

Results Summary for FY2018 First Half (Six Months to February 2018)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2017		Year to Aug 2018			
	1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
Revenue	1,017.5	1,861.9	1,186.7	(+16.6%)	2,110.0	(+13.3%)
Gross Profit	494.2	909.2	585.6	(+18.5%)	-	-
(to revenue)	48.6%	48.8%	49.3%	(+0.7p)	-	-
SG&A Expenses	365.4	725.2	403.6	(+10.4%)	-	-
(to revenue)	35.9%	38.9%	34.0%	(-1.9p)	-	-
Business profit	128.7	184.0	181.9	(+41.4%)	245.0	(+33.1%)
(to revenue)	12.7%	9.9%	15.3%	(+2.6p)	11.6%	(+1.7p)
Operating profit	130.6	176.4	170.4	(+30.5%)	225.0	(+27.5%)
(to revenue)	12.8%	9.5%	14.4%	(+1.6p)	10.7%	(+1.2p)
Profit before income taxes	147.6	193.3	165.1	(+11.9%)	217.0	(+12.2%)
(to revenue)	14.5%	10.4%	13.9%	(-0.6p)	10.3%	(-0.1p)
Profit attributable to owners of the parent	97.2	119.2	104.1	(+7.1%)	130.0	(+9.0%)
(to revenue)	9.6%	6.4%	8.8%	(-0.8p)	6.2%	(-0.2p)

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2017		Year to Aug 2018	
		1H Actual	Full-year	1H Actual	(y/y)
UNIQLO Japan	Revenue	455.1	810.7	493.6	(+8.5%)
	Business profit	69.5	96.7	88.8	(+27.8%)
	(to revenue)	15.3%	11.9%	18.0%	(+2.7p)
UNIQLO International	Revenue	392.8	708.1	507.4	(+29.2%)
	Business profit	49.8	76.2	80.8	(+62.3%)
	(to revenue)	12.7%	10.8%	15.9%	(+3.2p)
GU	Revenue	97.7	199.1	105.8	(+8.3%)
	Business profit	7.4	13.7	9.0	(+22.0%)
	(to revenue)	7.6%	6.9%	8.5%	(+0.9p)
Global Brands	Revenue	70.4	141.0	78.4	(+11.4%)
	Business profit	2.9	4.1	3.3	(+11.4%)
	(to revenue)	4.3%	3.0%	4.2%	(-0.1p)
	Operating profit	2.6	0.5	-5.6	-
	(to revenue)	3.7%	0.4%	-	-

FY2018 1H Highlights

■ Consolidated Results: Fast Retailing reports much higher-than-expected first-half revenue and profit gains

- First-half revenue and profit growth propelled Fast Retailing's consolidated revenue and operating profit to record levels. Consolidated revenue: ¥1.1867 trillion (+16.6% year on year), operating profit ¥170.4 billion (+30.5%).
- Profit attributable to owners of the parent expanded by a more modest 7.1% year on year to ¥104.1 billion

following the recording of ¥9.9 billion in impairment losses under other income/expenses, and a foreign exchange loss of ¥6.9 billion under finance income/costs.

■ **UNIQLO Japan: Revenue and profit gains far exceed plan on consistent strong sales**

- UNIQLO Japan first-half revenue and profit up. Revenue ¥493.6 billion (+8.5%), operating profit ¥88.7 billion (+29.0%).
- Same-store sales rise 8.4% year on year. Unusually cold weather fuels buoyant demand for HEATTECH, down and other warm clothing ranges.
- Gross profit margin improves by 0.8 point thanks to lower discounting losses on inventory rundowns. SG&A ratio also improved by 1.9 points on lower distribution costs and advertising spend.

■ **UNIQLO International: Large profit gain far exceeds plan, all markets outperform**

- UNIQLO International achieves significant rises in both revenue and profit. Revenue ¥507.4 billion (+29.2%), operating profit ¥80.7 billion (+65.6%).
- Operations in all UNIQLO International markets exceed expectations. Marked improvements in profitability at UNIQLO North America, UNIQLO Greater China and UNIQLO South Korea. UNIQLO USA loss falls dramatically.

■ **GU: Same-store sales down slightly but rise in operating profit exceeds plan**

- First-half revenue and profit up. Revenue ¥105.8 billion (+8.3%), operating profit ¥9.1 billion (+23.3%).
- Same-store sales dip slightly in the first half due to a lack of sought-after warm clothing ranges. However, revenue rises year on year thanks to a net increase in total store numbers. Operating profit up on improved gross profit margin.

■ **Global Brands: Reports an operating loss after recording impairment losses**

- Reports first-half revenue gain to ¥78.4 billion (+11.4%), but operating loss of ¥5.6 billion on impairment losses.
- Theory revenue up, but profit down on recording of a ¥1.0 impairment loss relating to the operation's Helmut Lang brand.
- Recorded a ¥7.7 billion impairment loss for Comptoir des Cotonniers after operation forecast to generate a loss for the full business year.

■ **FY2018 consolidated estimates: Revised up on strong 1H, ¥50 increase in dividend**

- Our initial FY2018 estimates have been revised upwards to reflect the much higher-than-expected first-half performance.
- Current estimate for FY2018 consolidated revenue: ¥2.1100 trillion (+13.3%), consolidated operating profit: ¥225.0 billion (+27.5%) and profit attributable to owners of the parent: ¥130.0 billion (+9.0%).
- Increased initial FY2018 dividend estimate by ¥50. Currently forecast an annual dividend per share of ¥400, including an interim dividend of ¥200.

