

# Interim results to February 2004 plus full year forecasts

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My name is Masatoshi Morita and I am the Managing Director and CFO of FAST RETAILING.

I would like to run through our results for the six months to February 2004 and our forecasts for the full year to August 2004.

# 【Parent】 Profit & loss statement for six months to Feb 04

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Billions of yen

	6 mths to Feb 03 Actual	Initial Estimate	6 months to Feb 04		
			Actual	y/y	v.estimate
Net Sales	161.9	176.5	<b>180.7</b>	+11.6%	+2.4%
(to net sales)	100.0%	100.0%	<b>100.0%</b>		
Gross Profit	69.9	81.8	<b>85.8</b>	+22.6%	+4.9%
(to net sales)	43.2%	46.3%	<b>47.5%</b>	+ 4.3p	
SG&A Expenses	43.8	46.1	<b>46.1</b>	+5.2%	+0.1%
(to net sales)	27.1%	26.1%	<b>25.5%</b>	1.6p	
Operating Income	26.1	35.7	<b>39.6</b>	+51.9%	+11.1%
(to net sales)	16.1%	20.2%	<b>22.0%</b>	+ 5.9p	
Ordinary Income	26.3	35.9	<b>39.6</b>	+50.5%	+10.5%
(to net sales)	16.3%	20.3%	<b>22.0%</b>	+ 5.7p	
Net Income	11.2	20.1	<b>21.3</b>	+88.6%	+6.0%
(to net sales)	7.0%	11.4%	<b>11.8%</b>	+ 4.8p	

Feb 04 Interim dividend of ¥50 per share (payout ratio 23.9%)

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First on our results for the six months to February 2004, we were able to achieve an increase in both sales and profit and exceed our initial estimates on both these fronts.

Net sales came in up 11.6% year on year at ¥180.7bln, operating income rose 51.9% year on year to ¥39.6bln and net income rose 88.6% to ¥21.3bln.

We will pay an interim dividend of ¥50 per share as originally announced.

# 【Parent】 Net sales

Net sales: ¥180.7bln (up 11.6% y/y)

Net sales existing stores:+2.3%y/y, first rise in 3 yrs

Customer numbers turned upwards thanks to our new products focused on material and style

Average purchase per customer stabilizes with only limited price cutting now that our inventory adjustment has run its course

Net increase in directly-managed stores: 26

Existing Stores y/y change	Year to Aug 03		Year to Aug 04
	1H	2H	1H
Net Sales	19.7%	26.8%	+ 2.3%
Customer Nos	9.3%	16.2%	+ 2.9%
Av. Purchase	11.5%	12.6%	0.6%

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First I would like to explain a few points about our net sales position. We achieved an 11.6% year-on-year increase in net sales to ¥180.7bln

Sales at existing stores rose 2.3% year on year in the first half. That is the first time in three years that sales have risen during the first six months. And while our business is subject to monthly fluctuations, we have noted a stabilization in existing store sales around previous year's levels.

In addition, customers numbers, which had begun to pick up during the six months to August 2003, showed further improvement rising 2.9% year on year. The average purchase per customer also continued to stabilize, falling only a slight 0.6% year on year.

The addition of 26 new directly-managed stores also contributed to increased sales bringing the total number of directly-managed stores to 607 as of the end of February 2004.

# 【Parent】 Gross profit margin

## Gross profit margin meets initial estimates thanks on favorable sales trend

Gross profit margin : Actual **47.5%** > **46.3%** Initial Estimate  
 Gross profit : Actual **¥85.8bln** > **¥81.8bln** Initial Estimate

	Yr to Aug 03	Yr to Aug 04	y/y
Year	44.7%	46.7% (Estimate)	+2.0p
1H	43.2%	<b>47.5% (Actual)</b>	<b>+4.3p</b>
2H	46.4%	45.7% (Estimate)	0.7p

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Our performance on gross profit margin was also impressive, exceeding the previous year's level by 4.3 percentage points at 47.5%. There were several contributing factors at work here. We had less inventory left over from the previous season leading to a reduced impact from inventory-related discounting and the introduction of our spring lines and overall product sales were very favorable.

We also benefited from our ongoing efforts to improve product management and inventory management. That enabled us to outperform the initial estimate for gross profit margin of 46.3% by 1.2 percentage points.

As a result, overall gross profit exceeded initial estimates of ¥81.8bln coming in at ¥85.8bln.

