

# FY2016 Review and Future Business Outlook

**Tadashi Yanai**

**Fast Retailing Co., Ltd.**

**Chairman, President & CEO**

I am Tadashi Yanai, the chairman, president and CEO of Fast Retailing.

Today, I would like to talk through our business performance for fiscal 2016, or the 12 months from September 2015 through August 2016, and also tell you about our future business outlook and strategy.

## Year to August 31, 2016

<b>Revenue</b>	<b>¥1.7864trln (+6.2% y/y)</b>
<b>Business profit</b>	<b>¥162.0bln (- 8.3%)</b>
<b>Operating profit</b>	<b>¥127.2bln (-22.6%)</b>
<b>Profit attributable to owners of the parent</b>	<b>¥ 48.0bln (-56.3%)</b>

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

### ■ Main points

- Consolidated revenue increased, but profit declined
- 1H profit down on warm winter, but strong 2H rebound
- 2H Group-wide cost-cutting boosts efficiency
- Large fall in profit attributable to owners of the parent due to strong-yen induced losses on foreign currency, J Brand impairment losses, etc.
- GU revenue up 32.7%, operating profit up 34.8% y/y

The Fast Retailing Group reported revenue of ¥1.7864 trillion, business profit of ¥162.0 billion, operating profit of ¥127.2 billion and profit attributable to owners of the parent of ¥48.0 billion in fiscal 2106.

For the year as a whole, Fast Retailing revenue rose but profit declined. Looking at the profit picture in more detail, profit contracted in the first half from September 2015 through February 2016 largely on the back of unseasonal warm winter weather. However, profit rebounded sharply in the second half from March to August 2016.

Group-wide cost-cutting efforts in the second half helped achieve more efficient operations.

Profit attributable to owners of the parent contracted sharply year on year in fiscal 2016 due to losses on our foreign-currency denominated assets resulting from an appreciation in the Japanese yen, and the recording of impairment losses at our premium denim J Brand label.

Meanwhile, our low-priced GU casualwear fashion brand performed extremely well to report a 32.7% year-on-year gain in revenue and a 34.5% year-on-year rise in operating profit in fiscal 2016.

We have set ourselves a medium-term annual sales target for GU of ¥300 billion yen as part of our drive to develop the brand into a 1 trillion yen company.

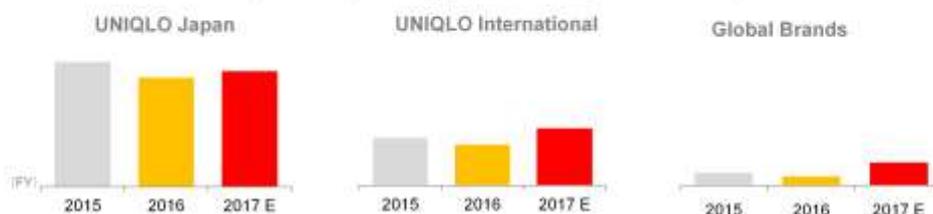
## Year to August 31, 2017 (Estimates)

<b>Revenue</b>	<b>¥1.8500trln (+3.6% y/y)</b>
<b>Business profit</b>	<b>¥180.0bln (+11.1%)</b>
<b>Operating profit</b>	<b>¥175.0bln (+37.5%)</b>
<b>Profit attributable to owners of the parent</b>	<b>¥100.0bln (+108.1%)</b>

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

- **Group revenue, profit to rise. Profit rise at all segments**
- **Greater China, SE Asia & Oceania profits to drive growth**
- **UNIQLO USA loss to shrink significantly**
- **Scheduled annual dividend remains at ¥350 per share**

Expected operating profit trend by business segment



Looking now at our forecasts for Fast Retailing Group performance in fiscal 2017, or the twelve months to August 2017, we expect the Group as a whole to report gains in both revenue and profit. We also forecast profits will rise across all three business segments.

