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Outline of revisions to earnings outlook for year to August 31, 2005

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【MC comment】

It is now time to begin this meeting to explain the reasons behind the revisions to FAST RETAILING CO., LTD's earnings outlook for the year through August 2005. Thank you all very much for giving up your time to join us.

First of all, let me introduce the company representatives here with us today and tell you how we would like to proceed with the meeting.
We are joined by Genichi Tamatsuka, President & COO of FAST RETAILING and Naoki Otoma, a director of the company.

【Genichi Tamatsuka, President, FAST RETAILING】

Good afternoon everyone, I am Genichi Tamatsuka and I'd like to give this presentation sitting down. I will first explain our reasons for revising down our earnings outlook for the year to August 2005.

【Parent】 Interim forecast revisions

Net sales：¥199.8bln （▲¥5.2bln v. initial est.）
Operating Income：¥34.5bln （▲¥6.8bln v. initial est.）

Billions of yen

	Yr to Aug 04	Year to Aug 05			
	Interim Actual	Interim Initial est.	Interim Revised estimate	(y/y)	(v. initial est.)
Net Sales	180.7	205.0	199.8	(+10.5%)	(▲2.5%)
(to net sales)	100.0%	100.0%	100.0%		
Gross Profit	85.8	95.0	87.9	(+2.4%)	(▲7.5%)
(to net sales)	47.5%	46.3%	44.0%	(▲3.5p)	
SG&A Expenses	46.1	53.7	53.4	(+15.7%)	(▲0.6%)
(to net sales)	25.5%	26.2%	26.7%	(+1.2p)	
Operating Income	39.6	41.3	34.5	(▲13.0%)	(▲16.5%)
(to net sales)	22.0%	20.1%	17.3%	(▲4.7p)	
Ordinary Income	39.6	41.5	35.0	(▲11.8%)	(▲15.7%)
(to net sales)	22.0%	20.2%	17.5%	(▲4.4p)	
Net Income	21.3	23.0	20.0	(▲6.1%)	(▲13.0%)
(to net sales)	11.8%	11.2%	10.0%	(▲1.8p)	

First let me take you through the revisions to our interim outlook for the six months to February 2005.

We have already announced our sales figures for the month of February today. With this latest performance data now available, it became clear to us that we needed to revise down our business outlook for both the interim and full year periods and we wanted to make any announcement as soon as possible.

Interim net sales for the six months to February 2005 are now expected to fall short of initial estimates by ¥5.2bln generating a total of ¥199.8bln. We now expect an interim gross profit margin of 44.0%, down 2.3 points compared to our initial estimates. SG&A costs are seen almost the same at ¥53.4bln, operating income is now expected to come in below initial estimates at around ¥34.5bln, a fall of 13.0% compared to the previous year.

【Parent】 Reasons for interim forecast revisions

(1) Net sales ¥199.8bln （▲¥5.2bln v. initial estimate)

Mainly due to unusual weather patterns with a hot September and mild December

Unable to recoup lost sales even when actual strong demand for winter goods kicked in from January

(2) Gross profit margin 44.0% （▲2.3points v. initial estimate）

Year end production orders dispatched mid October but December sales competition exacerbated by mild winter.

Poor December sales resulted in heavy discounting from January and large fall in gross profit margin.

Let me explain the reasons why we are expecting to fall short of our profit forecasts in the first half.

First on net sales – now expected to total ¥199.8bln. Unusual weather patterns exerted a large influence with the prolonged heat through last September and the mild winter in December weighing on fall/winter garment sales. We thought that we might have been able to recoup that shortfall in sales from January onwards but that has not proved possible hence the expected shortfall in first half sales of ¥5.2bln compared to our initial estimate.

Moving onto the reasons for the expected shrinkage in first half gross profit margin. We determined our year-end production orders for winter/fall goods back in October when sales were favorable. However, owing to the mild winter and some other factors, December sales proved poor and we had to discount heavily from January onwards to shift stock. As a result, our gross profit margin has fallen considerably since January. Basically, while January sales picked up somewhat on December's performance, that was not enough to recover our previous profit expectations.

SG&A costs are expected to remain pretty close to our initial forecast – up somewhat on the previous year's levels due to this term's aggressive, expansionary management plans.

【Parent】 2nd half forecast revisions

Net sales：¥172.0bln (▲¥3.0bln v. initial est.)
Operating income：¥28.0bln (▲¥2.3bln v. initial est.)