# 【Parent】 SG&A control

## SG&A control in line with estimates (100% v. initial estimate)

SG&A expenses: Actual **¥46.1bln** = **¥46.1bln** Initial estimate

SG&A ratio : Actual **25.5%** < **26.1%** Initial estimate

Net sales and SG&A on target      improved SG&A ratio

Stable sales      more efficient management

Billions of yen

	6 mths to Feb03		6 mths to Feb04		Change	
		(to net sales)		(to net sales)		(to net sales)
<b>SG&amp;A Expenses</b>	<b>43.8</b>	<b>27.1%</b>	<b>46.1</b>	<b>25.5%</b>	<b>+ 2.3</b>	<b>1.6p</b>
<b>Personnel</b>	15.2	9.4%	16.3	9.0%	+ 1.1	.04p
<b>Advertising &amp; Promotion Costs</b>	9.2	5.7%	9.3	5.2%	+ 0.1	0.5p
<b>Rents,lease payments &amp; depreciation</b>	1.2	7.4%	12.8	7.1%	+ 0.8	0.3p
<b>Other</b>	7.2	4.5%	7.6	4.2%	+ 0.4	0.3p

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Despite this increased activity, we were able to keep SG&A costs under control in line with initial estimates of ¥46.1bln.

Thanks to a slightly more favorable trend for net sales than initially expected, our SG&A ratio came in a little better than target at 25.5%. We put that down to both the stable sales trend and efficient management on our part.

# 【Parent】 Balance sheet as of Feb 04

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Billions of yen

	End of Aug 03	End of Feb 04	Increase	(Reference) End of Feb 04
Total Assets	219.7	<b>251.9</b>	+32.2	235.2
Current Assets	169.6	<b>186.3</b>	+16.6	187.9
Fixed Assets	50.0	<b>65.5</b>	+15.5	47.3
Liabilities	77.5	<b>93.8</b>	+16.2	98.5
Shareholders' Equity	142.1	<b>158.1</b>	+15.9	136.7

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Turning next to our parent balance sheet as of February 2004. Compared to the end of August 2003, our total assets expanded by ¥32.2bln to reach ¥251.9bln. Current assets rose by ¥16.6bln and fixed assets expanded by ¥15.5bln.

# 【Parent】 Balance sheet – main points

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## Main Points (Comparison with end Aug 03)

Increase in cash, cash equivalents, marketable securities + ¥24.9bln

(¥123.0bln    ¥147.9bln )

larger free cash flow

Inventory levels up slightly +¥0.9bln (¥19.8bln    ¥20.8bln)

Favorable sales helped control inventory( ¥2.7bln v. end Feb 03)

Forward exchange contracts    ¥8.5bln (forward exchange contracts:  
¥13.8bln    deferred hedging losses on forward contracts:¥5.3bln)

arising from stronger yen trend – no impact on P & L statement

Increased investment in securities +¥8.9bln (¥2.6bln    ¥11.5bln)

Acquisition of Link Holdings, foreign currency bond investments etc

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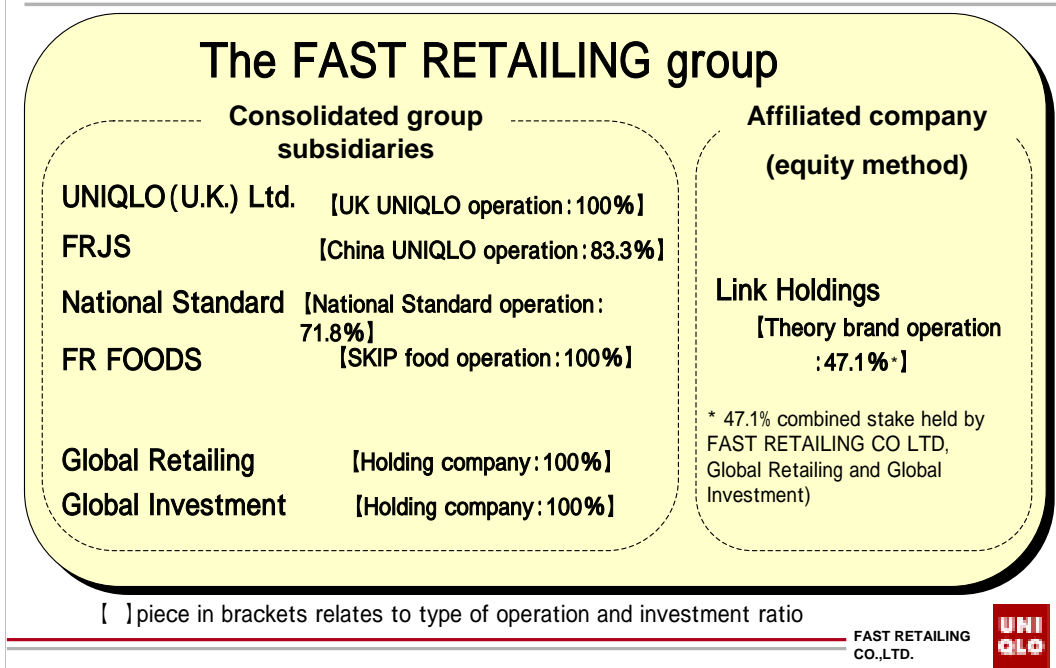
I'd like next to explain the key points this time around on the balance sheet. First of all we enjoyed an increase of ¥24.9bln in total cash, cash equivalents and marketable securities held in our MMF accounts. This increase in operating cash flow contributed to our favorable operating income numbers.