Fiscal 2018 1H Performance in Focus

■ **UNIQLO Japan: Revenue and profit gains far exceed plan on consistent strong sales**

UNIQLO Japan reported a rise in revenue and profit in the first half of fiscal 2018, with revenue totaling ¥493.6 billion (+8.5% year-on-year) and operating profit totaling ¥88.7 billion (+29.0% year-on-year). In the six months to 28 February 2018, same-store sales, including online sales, expanded by 8.4% year-on-year.

Online sales increased 31.6% to constitute 7.5% of total revenue.

The Fall Winter season displayed a consistently strong sales trend as the unusually cold weather supported strong sales of warm clothing such as HEATTECH, down, fleece, sweat pants and shirts, and danpan warm pants. In addition, we carved sophisticated sales plans that closely correlated production, distribution and retail, and successfully monitoring immediate conditions to ensure ample inventory of strong-selling items and facilitate timely revisions such as prompt price cutting on poor-selling items. The cost of sales continued to rise in the first half of fiscal 2018 on persistent weakening in internal yen exchange rates. However, the first-half gross profit margin improved significantly as strong sales of winter clothing ranges reduced discounting losses on inventory rundowns. The first-half gross profit margin improved 0.8 point year on year, and the selling, general and administrative expense ratio improved 1.9 points year-on-year on the back of significant reductions in distribution costs, and advertising and promotion expenses.

■ **UNIQLO International: Large profit gain far exceeds plan, all markets outperform**

UNIQLO International revenue and profit rose significantly in the first half of fiscal 2018, with revenue totaling ¥507.4 billion (+29.2% year-on-year) and operating profit increasing to ¥80.7 billion (+65.6% year-on-year). The operating profit margin improved by 3.5 points year-on-year to 15.9% on the back of progressive management reforms across global operations that included a review of product mixes, the establishment of more accurate numerical planning, and a shift to a business format that relies less heavily on discounting. Looking more closely at individual regional operations, all areas achieved higher-than-expected first-half results, with profitability improving at UNIQLO North America, Greater China and South Korea. Greater China and South Korea achieved higher revenue and profit on strong sales of Winter ranges such as HEATTECH and down. UNIQLO Southeast Asia & Oceania continued to generate a strong performance, with solid demand for summer clothing and firm demand from travelers for winter clothing resulting in significantly higher first-half revenue and profit. In addition, we were able to significantly reduce operating losses at UNIQLO USA, expanding sales of core ranges by reviewing product mixes in each area of the United States and creating more accurate sales plans. UNIQLO Europe also reported a considerable increase in first-half profit, with strong sales in core markets such as Russia, France and the United Kingdom helping increase same-store sales for the European region overall. The UNIQLO operation in Spain got off to a strong start, as we consolidated the brand's September 2017 entry into that market with the opening of a second store in November.

■ **GU: Same-store sales down slightly but rise in operating profit exceeds plan**

The GU business segment reported increases in both revenue and profit in the first half of fiscal 2018, with revenue totaling ¥105.8 billion (+8.3% year-on-year) and operating profit reaching ¥9.1 billion (+23.3% year-on-year). Same-store sales declined slightly year-on-year in the first half due to a lack of sought-after thermal items. However, first-half revenue increased 8.3% year-on-year after new store openings expanded the total GU network by 26 stores. On the profit front, GU operating profit increased on a higher gross profit margin.

■ **Global Brands: Reports an operating loss after recording impairment losses**

The Global Brands segment reported a rise in revenue but a fall in profit in the first half of fiscal 2018. The segment reported a rise in revenue to ¥78.4 billion (+11.4% year-on-year) and an operating loss of ¥5.6 billion, following the recording of impairments losses of ¥7.7 billion for the Comptoir des Cotonniers label, and ¥1.0 billion for Helmut Lang, a Theory operation brand. Theory operating profit, excluding the Helmut Lang impairment loss, rose on the back of continued strong sales at the operation's Theory and PLST brands. While the France-based Princesse tam.tam brand continued to report a steady year-on-year

loss, the US-based J Brand denim label reported reduced losses in the six-month period to 28 February 2018.

■ **FY2018 consolidated estimates: Revised up on strong 1H, ¥50 increase in dividend**

Fast Retailing's business estimates for the financial year ending August 31, 2018 have been revised upwards to reflect the significant upturn in first-half performance. We now predict consolidated revenue will expand to ¥2.1100 trillion (+13.3% year-on-year), consolidated operating profit will reach ¥225.0 billion (+27.5%), profit before taxes will increase to ¥217.0 billion (+12.2%), and profit attributable to owners of the parent will increase to ¥130.0 billion (+9.0%), resulting in earnings per share of ¥1,274.41.

Looking at individual business segments, we estimate UNIQLO Japan will generate rising full-year revenue and profit. While the gross profit margin is expected to dip slightly on higher cost of sales, we intend to continue reducing business expenses, and increase the efficiency of advertising and promotion, distribution and personnel expenditure. UNIQLO International is expected to achieve considerable revenue and profit gains, generated largely by Greater China, Southeast Asia and Oceania, and South Korea operations. We also expect to halve the operating loss at UNIQLO North America (USA & Canada). GU is forecast to generate rising full-year revenue and profit. Global Brands is forecast to report rising revenue, but we expect a full-year operating loss for the segment following the recording of impairment losses in the first half. In terms of store numbers, we expect the total store network to expand to 3,455 stores worldwide at the end of August 2018, with 831 stores (including franchise outlets) at UNIQLO Japan, 1,246 stores at UNIQLO International, 394 stores at GU, and 984 stores at Global Brands.

Finally, we have revised up our latest forecast for the FY2018 annual dividend by ¥50 to ¥400 per share, divided equally between interim and year-end dividends of ¥200 each.

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/>.