, we expect large gains in revenue and profit in fiscal 2016.

We plan to open approximately 175 new stores across UNIQLO International operations over the business year. This total breaks down into approximately 100 new stores in Greater China, 20 stores in South Korea, 40 stores in Southeast Asia and Oceania, 5 stores in the United States and approximately 10 stores in Europe. We expect UNIQLO International operating profit will expand significantly, and we should also see a slight rise in the operating profit margin. We plan to restrict new store openings in the United States and focus instead on expanding E-commerce sales with the aim of reducing operating losses.

We estimate the Global Brands segment will generate increases in revenue and profit, fuelled primarily by significant revenue and profit gains at the GU operation. We intend to open a total of approximately 50 new GU stores, in Japan and abroad. Meanwhile, we expect performance from the segment's affordable luxury brands, Theory, Comptoir des Cotonniers and J Brand, will improve in fiscal 2016.

## FY2016 Dividend Estimates

**Expected FY2015 dividend: ¥350**  
**Scheduled FY2016 dividend: ¥370**

|  | Dividend per share |        |        |
|--|--------------------|--------|--------|
|  | Mid-term           | Yr-end | Annual |
| <b>Year to Aug. 2014</b>               | 150yen             | 150yen | 300yen |
| <b>Year to Aug. 2015</b> ※1            | 175yen             | 175yen | 350yen |
| <b>Year to Aug. 2016 (Estimate)</b> ※2 | 185yen             | 185yen | 370yen |

※1 The final decision on the FY2015 year-end dividend will be taken at the Board meeting to be held on November 4, 2015.

※2 The year-end dividend total may be adjusted in the event of large fluctuations in business performance or access to funds.

Finally, I would like to talk about our intended dividend payments.

Fast Retailing intends to pay an annual dividend of ¥350 per share in fiscal 2015, split equally into interim and year-end dividends of ¥175 per share.

Then, in fiscal 2016, Fast Retailing is scheduling an annual dividend of ¥370 per share, split equally into interim and year-end dividends of ¥185 yen per share.

That ends this presentation on the Fast Retailing Group's performance in fiscal 2015, and estimates for the full business year through August 31, 2016.

The remaining three slides are provided for your reference. Thank you.



## Reference FY2015 Store Numbers by Group Company

| [Units: Stores]             | FY2014<br>Yr-end | Yr to Aug. 2015 Estimate |            |             | Yr-end       |
|-----------------------------|------------------|--------------------------|------------|-------------|--------------|
|                             |                  | Open                     | Close      | Change      |              |
| <b>UNIQLO Operations</b>    | <b>1,485</b>     | <b>227</b>               | <b>73</b>  | <b>+154</b> | <b>1,639</b> |
| <b>UNIQLO Japan ※</b>       | <b>852</b>       | <b>45</b>                | <b>56</b>  | <b>-11</b>  | <b>841</b>   |
| Directly-run stores         | 831              | 36                       | 56         | -20         | 811          |
| Large-scale                 | 199              | 15                       | 6          | +9          | 208          |
| Standard and others         | 632              | 21                       | 50         | -29         | 603          |
| Franchise stores            | 21               | 9                        | 0          | +9          | 30           |
| <b>UNIQLO International</b> | <b>633</b>       | <b>182</b>               | <b>17</b>  | <b>+165</b> | <b>798</b>   |
| China                       | 306              | 91                       | 10         | +81         | 387          |
| Hong Kong                   | 22               | 4                        | 1          | +3          | 25           |
| Taiwan                      | 46               | 9                        | 0          | +9          | 55           |
| Korea                       | 133              | 26                       | 4          | +22         | 155          |
| Singapore                   | 18               | 5                        | 0          | +5          | 23           |
| Malaysia                    | 21               | 4                        | 0          | +4          | 25           |
| Thailand                    | 20               | 4                        | 1          | +3          | 23           |
| Philippines                 | 16               | 7                        | 0          | +7          | 23           |
| Indonesia                   | 4                | 4                        | 0          | +4          | 8            |
| Australia                   | 1                | 5                        | 0          | +5          | 6            |
| USA                         | 25               | 17                       | 0          | +17         | 42           |
| UK                          | 10               | 0                        | 1          | -1          | 9            |
| France                      | 6                | 2                        | 0          | +2          | 8            |
| Russia                      | 4                | 4                        | 0          | +4          | 8            |
| Germany                     | 1                | 0                        | 0          | +0          | 1            |
| <b>Global Brands</b>        | <b>1268</b>      | <b>132</b>               | <b>61</b>  | <b>+71</b>  | <b>1,339</b> |
| GU                          | 276              | 60                       | 17         | +43         | 319          |
| Theory ※                    | 460              | 63                       | 19         | +44         | 504          |
| Comptoir des Cotonniers ※   | 374              | 9                        | 15         | -6          | 368          |
| Princesse tam.tam ※         | 152              | 0                        | 7          | -7          | 145          |
| J Brand                     | 6                | 0                        | 3          | -3          | 3            |
| <b>Total</b>                | <b>2,753</b>     | <b>359</b>               | <b>134</b> | <b>+225</b> | <b>2,978</b> |

