

Results Summary for the Six Months to February 2014

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2013		Year to Aug 2014			
	1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
Net Sales	614.8	1,143.0	764.3	(+24.3%)	1,370.0	(+19.9%)
Gross Profit (to net sales)	303.9 49.4%	564.0 49.3%	376.7 49.3%	(+24.0%) (▲0.1p)	686.5 50.1%	(+21.7%) (+0.8p)
SG&A Expenses (to net sales)	207.3 33.7%	431.0 37.7%	273.5 35.8%	(+32.0%) (+2.1p)	541.0 39.5%	(+25.5%) (+1.8p)
Operating Income (to net sales)	96.6 15.7%	132.9 11.6%	103.2 13.5%	(+6.8%) (▲2.2p)	145.5 10.6%	(+9.5%) (▲1.0p)
Ordinary Income (to net sales)	107.7 17.5%	148.9 13.0%	107.5 14.1%	(▲0.2%) (▲3.4p)	149.5 10.9%	(+0.3%) (▲2.1p)
Net Income (to net sales)	65.4 10.6%	90.3 7.9%	64.5 8.4%	(▲1.4%) (▲2.2p)	88.0 6.4%	(▲2.6%) (▲1.5p)

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2013		Year to Aug 2014			
		1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
UNIQLO Japan	Net sales	387.2	683.3	405.5	(+4.7%)	715.0	(+4.6%)
	Operating income (to net sales)	68.9 17.8%	96.8 14.2%	70.2 17.3%	(+1.8%) (▲0.5p)	100.0 14.0%	(+3.3%) (▲0.2p)
UNIQLO International	Net sales	130.6	251.1	232.0	(+77.6%)	400.0	(+59.2%)
	Operating income (to net sales)	16.0 12.3%	18.3 7.3%	28.0 12.1%	(+75.1%) (▲0.2p)	35.0 8.8%	(+90.7%) (+1.5p)
Global Brands	Net sales	95.7	206.2	125.3	(+31.0%)	253.0	(+22.7%)
	Operating income (to net sales)	8.5 9.0%	17.4 8.5%	9.2 7.4%	(+7.7%) (▲1.6p)	21.0 8.3%	(+20.3%) (▲0.2p)

FY2014 First Half Highlights: First-Half Operating Income Rises 6.8%, All Business Segments Report Gains in Sales and Income

■**Group Performance:** Net sales: JP¥764.3 billion (+24.3% year on year), operating income: ¥103.2 billion (+6.8%), ordinary income: ¥107.5 billion (-0.2%), net income: ¥64.5 billion (-1.4%). All Group business segments reported rising sales and operating income over the six-month period, with UNIQLO International's performance by far the strongest.

■**UNIQLO Japan:** Reported rising sales and income, thanks mainly to a 2.2% year-on-year increase in same-store sales. Gross margin improved but SG&A to net sales ratio increased. Improvement in same-store sales and gross sales margin predicted to continue through the second half, but also expect further rises in personnel, distribution and warehousing costs.

■**UNIQLO International:** Significant rises in both sales and income in the first half. UNIQLO operations in Greater China (China, Hong Kong and Taiwan), South Korea, the United States and Europe all outstripped expectations, while UNIQLO's Southeast Asian operation performed favorably and to plan. UNIQLO International is expected to continue to produce strong growth in the second half, with continued strong performances from UNIQLO operations in Greater China, South Korea and Southeast Asia. Losses at UNIQLO USA are expected to shrink, while profit at UNIQLO Europe is seen holding steady at the breakeven point, even when costs relating to the opening of the first German global flagship store are taken into account. Fiscal 2014 forecasts for sales and operating income have been revised up sharply. Total store numbers expected to expand by 186 to 632 stores at end August 2014.

■ **Global Brands:** Reported gains in sales and income in the first half. Sales and income gains at GU were slightly lower than expected in the first half owing to some discounting on excess winter stock, but GU sales are still forecast to exceed ¥100 billion for the business year as a whole.

■ **Fiscal 2014 Consolidated Estimates:** Group sales: ¥1.370 trillion (+19.9%), operating income: ¥145.5 billion (+9.5%), ordinary income: ¥149.5 billion (+0.3%), net income: ¥88.0bn (-2.6%), earnings per share: ¥863.50, annual dividend forecast: ¥300 per share (interim dividend: ¥150, year-end dividend: ¥150).

■ **UNIQLO Japan**

UNIQLO Japan reported gains in both sales and income in the first half of fiscal 2014 (September 1, 2013 to February 28, 2014). Sales reached ¥405.5 billion (+4.7% year on year) and operating income expanded to ¥70.2 billion (+1.8%). A 2.2% gain in same-store sales helped boost the first-half performance. Sales per store also increased as a direct result of our “scrap and build” strategy to increase the average size of our sales floors by replacing smaller outlets with large-format stores. The total number of UNIQLO stores in Japan increased by 3 to 831 stores at the end of February 2014 compared to end February 2013. This figure excludes the operation’s 18 franchise stores. Breaking down the 2.2% gain in same-store sales, customer visits increased by 0.5% year on year, while the average customer spend also increased by 1.7%. On the profit side, the gross profit margin improved by 0.8 point year on year in the first half of the year. Meanwhile, the SG&A to net sales ratio increased 1.3 points due to a number of factors: higher in-store personnel costs for part-time and temporary workers, rising advertising and promotion costs, and an increase in distribution and warehousing costs related to the company’s decision to boost inventory of basic year-round items.

