

Results Summary for the Three Months to November 2015

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2015	Year to Aug 2016			
	1Q Actual	1Q Actual	y/y	Full-year Est.	y/y
Revenue	479.5	520.3	+8.5%	1,800.0	+7.0%
Gross Profit	253.2	266.2	+5.1%	-	-
(to revenue)	52.8%	51.2%	(-1.6p)	-	-
SG&A Expenses	168.0	190.6	+13.5%	-	-
(to revenue)	35.0%	36.6%	(+1.6p)	-	-
Operating profit	91.3	75.9	-16.9%	180.0	+9.4%
(to revenue)	19.1%	14.6%	(-4.5p)	10.0%	(+0.2p)
Profit before income taxes	106.7	77.6	-27.2%	180.0	-0.4%
(to revenue)	22.3%	14.9%	(-7.4p)	10.0%	(-0.7p)
Profit attributable to owners of the parent	68.8	48.0	-30.2%	110.0	-0.0%
(to revenue)	14.4%	9.2%	(-5.2p)	6.1%	(-0.4p)

Performance by Group Operation

(Billions of Yen)

		Yr to August 2015	Yr to August 2016	
		1Q Actual	1Q Actual	y/y
UNIQLO Japan	Revenue	232.6	230.9	-0.7%
	Operating profit	51.1	44.8	-12.4%
	(to revenue)	22.0%	19.4%	(-2.6p)
UNIQLO International	Revenue	168.0	196.9	+17.2%
	Operating profit	24.3	20.8	-14.2%
	(to revenue)	14.5%	10.6%	(-3.9p)
Global Brands	Revenue	78.1	91.8	+17.4%
	Operating profit	9.5	12.4	+29.7%
	(to revenue)	12.2%	13.5%	(+1.3p)

FY2016 First Quarter Highlights: 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 quarter of fiscal 2016, covering the three months from September to November, 2015. Consolidated revenue expanded 8.5% year on year to JP¥520.3 billion, while operating profit declined 16.9% to ¥75.9 billion. By individual business segment: Global Brands reported rises in revenue and profit, UNIQLO Japan reported declines in both revenue and profit, while UNIQLO International reported a rise in revenue but a fall in profit. Foreign exchange gains under other income/expenses and net finance income fell ¥18.9 billion compared to the first quarter of fiscal 2015, when the yen weakened significantly. As a result, consolidated profit before income taxes contracted by ¥29.0 billion to ¥77.6 billion.

■ UNIQLO Japan: Decline in profit as warm winter lowers demand

Fall Winter ranges got off to strong start, boosting same-store sales in September and October. However, unexpected warm weather in November lowered demand for winter items, pushing overall revenue sharply lower. On the profit side, heavy discounting in November squeezed gross margins and the shortfall in sales swelled the SG&A ratio. Operating profit declined 12.4% year on year.

■UNIQLO International: Warm winters around the world push profit lower, below plan

Unseasonal warm winter weather around the globe adversely impacted same-store sales at UNIQLO Greater China (Mainland China, Hong Kong and Taiwan), UNIQLO South Korea and UNIQLO USA in particular, resulting in a lower than expected performance and declining in profits in all three areas. Store network (End November 2015): 864 stores (+169 y/y). Fifteen years after the first UNIQLO store outside of Japan opened in London in fall 2001, UNIQLO International finally overtook UNIQLO Japan in terms of store numbers.

■Global Brands: Higher-than-expected revenue and profit gains on strong GU

Our low-priced GU fashion casualwear brand reported higher-than-expected rises in revenue and profit, while Theory reported a slight decline in profit, and J Brand reported an expanded operating loss.

■Fiscal 2016 consolidated estimates: Downward revisions

Consolidated revenue: ¥1.800 trillion (+7.0% year on year), operating profit: ¥180.0 billion (+9.4%), profit attributable to owners of the parent: ¥110.0 billion (-0.0%). Basic earnings per share: ¥1,079.01. These include downward revisions as follows: ¥100.0 billion for revenue, ¥20.0 billion for operating profit, and ¥5.0 billion for profit attributable to owners of the parent. Scheduled FY2016 annual dividend: ¥370 per share, unchanged.

