

Results Summary for FY2016 First Half (Six Months to February 2016)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2015		Year to Aug 2016			
	1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
Revenue	949.6	1,681.7	1,011.6	(+6.5%)	1,800.0	(+7.0%)
Gross Profit	479.5	848.5	476.9	(-0.5%)	-	-
(to revenue)	50.5%	50.5%	47.1%	(-3.4p)	-	-
SG&A Expenses	336.3	671.8	370.7	(+10.2%)	-	-
(to revenue)	35.4%	39.9%	36.6%	(+1.2p)	-	-
Business profit	143.1	176.6	106.2	(-25.8%)	150.0	(-15.1%)
(to revenue)	15.1%	10.5%	10.5%	(-4.6p)	8.3%	(-2.2p)
Operating profit	150.0	164.4	99.3	(-33.8%)	120.0	(-27.0%)
(to revenue)	15.8%	9.8%	9.8%	(-6.0p)	6.7%	(-3.1p)
Profit before income taxes	163.6	180.6	82.0	(-49.9%)	102.5	(-43.3%)
(to revenue)	17.2%	10.7%	8.1%	(-9.1p)	5.7%	(-5.0p)
Profit attributable to owners of the parent	104.7	110.0	47.0	(-55.1%)	60.0	(-45.5%)
(to revenue)	11.0%	6.5%	4.7%	(-6.3p)	3.3%	(-3.2p)

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2015		Year to Aug 2016	
		1H Actual	Full-year	1H Actual	(y/y)
UNIQLO Japan	Revenue	454.5	780.1	453.6	(-0.2%)
	Business profit	88.6	115.6	63.6	(-28.2%)
	(to revenue)	19.5%	14.8%	14.0%	(-5.5p)
	Operating profit	89.4	117.2	64.1	(-28.3%)
	(to revenue)	19.7%	15.0%	14.1%	(-5.6p)
UNIQLO International	Revenue	345.5	603.6	389.2	(+12.7%)
	Business profit	43.1	50.7	32.5	(-24.7%)
	(to revenue)	12.5%	8.4%	8.4%	(-4.1p)
	Operating profit	42.8	43.3	29.4	(-31.4%)
	(to revenue)	12.4%	7.2%	7.6%	(-4.8p)
Global Brands	Revenue	148.2	295.3	167.3	(+12.9%)
	Business profit	12.3	20.9	14.2	(+15.3%)
	(to revenue)	8.3%	7.1%	8.5%	(+0.2p)
	Operating profit	11.7	14.4	14.3	(+21.9%)
	(to revenue)	7.9%	4.9%	8.6%	(+0.7p)

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

FY2016 First Half Snapshot: Fast Retailing Revenue Up, Profit Down

■ Consolidated Results: Global Brands revenue and profit up

The Fast Retailing Group reported a rise in revenue but a fall in profit in the first half of fiscal 2016, or the six months from September 2015 to February 2016. Consolidated revenue: JP¥1.0116 trillion (+6.5% year on year), consolidated operating profit: ¥99.3 billion (-33.8%). Performance by business segment: Global Brands reported a rise in both revenue and profit, UNIQLO Japan reported declines in both revenue and profit, and UNIQLO International reported a rise in revenue but a decline in profit. Consolidated profit before income taxes declined by a considerable ¥81.6 billion year on year after the appreciation in the yen generated a ¥22.8 billion foreign exchange loss under other income/expenses and finance income/costs

(-¥42.4 billion compared to the ¥19.6 billion income in the first half of fiscal 2015).

■ **UNIQLO Japan: Profit down on poor sales of winter ranges and lower gross margin**

UNIQLO fell short of target to report a drop in revenue and profit. Weak sales in the high-volume months of November and December resulted in a first-half decline in same-store sales of 1.9%. Subsequent stronger discounting in January and February contributed to the 3.5% fall in the first-half gross margin. In addition, the SG&A ratio rose 2.0 points on the back of higher distribution and personnel expenses. As a result, operating profit declined 28.3% year on year.

■ **UNIQLO Int'l: Revenue up, profit down on weaker sales in Greater China, S. Korea and U.S.**

Revenue rose roughly in line with plan, but the sharp fall in operating profit was unexpected. Profit declined at UNIQLO Greater China and UNIQLO South Korea, while operating losses at UNIQLO USA expanded. Conversely, UNIQLO operations in Southeast Asia and Oceania and in Europe reported rises in both revenue and profit as planned.

■ **Global Brands: Revenue and profit rise on strong GU**

Reported gains in revenue and profit as expected. GU performed especially strongly to report significant gains in both revenue and profit. GU's widely advertised campaign items such as knitwear and trendy bottoms such as wide pants and jogger pants all generated strong sales, fueling double-digit growth in same-store sales.

■ **Fiscal 2016 consolidated estimates: Downward revisions**

Consolidated revenue: ¥1.800 trillion (+7.0% year on year), operating profit: ¥120.0 billion (-27.0%), profit attributable to owners of the parent: ¥60.0 billion (-45.5%). Basic earnings per share: ¥588.55. In light of the downward revisions to fiscal 2016 consolidated estimates, we expect to offer the same annual dividend in fiscal 2016 as in fiscal 2015: ¥350 per share. This includes an interim dividend of ¥185.

