

Financial results for first quarter to Nov 2003

Masatoshi Morita
FAST RETAILING CO., LTD
Managing Director & CFO



My name is Masatoshi Morita and I am the Chief Executive Officer of FAST RETAILING CO., LTD.

This is the first time that we have issued our financial results on a quarterly basis so I would like to take you briefly through our performance during the three months from September to November 2003.

[Parent] PL for first quarter to Nov 2003

Net sales ¥91.9bln, ordinary income ¥22.1bln

Billions of yen

	Year to August 2004			Yr to Aug 03		
	Full Year Initial Est.	First Half to Feb 04 Initial Est.	(y/y)	First quarter to Nov 03 Actual	(y/y)	1Q to Nov 02 Actual
Net Sales <small>(to net sales)</small>	330.0 100.0%	176.5 100.0%	(+9.0%)	91.9 100.0%	(+3.3%)	88.9 100.0%
Gross Profit <small>(to net sales)</small>	152.4 46.2%	81.8 46.3%	(+16.9%) (+3.1p)	45.6 49.7%	(+13.4%) (+4.4p)	40.2 45.3%
SG&A Expenses <small>(to net sales)</small>	92.8 28.1%	46.1 26.1%	(+5.1%) (-1.0p)	23.5 25.7%	(+4.0%) (+0.2p)	22.6 25.5%
Operating Income <small>(to net sales)</small>	59.6 18.1%	35.7 20.2%	(+36.7%) (+4.1p)	22.0 24.0%	(+25.5%) (+4.2p)	17.5 19.8%
Ordinary Income <small>(to net sales)</small>	60.0	35.9 20.3%	(+36.2%) (+4.0p)	22.1 24.1%	(+24.3%) (+4.1p)	17.7 20.0%
Net Income <small>(to net sales)</small>	33.6 10.2%	20.1 11.4%	(+78.0%) (+4.4p)	12.5 13.7%	(+23.3%) (+2.3p)	10.1 11.4%

Actual results for the first quarter to Nov 2002 and comparison with first quarter to Nov 2003 have been calculated from our internal management data.

FAST RETAILING
CO.,LTD.



First of all I would like to outline our parent results for the three months to November 2003.

Net sales sales came in at ¥91.9bln, gross profit at ¥45.6bln, SG&A expenses at ¥23.5bln, operating income at ¥22.0bln and ordinary income at ¥22.1bln. We didn't disclose full results for the quarter September to November 2002. However, based on internal management data, we can say that we enjoyed an increase in both revenue and profit in the three months to November 2003.

Net sales came in slightly below our initial estimates due to unusual weather. However, gross profit was slightly higher than initially estimated and we were able to cap SG&A costs as planned. That enabled us to achieve operating income roughly in line with initial estimates.

[Parent] Net sales

Net sales - 1Q (3mths to Nov 2003): ¥91.9bln

Achieved revenue increase: 3.3% y/y

*Net increase of 23 stores (First Half est. 21 stores)

·Store openings 38 (" 39)

·Store closures 15 (" 18)

*Net sales at existing stores 6.1% y/y

Actual results for the first quarter to Nov 2002 and comparison with first quarter to Nov 2003 have been calculated from our internal management data.

FAST RETAILING
CO.,LTD.



To look first at net sales, we achieved an increase in net sales to ¥91.9bln. That represents a 3.3% increase over the previous year.

During the three months to November 2003, we opened 38 new stores and closed 15 resulting in a net increase of 23 stores. That brought our total number of directly-managed stores to 604 as of the end of November 2003.

Then in December we opened another 2 stores, transferred three franchise stores to direct management and closed one store. That brought the total number of directly-managed stores to 608 at the end of December 2003.

Based on this performance, we are confident that we will achieve our targets on store openings for the first six months to February 2004.

However I do need to mention that net sales at existing stores fell 6.1% year on year. The reasons for this will be explained in the next slide.