We estimate consolidated revenue will reach ¥1.8500 trillion, business profit will expand to ¥180.0 billion, operating profit will rise to ¥175.0 billion, and profit attributable to owners of the parent will achieve ¥100.0 billion in fiscal 2017.

We expect UNIQLO operations in Greater China and Southeast Asia & Oceania will prove the key drivers of growth in fiscal 2017. We also expect operating losses at UNIQLO USA will contract sharply.

To maintain a consistent level of shareholder return, we have scheduled an annual dividend of ¥350 per share for fiscal 2017.

**Our most important future aim right now:**

**Carving a new  
industry**

Turning now to our broader future strategy for the Fast Retailing Group, our most important future aim right now is to carve a new industry.

**Become an **Digital Retailing** by transforming our supply chain from raw materials procurement through planning, design, manufacturing and retail into a customer-centric operation that can swiftly create the products customers truly desire.**

What does that mean exactly?

We want to develop into an “Digital Retailing.”

That will involve transforming our entire supply chain, from raw materials procurement through planning, design, manufacturing and retail, into a customer-centric operation that can swiftly create the products customers truly desire.

## Turn information into products

Changing  
lifestyles

Fashion  
trends

High- function  
materials and  
comfort

Contemporary  
outfits for  
today's world

**A retailer that explores the question, “Why do we get dressed?” and enriches our daily lives by adapting to changing lifestyles and fashion trends, offering high-function materials and comfort, and outfits to suit contemporary needs. A retailer that both incorporates information into the making of clothes, and conveys exciting and pertinent information to customers.**

A Digital Retailing turns information into products.

It explores the fundamental question, “Why do we get dressed?” and enriches our daily lives by adapting to changing lifestyles and fashion trends, offering high-function materials and comfort, as well as outfits to suit contemporary needs.

A Digital Retailing both incorporates information into the making of clothes, and conveys exciting and pertinent information to customers.

## Customer-centric

- **Develop supply chain that uses Big Data to analyze customer opinion and instantly incorporate into new products.**
- **Analyze customer purchasing trends to facilitate flexible but sophisticated demand predictions and company-wide teamwork to help swiftly create or revise retail plans.**

A Digital Retailing is first and foremost customer-centric.

A Digital Retailing develops a supply chain that can analyse customer opinion using Big Data analytics, and instantly channel the results into creating the exact products that customers want.

A Digital Retailing uses analysis of customer purchasing trends to create flexible but sophisticated demand predictions, and to encourage the company-wide teamwork required to be able to swiftly create or revise its retail plans.

## Create vital new supply chain

- **Revolutionize factories and manufacturing processes in order to develop an entirely new customer-centric supply chain.**
- **Swiftly respond to customer needs by building new factory-based distribution platforms to help slash production and delivery lead times.**
- **Develop Ariake-style next-generation distribution centers in 10 Japan locations, including Sapporo, Sendai, Nagoya, Osaka and Kobe, and plan similar centers for China, Europe and the United States.**

Creating an entirely new supply chain is a vital part of creating a Digital Retailing.

We need to revolutionize factories and manufacturing processes in order to develop a new customer-centric supply chain. We also need to build new factory-based distribution platforms that can help us swiftly respond to customer needs by slashing production and delivery lead times.

We are already developing other Ariake-style next-generation distribution centers in 10 Japan locations, including Sapporo, Sendai, Nagoya, Osaka and Kobe, and we plan to launch similar centers in international markets such as China, Europe and the United States going forward.

## Change the way we work

**Pursue global, concurrent work processes by connecting our customers, business partners and all company functions via the internet.**

To become a Digital Retailing, we also need to change the way that we work.

We intend to use the spread of the internet to completely overhaul the way that we work, connecting our customers, business partners and all company functions into global and concurrent work processes.

## ARIAKE Project

**Encourage employees to embrace a teamwork-centric work style by shifting our main product and sales functions to a 16,529m<sup>2</sup> open-plan office space on the top floor of our new distribution center in Ariake, Tokyo in spring 2017.**

In order to transform our work practices, we have built a large office on the top floor of the Ariake warehouse, and we plan to shift our main product and sales functions to this office from spring 2017.