Inventory levels rose ¥0.9bln compared to August 2003 but were down ¥2.7bln compared to year-ago levels. Favorable sales have enabled us to maintain inventory at appropriate levels.

Next the item under the forward exchange contract heading fell by ¥8.5bln. The latent value of our foreign exchange contracts stood at negative ¥5.3bln as of the end of February 2004. Fast Retailing buys foreign exchange forward contracts to cover our purchases two to three years out. The average rate here is just below 110 yen but the recent strengthening of the yen has transformed the position here from a hidden profit to a hidden loss. (On the balance sheet, this is represented by a change in asset accounting titles from "Foreign exchange contracts" to "Deferred hedging losses on forward exchange contracts.") These forward contracts are meant purely to ensure a stable costs of goods going forward and are set at rates which do not adversely effect profitability. Therefore, we do not expect there to be any negative impact on our profit position in either the current or future business periods.

Finally on the balance sheet, we experienced an increase of ¥8.9bln in our investment in securities segment due to our acquisition of Link Holdings and investment in foreign currency denominated bonds. More specifically, we purchased triple A rated, 3 year US dollar bonds.

# 【Group】 Overview of group companies



Next I would like to run through our consolidated company position.

To help get a feel for how the company has evolved, we have made up this slide to illustrate the group structure and showing the addition of 4 new group companies.

Our consolidated subsidiaries now total six, with the addition of National Standard, Global Retailing and Global Investment. We also acquired Link Holdings as a subsidiary under the equity method. Our investment in Link Holdings is conducted through Global Retailing and Global Investment.

# 【Group】 Profit & loss statement for six months to Feb 04

Billions of yen

	6 mths to Feb 03 Actual	6 months to Feb 04			
		Initial Estimate	Actual	y/y	v.estimate
Net Sales	165.3	178.9	<b>182.9</b>	+10.6%	+2.2%
(to net sales)	100.0%	100.0%	<b>100.0%</b>		
Gross Profit	71.0	82.7	<b>86.6</b>	+22.0%	+4.7%
(to net sales)	42.9%	46.2%	<b>47.4%</b>	+ 4.5 p	
SG&A Expenses	47.8	47.4	<b>47.4</b>	0.9%	0.2%
(to net sales)	28.9%	26.5%	<b>25.9%</b>	3.0 p	
Operating Income	23.1	35.2	<b>39.2</b>	+69.2%	+11.2%
(to net sales)	14.0%	19.7%	<b>21.5%</b>	+ 7.5 p	
Ordinary Income	23.3	35.4	<b>39.1</b>	+67.7%	+10.5%
(to net sales)	14.1%	19.8%	<b>21.5%</b>	+ 7.4 p	
Net Income	11.8	19.6	<b>17.8</b>	+50.1%	9.3%
(to net sales)	7.2%	11.0%	<b>9.8%</b>	+ 2.6 p	



On the consolidated profit and loss statement for the six months to February 2004, net sales were up 10.6% year on year to ¥182.9bln, operating income rose 69.2% to ¥39.2bln and net income rose 50.1% to ¥17.8bln.

# [Group] Interim results by subsidiary

Billions of yen

	Consolidated				
		Parent	UNIQLO(U.K.) (UK)	FR JS (CHINA)	FR FOODS (food)
		03/9~04/2	03/9~04/2	03/7~03/12	03/7~02/12
Net Sales	182.9	180.7	1.00	0.51	0.63
Ordinary Income	39.1	39.6	0.04	0.10	0.41
Extraordinary Loss	6.1	3.1	-	-	0.00
Net Income	17.8	21.3	0.04	0.10	0.41

National Standard will be incorporated into the consolidated P&L from the second half onwards. In the first half, National Standard was treated as a consolidated item on the balance sheet.

Our investment position in Link Holdings will be accounted for under the equity method from the second half onwards.