[Parent] Net sales

Net sales at existing stores 6.1%

* Customer numbers at existing stores 5.7% y/y

... Customer numbers dampened by unusual weather

* Average purchase price per customer 0.4% y/y

... Price recovering near to previous year levels

Y/Y Change		Year to August 2004				
		Sep	Oct	Nov	Sep-Nov	Dec
Existing store basis	Net Sales	11.4%	+9.1%	15.1%	6.1%	+12.4%
	Customer Numbers	9.1%	+3.1%	11.0%	5.7%	+12.1%
	Avg.purchase per customer	2.5%	+5.8%	4.6%	0.4%	+0.3%

FAST RETAILING
CO.,LTD.



Looking next at a breakdown of performance at our existing stores.

First on customer numbers, the number of customers visiting our stores is inherently volatile and we see considerable fluctuations from month to month. In the September to November quarter, we were impacted greatly by un-seasonal weather patterns and that resulted in a 5.7% fall in customer numbers to existing stores compared to the previous year.

Japan's heat wave in September translated into a 9.1% fall in customer numbers to our stores in that month. Customer numbers picked up again in October recording a 3.1% increase. However, come November, when the weather was very mild, customer numbers fell again posting a 11.0% fall year on year. Having said that, although the September to November quarter shows an overall decrease, we have since experienced an upturn in customer numbers in December of 12.1% year on year.

The average purchase price per customer came in very close to the previous year's level falling only 0.4% year on year. Again there are considerable monthly fluctuations to be considered here, but we do judge this as a sign of recovery in the indicator when compared to the hefty 11.5% fall posted for the full year to August 2003.

Monthly sales efforts (Sep-Nov)

September - Bottoms campaign



October – Knitwear campaign

November – Fleece campaign



FAST RETAILING
CO.,LTD.



Next I would like to review our monthly sales efforts during the first quarter .

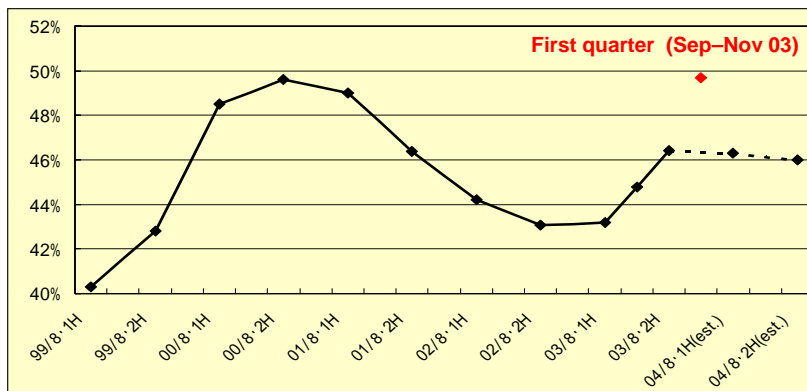
First of all, in September we conducted a bottoms campaign that proved very popular particularly for such items as our stretch bootleg pants for women.

Our October knitwear campaign was also very successful with favorable sales across all products including our new cashmere sweater line introduced mid September.

In November we conducted a fleece campaign which proved successful for our reversible fleece jackets and micro fleeces. However, the unusually mild temperatures depressed sales of outer wear.

(Parent) Gross profit margin

	Yr to Aug 03	Yr to Aug 04
First quarter (3 months to Nov)	45.3%	49.7%
First half (6 months to Feb)	43.2%	46.3%(est)



Actual results for the first quarter to Nov 2002 have been calculated from our internal management data

FAST RETAILING
CO.,LTD.



I'd next like to point out our achievement on gross profit margin which came in above estimate at 49.7%.

The September to November quarter constitutes the first half of the fall/winter season when gross profit margin tends to be higher. The next three months from December to February covers the end of the fall/winter season when we have to cut prices more frequently to sell off goods in stock. That tends to dampen gross profit margin in the second quarter.

As you can see from the slide, our experience in the year to August 2003 was the same. Gross profit margin in the first three months to November came in at 45.3%, higher than the 43.2% margin for the full first half.

Bearing that past experience in mind then, we feel that the actual 49.7% margin for September to November 2003 shows us running only slightly ahead of initial expectations.

Elsewhere, SG&A expenses were capped as planned allowing us to keep operating income on track at ¥22.0bln.