We intend to use the 16,529m<sup>2</sup> open-plan office space to encourage employees to embrace a new teamwork-focused approach to their work.

# Offers customers a new shopping experience

- **Blends physical-store and online shopping**
- **Offers new services via “digital flagship stores”**
- ✓ **Special services for UNIQLO Members**
- ✓ **Personalized information based on purchasing history**
- ✓ **Instore payment and e-commerce deliveries, “click ’n collect” online purchases for instore collection, convenience-store collection option, and many more**
- ✓ **Extended same-day, next-day delivery, delivery time display**
- ✓ **Semi order-made items, Just Fit size registration**
- ✓ **Exclusive online items/colors, bigger size range (2XS-4XL)**

The ultimate aim of a Digital Retailing is to offer customers an entirely new shopping experience.

We are currently pressing ahead with a number of new initiatives planned to help achieve that aim.

First, we need to successfully blend our physical-store and online shopping experience, and offer various new and exciting services via “digital flagship stores.”

We intend to offer special services for UNIQLO Members, along with personalized information based on a customer’s individual purchasing history. We want to offer new options for instore payment and e-commerce deliveries, “click ’n collect” online purchases for instore collection, as well as enable a customer to put up the items they purchased online at their nearest convenience store. With all these services in place, customers really will be able to buy whatever UNIQLO item they want, whenever they want.

We also want to offer extended same-day and next-day delivery services. We are looking to provide customers with a delivery display so they can keep track of delivery lead times.

We intend to offer a broader range of semi order-made items and offer customers the option of registering their personal measurements via our Just Fit size registration service to help select the right size when shopping online.

We also plan to offer a range of exclusive online items and colors, and a bigger size range (2XS-4XL) for online shoppers.

# Growth through globalization, digitalization

## 1. UNIQLO International

Greater China, Southeast Asia & Oceania to serve as key drivers of growth

## 2. E-commerce

Targeting 30% of total sales over medium term

## 3. Aim to develop GU as a second pillar brand with 1 trillion yen sales

In terms of future growth promotion strategies, we will be focusing on promoting growth through globalization and digitalization.

We expect our operations in Greater China and Southeast Asia & Oceania will prove the key drivers of growth at UNIQLO International going forward.

We are also working hard to expand our e-commerce operations, and we want to see expand online sales expand to 30% of total revenue over the medium term.

In addition, we are aiming to develop GU into a second pillar brand company with 1 trillion yen sales.

# First Canadian store a huge success <sup>13</sup>

- The opening of our large-format store (2,545m<sup>2</sup>) on September 30 in the Toronto Eaton Centre landmark was a great success. Second store (2,370m<sup>2</sup>) opens in Toronto's Yorkdale Shopping Centre October 20.
- Plan to accelerate store openings in the promising Canada market



**1,800 customers lined up for the store opening. Controlled entry throughout the day**



**UNIQLO CF Toronto Eaton Centre Store**

On exciting new stores and markets, we recently opened our first UNIQLO store in Canada. The large-format store in Toronto's Eaton Centre landmark shopping facility proved a great success.

We plan to open a second store in Toronto on October 20 in the city's famous Yorkdale Shopping Centre.

We view Canada as an extremely promising market for UNIQLO and we plan to accelerate new store openings in Canada going forward.