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In explaining our consolidated results, I would like to go through the current position of each subsidiary in turn. Three consolidated subsidiaries impacted our P&L position through February 2004. They were our UK subsidiary UNIQLO(U.K.) LTD, our China subsidiary FAST RETAILING (JIANGSU) APPAREL CO., LTD and our food subsidiary FR FOODS.

We were able to confirm a shift into the black for our UK subsidiary with a net profit of ¥40mln on half-year net sales of ¥1.0bln. We currently have five stores based in and around London and thanks to our restructuring efforts we have been able to break even on a half-yearly basis.

Things are going pretty much to plan at our China subsidiary. We posted a net loss of ¥100mln on net sales of ¥500mln. That result was in line with expectations.

The position at FR FOODS was a net loss of ¥410mln on net sales of ¥630mln. In accordance with our recent announcement, we do plan to fully disband FR FOODS during the current six month period.


National Standard will be incorporated onto our consolidated P&L statement from the second half (six months to August 2004). And any equity-method investment gains arising from our acquisition of Link Holdings will also be included on the consolidated statement from this second half.

# [Group] ¥6.1bn extraordinary loss

6 months to Feb 04			Consolidated		Billions of yen
FAST RETAILING Parent		Disbandment of FR FOODS	Amortization of goodwill		
( = + )	FR FOODS related	Other	( )	( )	( = + + )
3.1	2.7	0.4	0.9	4.8	6.1

<p>Parent extraordinary loss on FR FOODS ¥2.7bn</p> <p><u>This was accounted as an evaluation loss under investment items from FR parent to FR FOODS. The impact on the consolidated P&amp;L statement is limited to the ¥0.9bn (item ).</u></p>	<p>Group extraordinary loss (amortization of goodwill) ¥4.8bn</p> <p><u>Single amortization related to Link Holdings right of operation. It does not detract from investment items in parent accounts and has no impact on parent P&amp;L.</u></p>
<p>Other parent extraordinary losses ¥0.4bn</p> <p>Losses related to store closures etc</p>	<p>Group extraordinary loss on FR FOODS ¥0.9bn</p> <p><u>An extraordinary loss of ¥0.9bn expected in The second half. This total is included in the parent company's extraordinary loss of ¥2.7bn (item ).</u></p>

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Extraordinary losses for the six months to February 2004, totaled ¥3.1bn at the parent company and ¥6.1bn on a consolidated basis.

The extraordinary loss suffered at the parent company breaks down into ¥2.7bn in FR FOODS related losses and ¥0.4bn resulting from store closures etc.

The FR FOODS related loss comes in the form of a single ¥2.7bn one-time depreciation from the FAST RETAILING parent to FR FOODS. On a consolidated basis, accumulated operating losses at FR FOODS have already been accounted for and so we have only accounted a ¥0.9bn extraordinary loss to cover any further losses arising in the current six months to August 2004.

Amortization of goodwill totaling ¥4.8bn has been booked as an extraordinary loss on the consolidated account. But the goodwill related to Link Holdings has been treated as a one-time depreciation.

As a result, extraordinary losses on the consolidated account total ¥6.1bn. That refers to items 2, 3, and 4 in the table, namely the miscellaneous losses from the parent, the ¥0.9bn impact on the consolidated account from the disbandment of FR FOODS and the ¥4.8bn total amortization of goodwill.

# 【Parent】 Forecasts for six months to August 2004

Billions of yen

	Six months to Aug 03 Actual	Six months to Aug 04 Forecast (y/y)
<b>Net Sales</b>	<b>139.7</b>	<b>149.2 (+ 6.8%)</b>
Existing stores	8.7%	1.3%
New stores[Net increase]	32 stores[7 stores]	38 stores[21 stores]
<b>Gross Profit</b>	<b>64.7</b>	<b>68.1 (+ 5.2%)</b>
(to net sales)	46.4%	45.7% ( 0.7p)
<b>SG&amp;A Expenses</b>	<b>44.4</b>	<b>47.9 (+ 8.0%)</b>
(to net sales)	31.8%	32.1% (+ 0.3p)
<b>Operating Income</b>	<b>20.3</b>	<b>20.2 ( 0.7%)</b>
(to net sales)	14.6%	13.6% ( 1.0p)
<b>Ordinary Income</b>	<b>20.6</b>	<b>20.3 ( 1.3%)</b>
(to net sales)	14.7%	13.6% ( 1.1p)
<b>Extraordinary Loss</b>	<b>7.9</b>	<b>0.1 ( - )</b>
(to net sales)	5.7%	0.1% ( - )
<b>Net Income</b>	<b>7.3</b>	<b>10.6 (+ 45.1%)</b>
(to net sales)	5.3%	7.2% (+ 1.9p)

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Next, I would like to take you through our forecast for the six months to August 2004. We are forecasting net sales to rise 6.8% year on year to ¥149.2bln. That forecast is based on only a small pullback in sales at existing stores of 1.3% year on year and also on a net increase in store numbers of 21 (38 store openings and 17 store closures). We expect a gross profit margin of 45.7% and an SG&A ratio of 32.1%.