Billions of yen

	six months to Aug 04	six months to Aug 2005 (2H)	
	2H Actual (y/y)	Initial est. (y/y)	Revised Estimate (y/y) (v.initial est.)
Net Sales	155.1	175.0 (+12.8%)	172.0 (+10.9%) (▲1.7%)
Existing stores	+2.7%	+4.3%	+4.2%
New stores [Net increase]	38 stores [19 stores]	32 stores [23 stores]	30 stores [19 stores]
Gross Profit	75.9	83.0 (+9.3%)	81.5 (+7.3%) (▲1.8%)
(to net sales)	48.9%	47.4% (▲1.5p)	47.4% (▲1.6p)
SG&A Expenses	50.7	52.7 (+3.9%)	53.4 (+5.3%) (+1.3%)
(to net sales)	32.7%	30.1% (▲2.6p)	31.0% (▲1.7p)
Operating Income	25.2	30.3 (+20.2%)	28.0 (+11.1%) (▲7.6%)
(to net sales)	16.2%	17.3% (+1.1p)	16.3% (+0.1p)
Ordinary Income	25.3	30.5 (+20.2%)	28.0 (+10.3%) (▲8.2%)
(to net sales)	16.4%	17.4% (+1.1p)	16.3% (▲0.1p)
Net Income	14.1	17.0 (+20.5%)	16.0 (+13.5%) (▲5.9%)
(to net sales)	9.1%	9.7% (+0.6p)	9.3% (+0.2p)

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Next, let me explain the revisions to our second half earnings outlook for the six months to August 2005.

Net sales in the second half are now expected to total ¥172.0bln compared to our initial estimate of ¥175.0bln. Our gross profit estimate remains the same at 47.4%. We have revised our estimate for SG&A costs up from the initial ¥52.7bln to ¥53.4bln. As a result, our outlook for operating income has been revised down from ¥30.3bln to ¥28.0bln.

We are maintaining our gross margin estimate of 47.4% and will endeavor to strengthen control over gross costs focusing on profitability and a cautious approach to any further production increases during the current term.

The reason for the increase of ¥0.7bln in our SG&A estimate for the second half is due in the main to increased personnel hiring at our head office.

【Parent-Group】 Full year forecast revisions

Revisions to group outlook reflects change in business forecast for the parent company

Billions of yen

	Parent					Group				
	Yr to Aug 04	Year to Aug 05				Yr to Aug 04	Year to Aug 05			
	Actual	Initial est.	(y/y)	Revised est.	(y/y)	Actual	Initial est.	(y/y)	Revised est.	(y/y)
Net Sales	335.8	380.0	(+13.1%)	371.8	(+10.7%)	339.9	384.8	(+13.2%)	376.6	(+10.8%)
Gross Profit	161.7	178.0	(+10.0%)	169.4	(+4.7%)	163.1	180.3	(+10.5%)	171.7	(+5.2%)
(to net sales)	48.1%	46.8%	(▲1.3p)	45.6%	(▲2.6p)	48.0%	46.9%	(▲1.1p)	45.6%	(▲2.4p)
SG&A Expenses	96.8	106.4	(+9.8%)	106.8	(+10.2%)	99.2	108.7	(+9.5%)	109.1	(+9.9%)
(to net sales)	28.8%	28.0%	(▲0.8p)	28.7%	(▲0.1p)	29.2%	28.2%	(▲0.9p)	29.0%	(▲0.2p)
Operating Income	64.8	71.6	(+10.4%)	62.5	(▲3.7%)	63.9	71.6	(+12.0%)	62.5	(▲2.2%)
(to net sales)	19.3%	18.8%	(▲0.5p)	16.8%	(▲2.5p)	18.8%	18.6%	(▲0.2p)	16.6%	(▲2.2p)
Ordinary Income	65.0	72.0	(+10.7%)	63.0	(▲3.1%)	64.1	72.8	(+13.4%)	63.8	(▲0.6%)
(to net sales)	19.4%	18.9%	(▲0.4p)	16.9%	(▲2.4p)	18.9%	18.9%	(+0.0p)	16.9%	(▲1.9p)
Net Income	35.4	40.0	(+13.0%)	36.0	(+1.7%)	31.3	40.8	(+30.1%)	36.8	(+17.4%)
(to net sales)	10.5%	10.5%	(▲0.0p)	9.7%	(▲0.9p)	9.2%	10.6%	(+1.4p)	9.8%	(+0.5p)

Finally, we have also revised our full year earnings outlook for the FAST RETAILING group as a whole to reflect the revisions to the parent estimates. Consolidated net sales for the full year are now expected to total \376.6bln and ordinary income to total \63.8bln. That would represent an increase in sales but a fall in profits when compared with the previous year's performance.

That completes my explanation of the revisions to FAST RETAILING's earnings outlook for the year to August 31, 2005.