FY2016 First-quarter Performance in Focus

■ **UNIQLO Japan: Profit down on poor sales of winter ranges and lower gross margin**

UNIQLO Japan fell short of expectations in the first half of fiscal 2016, reporting revenue of ¥453.6 billion (-0.2% year on year) and operating profit of ¥64.1 billion (-28.3% year on year). With hindsight, we didn't conduct enough marketing to effectively convey the fresh appeal and exciting new elements in our products to customers. In addition, while winter clothing constituted a large portion of our product lineup, we didn't have an adequate strategy in place to deal with warm winter weather. These two factors adversely affected demand during the traditionally buoyant months of November and December, and, as a result, same-store sales declined 1.9% year on year in the first half of fiscal 2016. Meanwhile, e-commerce sales expanded 28.4% year on year to ¥25.3 billion, accounting for 5.6% of total revenue. On the profit side, heavy discounting in January and February contributed to the 3.5 point contraction in the first-half gross profit margin. Operating profit came in considerably below forecast, declining 28.3% year on year on the back of higher selling, general and administrative expenses such as distribution and personnel expenses. The total number of directly-run UNIQLO Japan stores declined by 9 to 805 stores at the end of February 2016, while the number of franchise outlets rose by 11 to 39 stores after 10 stores were converted from directly-run stores to new employee-franchise outlets.

■ UNIQLO Int'l: Revenue up, profit down on weaker sales in Greater China, S. Korea and U.S.

UNIQLO International reported a rise in revenue that was largely in line with forecasts, but the operation fell short of target on the profit side by reporting a sharp decline in operating profit. In the first half of fiscal 2016, UNIQLO International generated revenue of ¥389.2 billion (+12.7% year on year) and operating profit of ¥29.4 billion (-31.4% year on year). Profit declined at UNIQLO Greater China (encompassing operations in mainland China, Hong Kong and Taiwan) and UNIQLO South Korea, and operating losses at UNIQLO USA expanded. All these operations were adversely affected by warm winter weather but sales were hit especially hard in Hong Kong, Taiwan and South Korea due to sluggish economic conditions. Meanwhile, UNIQLO Southeast Asia and Oceania (Singapore, Malaysia, Thailand, the Philippines, Indonesia and Australia) and UNIQLO Europe (U.K., France, Russia, Germany and Belgium) reported gains in both revenue and profit that were broadly in line with forecasts. UNIQLO International recorded ¥1.6 billion a foreign exchange loss, and a ¥1.3 billion loss from asset retirement and other costs relating to the closure of four stores in the United States. As a result, operating profit for the segment declined 31.4% year on year in the first half. The total number of UNIQLO International stores had expanded by 174 year on year to 890 stores as of 29 February 2016. A strong reception for the first UNIQLO store in Belgium in October 2015 contributed to the brand's growing success in Europe. The March 2016 opening of the newly refurbished 311 Oxford Street global flagship store has also attracted a great deal of attention, with the store poised to serve as a beacon for new London culture.

■ Global Brands: Revenue and profit rise on strong GU

Global Brands reported gains in both revenue and profit in the first half as expected, with revenue rising 12.9% year on year to ¥167.3 billion and operating profit expanding 21.9% year on year to ¥14.3 billion. Within the Global Brands segment, our low-priced GU fashion casualwear label reported significant rises in both revenue and profit that exceeded expectations. GU reported double-digit growth in same-store sales on the back of strong sales of heavily advertised knitwear, and trendy bottoms such as wide pants and jogging pants. A successful launch of Spring 2016 ranges in the traditionally less buoyant months of January and February also helped improve GU's gross margin, and significantly boost operating profit. Theory and Comptoir des Cotonniers fell short of target by reporting a decline in profits in the first half. The J Brand premium denim label also fell short of target by reporting an expanded operating loss, while the flat year on year performance from Princesse tam.tam was broadly in line with plan.

■ Fiscal 2016 consolidated estimates: Downward revisions

The following adjustments have been made to the business results projection for the full term announced on 7 January 2016 to reflect actual business performance over the first six months of the term through 29 February 2016. The reason to these adjustments is as follows:

- 1) Sharp declines in operating profit reported by the UNIQLO Japan and UNIQLO International business segments were below target.
- 2) Estimates for operating profit at UNIQLO Japan and UNIQLO International for the third quarter onward have been revised downward.
- 3) The decision to incorporate an estimated full-term impairment loss of ¥21.0 billion into projections from the third quarter onward (impairment losses on the J Brand premium denim label, and on UNIQLO Japan and UNIQLO International stores).
- 4) Other income and expenses turned negative in the first half due to the appreciation in the Japanese yen over the same period.
- 5) The decision to incorporate a projected foreign exchange loss of ¥17.5 billion under net finance income/costs, after applying the end-February yen exchange rate to full-year projections.

In fiscal 2016, Fast Retailing now expects to achieve consolidated revenue of ¥1.800 trillion (+7.0% year

on year), operating profit of ¥120.0 billion (-27.0%) and profit attributable to owners of the parent of ¥60.0 billion (-45.5%).

As a result, the year-end dividend estimate of ¥185 per share announced on 7 January 2016 has been revised down to ¥165 yen. That translates into a scheduled annual dividend for fiscal 2016 of ¥350 per share, the same level as fiscal 2015.

Fast Retailing Co., Ltd. discloses business results data and offers a variety of press releases on its IR website <http://www.fastretailing.com/eng/ir/>.