Same-store sales are expected to continue expanding in the second half (March 1, 2014- August 31, 2014), and we also expect to see further improvement in the gross profit margin. However, we have made some downward revisions to our full-year estimates for UNIQLO Japan. Fiscal 2014 sales are now forecast to expand to ¥715.0 billion (+4.6%) and operating income to rise to ¥100.0 billion (+3.3%). The ¥5.0 billion downward revision in the sales forecast reflects the shortfall in sales in the first half, and the ¥14.5 billion downward revision for operating income incorporates the expected increase in personnel, distribution and warehousing expenses.

■ **UNIQLO International**

UNIQLO International performance outstripped the company’s forecasts to generate significant gains in both sales and income in the six months to February 28, 2014. UNIQLO operations outside Japan generated total net sales of ¥232.0 billion (+77.6% year on year) and operating income of ¥28.0 billion (+75.1%). Furthermore, this strong performance was not limited to one geographical area. Instead, UNIQLO operations in Greater China (Mainland China, Hong Kong and Taiwan), South Korea, the United States and Europe all reported above-target results for the period. UNIQLO operations in Southeast Asia also performed favorably and to plan. The total number of UNIQLO International stores increased by 175 stores year on year to reach 534 stores at the end of February 2014.

UNIQLO Greater China outstripped company expectations in the six months to February 2014, generating significant gains in both sales and income. UNIQLO opened 46 stores and closed one store in this region over the six-month period, to bring the total number of UNIQLO stores in Greater China to 325 at the end of February 2014. UNIQLO’s brand image enjoyed a huge boost in China with the opening of the

biggest ever UNIQLO global flagship store in September 2013 in Shanghai. The store boasts an impressive sales floor spanning 6,600 square meters. UNIQLO South Korea also generated higher-than-expected gains in sales and income thanks to strong sales of core basic items. We opened 13 new stores and closed two stores in South Korea, bringing the total number of UNIQLO stores in that country to 116 at the end of February 2014. Operating losses at UNIQLO USA contracted dramatically in the first half year, thanks to a double-digit gain in combined sales generated by our UNIQLO New York Fifth Avenue and two other prominent New York stores, and thanks to favorable results from the 10 new UNIQLO stores opened in various shopping malls in fall 2013. UNIQLO Europe also reported double-digit gains in same-store sales. On the immediate horizon, we plan to enter the German market for the first time by opening a global flagship store in Berlin on April 11. We are also scheduled to open our first store in Australia on April 16 in Melbourne.

UNIQLO International is expected to display further strong growth in the second half from March to August 2014. Full-year forecasts for this business segment include sales of ¥400.0 billion (+59.2%) and operating income of ¥35.0 billion (+90.7%). We expect further strong growth at UNIQLO operations in Greater China, South Korea and Southeast Asia, while losses at UNIQLO USA are predicted to shrink in fiscal 2014. UNIQLO Europe is also expected to generate a firm performance on the profit front in fiscal 2014, with operating income holding steady at the breakeven point, even after incorporating costs relating to the opening of the first UNIQLO global flagship store in Germany. In light of the stronger-than-expected performance in the first half and foreign exchange gains generated from a weakening in the Japanese yen, we have decided to revise up our most recent fiscal 2014 estimates for UNIQLO International sales and operating income by ¥50.0 billion and ¥7.0 billion respectively. The total number of UNIQLO International stores is expected to increase by 186 year on year to 632 stores at the end of August 2014.

■ Global Brands

Our Global Brands segment reported rising sales and income in the six months to February 2014, with sales reaching ¥125.3 billion (+31.0% year on year) and operating income rising to ¥9.2 billion (+7.7%). Our GU casualwear brand did report a gain in both sales and income, but the result was slightly below our expectations. This shortfall was caused by heavy discounting on excess stock of outerwear in the second quarter. GU opened 40 new stores and closed four stores over the six-month period, bringing the total number of stores to 250 at the end of February. Our Theory fashion label reported a rise in sales, but operating income contracted slightly as the lackluster U.S. economy continued to dampen department store sales, and both the Japanese and American Theory operations reported increases in advertising and personnel expenses. Our J Brand premium denim label was also adversely affected by poor conditions in the U.S. economy, and reported a lower-than-expected performance over the six months to February. Meanwhile, Comptoir des Cotonniers, generated larger-than-expected gains in both sales and income, while Princesse tam.tam performed roughly in line with expectations.

Over fiscal 2014 as a whole, the Global Brands segment is expected to generate sales of ¥253.0 billion (+22.7%) and operating income of ¥21.0 billion (+20.3%). Full-year sales at GU are still predicted to top ¥100.0 billion.

■ **Fiscal 2014 Consolidated Estimates**

Regarding our consolidated business estimates for fiscal 2014, or the year ending August 31, 2014, we forecast Group sales will expand 19.9% year on year to ¥1.370 trillion, operating income will expand 9.5% to ¥145.5 billion, ordinary income will increase by 0.3% to ¥149.5 billion and net income will contract 2.6% to ¥88.0 billion. These figures would translate into earnings per share of ¥863.50. The entire store network for the Fast Retailing Group is expected to expand to 2,750 stores by the end of August 2014. This total breaks down into 857 UNIQLO stores in Japan (including franchise outlets), 632 UNIQLO stores outside Japan, and 1,261 Global Brands stores (including 277 GU stores). Our annual dividend forecast stands at ¥300 per share, split evenly into an interim and year-end dividend of ¥150 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/>.