FY2016 First-quarter Performance in Focus

■UNIQLO Japan: Decline in profit as warm winter lowers demand

UNIQLO Japan fell short of expectations in the first quarter of fiscal 2016, reporting a year-on-year decline in both revenue and profit (revenue: ¥230.9 billion (-0.7% year-on-year), operating profit: ¥44.8 billion (-12.4% year-on-year)). While online sales expanded 23.2% year-on-year, same-store sales declined 2.3%, resulting the fall in revenue. In September and October, fall winter items such as cashmere sweaters, merino sweaters, gauchu pants and wide pants got off to a great start and sales proved strong, pushing same-stores sales higher as a result. However, the unexpected heatwave in November stifled demand for winter items, and led to a sharp drop in revenue. On the profit side, hefty discounting of winter items in November squeezed the first-quarter gross profit margin, while lower-than-expected first-quarter sales inflated the selling, general and administrative expenses to revenue ratio. The number of directly-run UNIQLO Japan stores, excluding 38 franchise outlets, totaled 806 stores at the end of November 2015. While that represents a net decrease of 18 stores year-on-year, 10 of these stores were converted from directly-run stores to new employee-franchise outlets.

■UNIQLO International: Warm winters around the world knock profit lower, below plan

UNIQLO International's also fell short of target in the first quarter, reporting a rise in revenue but a decline in profit (revenue: ¥196.9 billion (+17.2% year-on-year), operating profit: ¥20.8 billion (-14.2% year-on-year)). Unseasonal warm winter weather around the globe adversely impacted same-store sales at UNIQLO Greater China (encompassing operations in mainland China, Hong Kong and Taiwan), UNIQLO South Korea and UNIQLO USA in particular, resulting in a lower-than-expected

first-quarter performance and declining profits in all three of these areas. Meanwhile, UNIQLO Europe reported higher-than-forecast gains in both revenue and profit, and UNIQLO Southeast Asia and Oceania reported a steady operating profit, as expected. New store openings proceeded as planned, with a net 66 stores opened during the first quarter, mainly in Greater China and Southeast Asia. As a result, the total number of UNIQLO International stores had expanded by 169 year-on-year to 864 stores as of 30 November 2015. Fifteen years after the first UNIQLO store outside of Japan was opened in London in fall 2001, the number of UNIQLO International stores finally overtook the number of UNIQLO Japan stores in November 2015. UNIQLO USA continued to generate an operating loss, but we now have a new strategy focusing on new store openings in major US cities and expanding e-commerce sales. As part of that strategy, in the first quarter we opened a 4,100m² global flagship store in Chicago, the first such store in the Midwest, as well as a store in Boston on the East Coast in order to boost awareness of the UNIQLO brand. In Europe, our first UNIQLO store in Belgium, which was opened in Antwerp in October, got off to a favorable start.

■Global Brands: Higher-than-expected rises in 1Q revenue and profit on strong GU

Global Brands exceeded expectations in the first quarter by reporting a 17.4% year-on-year gain in revenue to ¥91.8 billion, and a 29.7% year-on-year gain in operating profit to ¥12.4 billion. Within the Global Brands segment, our low-priced GU fashion casualwear label reported significant rises in both revenue and profit that surpassed our initial forecasts. GU reported double-digit growth in same-store sales on the back of strong sales of heavily advertised campaign items such wide pants, baggy sweaters and knitted bottoms. On the other hand, our Theory fashion label and J Brand premium denim label both suffered from the downturn in the US market for luxury apparel. Theory reported a slight decline in profit, while J Brand reporting an expanded operating loss. The temporary closure of some stores following the November terrorist attacks in Paris adversely impacted our France-based brands. Comptoir des Cotonniers reported a slight decline in profit and Princesse tam.tam reported similar operating losses to the previous year.

■Fiscal 2016 consolidated estimates: Downward Revisions

In fiscal 2016, Fast Retailing now expects to achieve consolidated revenue of ¥1.800 trillion (+7.0% year on year), operating profit of ¥180.0 billion (+9.4%) and profit attributable to owners of the parent of ¥110.0 billion (-0.0%). These data translate into basic earnings per share of ¥1,079.01. These figures have been revised down from our initial estimates announced in October 2015 as follows: ¥100.0 billion for revenue, ¥20.0 billion for operating profit and ¥5.0 billion for profit attributable to owners of the parent.

Our latest estimates take into account the lower-than-expected performance in the first quarter from September to November 2015, and a predicted year-on-year decline in gross margins at both UNIQLO Japan and International in the second quarter from December 2015 through February 2016. Changes in foreign exchange gains are not incorporated in these forecasts.

We have made no change to our scheduled annual dividend for fiscal 2016 of ¥370 per share, divided equally between an interim and year-end dividend of ¥185 yen per share.