[Parent] Balance sheet at end Nov 2003

Billions of yen

	End Aug 03	End Nov 03	Increase
Total Assets	219.7	232.8	+13.0
Current Assets	169.6	173.2	+3.5
Fixed Assets	50.0	59.5	+9.4
Liabilities	77.5	83.7	+6.1
Shareholder Equity	142.1	149.0	+6.9

FAST RETAILING
CO.,LTD.



Let's turn next to the parent balance sheet where we see increases across the board when compared to end August 2003.

Total assets increased by ¥13.0bln to ¥232.8bln, current assets rose by ¥3.5bln and fixed assets by ¥9.4bln. At the same time liabilities also rose ¥6.1bln and shareholder equity increased by ¥6.9bln.

The next slide illustrates three points that I would like to highlight regarding the balance sheet.

[Parent] Balance sheet—main points

Main points - compared with end Aug 2003

Slight decrease in cash, cash equivalents and marketable securities

¥1.1bln (¥123.0bln ¥121.8bln)

Increase in Inventory at end Nov + ¥ 2.4bln (¥19.8bln ¥22.3bln)

Increase in sales inventory due to seasonal factors

Forward Exchange Contracts ¥20.8bln (¥13.8bln ¥6.9bln)

Carried over hedging losses

resulting from stronger yen - no PL impact

FAST RETAILING
CO.,LTD.



First of all, cash, cash equivalents and marketable securities held fairly steady compared to end August 2003 at ¥121.8bln.

Secondly, inventories stood at ¥22.3bln, an increase of ¥2.4bln compared to end August. However, we don't feel there is any cause for concern here since the rise was due in the main to increased inventory for new stores and seasonal sales inventory.

Thirdly, the account for forward exchange contracts turned negative. However, this was due to the fall in value of our existing forward exchange contracts in line with the strengthening of the yen and does not effect our profit and loss position. FAST RETAILING always aims to stabilize its merchandise costs and with that aim in mind we purchase forward exchange contracts on a three-year horizon. Due to the strengthening of the Japanese yen, this appears as a hidden loss on the balance sheet. However, given that the forward rate is set at a level that allows us to cover our position, this does not effect our forecasts for gross profit margin.

[Group] PL for first quarter to Nov 2003

Net sales ¥92.8bln, Ordinary Income ¥21.7bln

Billions of yen

	Yr to Aug 2004		
	Full Year Initial Estimate	First Half Initial Estimate	Sep-Nov Actual
Net Sales (to net sales)	335.2 100.0%	178.9 100.0%	92.8 100.0%
Gross Profit (to net sales)	154.4 46.1%	82.7 46.2%	46.0 49.5%
SG&A Expenses (to net sales)	95.4 28.5%	47.4 26.5%	24.3 26.2%
Operating Income (to net sales)	58.9 17.6%	35.2 19.7%	21.6 23.3%
Ordinary Income (to net sales)	59.3 17.7%	35.4 19.8%	21.7 23.4%
Net Income (to net sales)	32.9 9.8%	19.6 11.0%	12.1 13.1%

FAST RETAILING
CO.,LTD.



Turning now to our consolidated accounts for the three months to November 2003, you can see that net sales came in at ¥92.8bln, operating income at ¥21.6bln and ordinary income at ¥21.7bln.

[Group] Results per subsidiary for first quarter

Billions of yen

	Consolidated				
	Parent	UNIQLO(U.K.) (UK)	FRJS (China)	FRFoods (Food)	
	03/9 ~ 03/11	03/9 ~ 03/11	03/7 ~ 03/9	03/7 ~ 03/9	
Net Sales	92.8	91.9	0.48	0.14	0.30
Ordinary Income	21.7	22.1	0.06	0.08	0.25
Net Income	12.1	12.5	0.06	0.08	0.25

FAST RETAILING
CO.,LTD.



Next, I'd like to explain the consolidated results at each of our subsidiary operations.