# Become world's No. 1 Digital Retailing

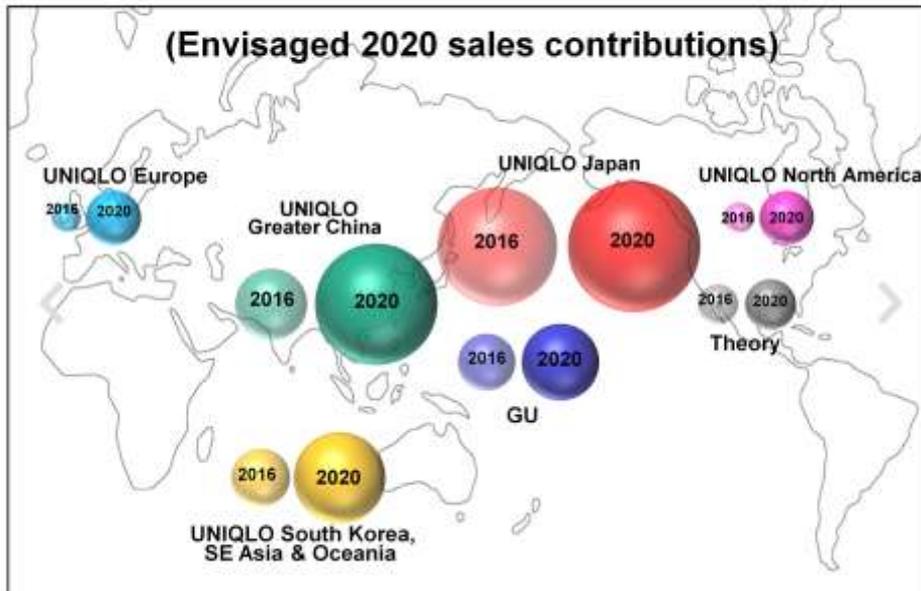


Fast Retailing's primary medium-term target is to become the world's No.1 Digital Retailing.

To achieve that aim, we have set ourselves a range of 2020 targets, including boosting revenue to ¥3 trillion, improving our operating profit margin to 15%, and significantly expanding our e-commerce operation.

We will then seek to extend revenue even further to ¥5 trillion yen as soon as possible.

## Expand sales across global network



This slide is a pictorial representation of Fast Retailing's medium-term targets.

It shows clearly how we intend to expand UNIQLO Japan and UNIQLO operations in regions such as Greater China and beyond, as well as our future plans to expand international operations for the GU brand.

**We channel as much energy into strengthening our CSR activities as we do our core business. We seek to use the “power of clothes” to enrich society and people’s lives.**

Finally, I would like to take a look at our recent CSR activities.

We channel as much energy into strengthening our CSR activities as we do our core business. We seek to use the “power of clothes” to enrich society and people’s lives.

## All-Product Recycling Initiative 10 Million Ways to HELP Project

- Exceeded target by collecting 12.81 million items of clothing by World Refugee Day on June 20.
- Distributed clothes to refugees and displaced persons in Uganda and Rwanda. Plan to extend clothing donations to Bangladesh and Zimbabwe.



Thanks to the generous support of our customers and the broader community, Fast Retailing's All-Product Recycling Initiative 10 Million Ways to HELP Project was a huge success.

By World Refugee Day on June 20, 2016, we had collected 12.81 million items of used clothing for distribution to people in need. That total was considerably higher than our initial target of 10 million items.

We subsequently distributed some of these precious clothing donations to refugees and displaced persons in Uganda and Rwanda. We also plan to extend clothing donations to Bangladesh, Zimbabwe and other countries that most need them.

## Japan's first community-led hospice for children

- **UNIQLO and the Nippon Foundation supported the April opening of the TSURUMI Children's Hospice for children with life-threatening illnesses in Osaka.**
- **Set up areas where patients can interact with local people, and family caregivers can relax.**



UNIQLO is supporting Japan's first community-led hospice designed to enable children with life-threatening illnesses to interact with the local community.

UNIQLO and the Nippon Foundation supported the opening in April 2016 of the TSURUMI Children's Hospice for children with life-threatening illnesses in Osaka, setting up specific-purpose areas where patients can interact with local people and family caregivers can relax and seek precious support.

# **Fast Retailing's Corporate Mission**

**Changing Clothes.  
Changing Conventional Wisdom.  
Change the World.**

I would like to leave you this with reminder of Fast Retailing's corporate mission.

Changing Clothes. Changing Conventional Wisdom. Change the world.

Thank you.