That should result in an operating income roughly in line with previous year levels at ¥20.2bln.

We have revised our initial estimate for a year-on-year 1.1% rise in existing stores sales to a fall of 1.3%. This is however a conservative forecast which takes into account the small but real reductions in prices resulting from new rules on sales-tax inclusive pricing.

The same new rules have led us to scale back a fraction on our forecast for gross profit margin from the original 46.0% to 45.7% in the second half.

# 【Parent】 Forecasts for full year to August 2004

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Billions of yen

	Full year to Aug 03 Actual	Full year to Aug 04 Forecast (y/y)
<b>Net Sales</b>	<b>301.7</b>	<b>330.0 (+ 9.4%)</b>
Existing stores	19.7%	+ 0.7%
New stores [Net increase]	76 stores [23 stores]	81 stores [47 stores]
<b>Gross Profit</b>	<b>134.7</b>	<b>154.0 (+ 14.3%)</b>
(to net sales)	44.7%	46.7% (+ 2.0p)
<b>SG&amp;A Expenses</b>	<b>88.2</b>	<b>94.1 (+ 6.6%)</b>
(to net sales)	29.3%	28.5% ( 0.8p)
<b>Operating Income</b>	<b>46.4</b>	<b>59.9 (+ 28.8%)</b>
(to net sales)	15.4%	18.2% (+ 2.8p)
<b>Ordinary Income</b>	<b>46.9</b>	<b>60.0 (+ 27.7%)</b>
(to net sales)	15.6%	18.2% (+ 2.6p)
<b>Extraordinary Loss</b>	<b>14.4</b>	<b>3.2 ( - )</b>
(to net sales)	4.8%	1.0% ( - )
<b>Net Income</b>	<b>18.6</b>	<b>32.0 (+ 71.4%)</b>
(to net sales)	6.2%	9.7% (+ 3.5p)

Aug 2004 planned full year dividend of ¥100 (payout ratio 31.8%)

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Now onto full year forecast for the year to August 2004. While net sales exceeded estimates slightly in the first half, we have not changed our initial estimate for full year net sales of ¥330bln.

Our full-year forecast on store numbers is for a net increase of 47 with 81 new store openings. That is roughly in line with our initial estimate of 50 net increase in number of stores.

On the profit front, we predict operating income of ¥59.9bln for the full business year. That is a rise of 28.8%. We expect a rise of 27.7% on ordinary income to ¥60.0bln and a 71.4% increase in net income to ¥32.0bln.

We expect to offer a full year dividend of ¥100 per share, payout ratio 31.8%.

# 【Group】 Forecasts for Full Year to August 2004

Billions of yen

	Consolidated					
	Parent	UNIQLO(U.K.) (UK)	FR J S (CHINA)	FR FOODS (Food)	National Standard	
	03/9~04/8	03/9~04/8	03/7~04/6	03/7~04/6	03/12~04/5	
Net Sales	334.2	330.0	1.80	1.00	1.00	0.40
Ordinary Income	59.6	60.0	0.02	0.08	0.85	0.06
Extraordinary Loss	6.2	3.2	-	0.04	0.75	-
Net Income	28.0	32.0	0.02	0.13	0.16	0.06

National Standard accounted as consolidated item from 03/12 ~ 04/5 only.

Expect to book non operating income of 0.6 billion yen arising from our equity affiliation with Link Holdings during 04/3 ~ 04/8.

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Finally to run through our full year business forecasts on a consolidated basis, we expect net sales of ¥334.2bln and net income of ¥28.0bln.

Breaking down the contributions per subsidiary. We expect our UK operation to provide a net profit of ¥20mln, our China subsidiary to produce a net loss of ¥130mln and the foods business to result in a net loss of ¥1.6bln.

National Standard's second half results will be reflected in the consolidated accounts for the first time as a fully consolidated subsidiary. We expect a second half loss of ¥60mln.

We are also expecting to post a second-half non-operating profit of ¥600mln related to equity-method investment gains from Link Holdings.

That completes this explanation and overview of our business results. Thank you.