We managed to record a ¥60mIn ordinary profit in the three months to November at UNIQLO(UK) thanks to cost savings generated from restructuring measures such as the reduction of store numbers and the downsizing of our UK headquarters. However, we must not sound too optimistic yet. It is only a few months since we established the new UNIQLO(UK) subsidiary structure and the September to November quarter is a comparatively profitable one. We still have to resolve such issues as a viable support structure from Japan but we continue our efforts to generate a profit for the full business year.

Our China operation posted a ¥80mIn loss in the three months to November. However, China is different in so far as it's first quarter runs from July to September and it is during this period that much of the summer inventory is offloaded making it a tough quarter in terms of profitability. We noted some signs of improvement once into the second quarter and we are currently striving to turn a profit in the coming business year.

FR Foods posted a loss of ¥250mIn in the three months to September 2003 and we are aware that additional effort will be required to make this business profitable in the coming business year.

[Parent] Forecasts for full year to August 2004

Billions of yen

	Year to August 2004	
	First Half (y/y)	Full Year (y/y)
Net Sales	176.5 (+ 9.0%)	330.0 (+ 9.4%)
Gross Profit	81.8 (+ 16.9%)	152.4 (+ 13.1%)
(to net sales)	46.3% (+ 3.1p)	46.2% (+ 1.5p)
SG&A Expenses	46.1 (+ 5.1%)	92.8 (+ 5.1%)
(to net sales)	26.1% (1.0p)	28.1% (1.2p)
Operating Income	35.7 (+ 36.7%)	59.6 (+ 28.2%)
(to net sales)	20.2% (+ 4.1p)	18.1% (+ 2.7p)
Ordinary Income	35.9 (+ 36.2%)	60.0 (+ 27.7%)
(to net sales)	20.3% (+ 4.0p)	18.2% (+ 2.6p)
Net Income	20.1 (+ 78.0%)	33.6 (+ 78.0%)
(to net sales)	11.4% (+ 4.4p)	10.2% (+ 4.0p)

FAST RETAILING
CO.,LTD.

Next, we have made no revisions to our first half or full year forecasts on either a parent or consolidated basis.

For the full year on a parent basis, we expect net sales to rise 9.4% year on year to ¥330bln. We see operating income rising 27.7% year on year to ¥60bln and net income is expected to come in at ¥33.6bln, 78% higher than the previous year when extraordinary losses dampened results.

[Group] Forecasts for full year to August 2004

Billions of yen

	Year to August 2004	
	First Half (y/y)	Full Year (y/y)
Net Sales	178.9 (+ 8.2%)	335.2 (+ 8.2%)
Gross Profit	82.7 (+ 16.6%)	154.4 (+ 12.7%)
(to net sales)	46.2% (+ 3.3p)	46.1% (+ 1.9p)
SG&A Expenses	47.4 (0.7%)	95.4 (0.3%)
(to net sales)	26.5% (2.4p)	28.5% (2.4p)
Operating Income	35.2 (+ 52.2%)	58.9 (+ 42.8%)
(to net sales)	19.7% (+ 5.7p)	17.6% (+ 4.3p)
Ordinary Income	35.4 (+ 51.8%)	59.3 (+ 42.7%)
(to net sales)	19.8% (+ 5.7p)	17.7% (+ 4.3p)
Net Income	19.6 (+ 65.5%)	32.9 (+ 57.3%)
(to net sales)	11.0% (+ 3.8p)	9.8% (+ 3.0p)

FAST RETAILING
CO.,LTD.



Next, let me take you through our forecasts for the first half and full year consolidated results. There are no revisions here either and we feel that things are progressing along the lines of our original estimates.

We expect net sales to rise 8.2% year on year to ¥335.2bln, operating income to jump 42.7% to ¥59.3bln, and net income to come in at ¥32.9bln, 57.3% higher than the previous year.

Finally, I'd like to touch upon our decision, announced back in September 2003, to buy the rights to the US Theory brand and to take a stake in Link International. Our current consolidated forecasts do not take these new deals into account. We had expected the various procedures to be completed in November 2003 but we are somewhat behind on completion at present due to some administrative delays. But we will inform of any revisions to our consolidated forecasts in the light of these deals once the figures are firmed up.

That completes my explanation of FAST RETAILING's results for the three months to November 2003. Thank you.