Note: Excludes Mina  
(Commercial Facility Business)  
and Grameen UNIQLO stores

※Includes franchise stores



Reference

**FY2016 Store Plans by Group Operation**

| [Unit: Stores]           | FY2015       | FY2016 Estimate |            |             |              |
|--------------------------|--------------|-----------------|------------|-------------|--------------|
|                          | Yr-end       | Open            | Close      | Change      | Yr-end       |
| <b>UNIQLO Operations</b> | <b>1,639</b> | <b>215</b>      | <b>50</b>  | <b>+165</b> | <b>1,804</b> |
| UNIQLO Japan ※           | 841          | 40              | 35         | +5          | 846          |
| UNIQLO International     | 798          | 175             | 15         | +160        | 958          |
| <b>Global Brands ※</b>   | <b>1,339</b> | <b>80</b>       | <b>50</b>  | <b>+30</b>  | <b>1,369</b> |
| <b>Total</b>             | <b>2,978</b> | <b>295</b>      | <b>100</b> | <b>+195</b> | <b>3,173</b> |

Note: Excludes Mina (Commercial Facility Business) and Grameen UNIQLO stores

※Includes franchise stores



Reference

## Forex, Capex, Depreciation

### Applicable Exchange Rates

Yen

|   | 1USD  | 1EUR  | 1GBP  | 1RMB | 100KRW |
|---|-------|-------|-------|------|--------|
| Yr to Aug. 2014 12 mths average to Aug. 2014        | 101.5 | 138.2 | 167.5 | 16.5 | 9.6    |
| Yr to Aug. 2015 12 mths average to Aug. 2014        | 117.3 | 137.1 | 183.1 | 18.9 | 10.7   |
| Yr to Aug. 2016 full year to Aug. 2016 (Estimate) ※ | 120.0 | 132.0 | 183.5 | 19.2 | 11.1   |

※ Estimated average exchange rate for FY2016. It does not indicate spot exchange rate.

### Capex and Depreciation

Billions of Yen

|   | Capital spending | Depreciation |
|---|------------------|--------------|
| Yr to Aug. 2014 12 mths to Aug. 2014 (Actual)   | 58.8             | 30.8         |
| Yr to Aug. 2015 12 mths to Aug. 2015 (Actual)   | 62.4             | 37.7         |
| Yr to Aug. 2016 12 mths to Aug. 2016 (Estimate) | 64.0             | 40.3         |

#### Breakdown of capital expenditure

FY2015 : UNIQLO Japan: ¥8.6bln, UNIQLO Intl.: ¥37.7bln, Global Brands: ¥8.9bln, Systems: ¥7.1bln

FY2016(E): UNIQLO Japan: ¥4.2bln, UNIQLO Intl.: ¥36.7bln, Global Brands: ¥11.8bln, Systems: ¥11.3bln