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Financial results for first quarter to Nov 2004

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FAST RETAILING CO., LTD.
Senior VP, member of the Board

My name is Naoki Otoma, a director of FAST RETAILING and currently responsible for Investor Relations.

I would like to take you through a brief explanation of our first quarter results for the three months to November 2004.

【Parent】 PL for three months to Nov 04

Revenue up, profit down

Net sales ： ¥103.5bln (+12.6**%** y/y)
Operating income ：¥19.8bln (▲9.9**%** y/y)

Billions of yen

	Yr to Aug 05 Q1 Actual	(y/y)	Yr to Aug 04 Q1 Actual
Net Sales	**103.5**	**(+12.6%)**	**91.9**
(to net sales)	**100.0%**		100.0%
Gross Profit	**47.5**	**(+4.2%)**	**45.6**
(to net sales)	**46.0%**	**(▲3.7p)**	49.7%
SG&A Expenses	**27.7**	**(+17.5%)**	**23.5**
(to net sales)	**26.8%**	**(+1.1p)**	25.7%
Operating Income	**19.8**	**(▲9.9%)**	**22.0**
(to net sales)	**19.2%**	**(▲4.8p)**	24.0%
Ordinary Income	**20.1**	**(▲9.0%)**	**22.1**
(to net sales)	**19.4%**	**(▲4.6p)**	24.1%
Net Income	**11.5**	**(▲8.1%)**	**12.5**
(to net sales)	**11.1%**	**(▲2.5p)**	13.7%

First of all I would like to go through the FAST RETAILING parent results for the three months to November 2004. Net sales came in at ¥103.5bln, gross profit totalled ¥47.5bln, SG&A costs totalled ¥27.7bln, operating income came in at ¥19.8bln and ordinary income at ¥20.1bln. That represents a year-on-year increase in revenue over the quarter but a year-on-year decrease in profit.

To explain further first on net sales. The weather in September was unusually warm while, conversely, the weather from November on was unusually mild. That weather pattern adversely impacted our activities but even so we managed to achieve an increase in net sales of 12.6%, more or less in line with our initial estimates for the quarter.

The fall in our gross profit margin and the increase in SG&A Expenses as a percentage of sales naturally dragged on operating income pulling that figure down 9.9% year on year.

【Parent】 Net sales

Q1 net sales：¥103.5bln

Achieved 12.6% revenue boost y/y

- ○ **Net increase 25 stores (1H est. 30 stores)**
  - ・**Store openings 35 (1H est. 41 stores)**
  - ・**Store closures 10 (1H est. 11 stores)**

※651 total directly managed stores at end Nov 2004 or a total of 664 stores including franchises

- ○ **Net sales at existing stores +3.5% y/y**

Next, just to give you a few more details on the net sales figures. First of all the increase in net store numbers was one factor contributing to the rise in net sales. In the three months to November, we opened 35 stores and closed 10 stores generating a net increase of 25 stores. That meant that as of the end of November 2004 we had a total of 651 directly managed stores. I know that the December figures are not part of the first quarter but let me list them here to give you a more up-to-date picture. In December, we opened 6 stores and closed one. That meant that as of the end of December we had a total of 656 directly managed stores and we feel we are firmly on track to meet our first half store opening plans.

In addition, first quarter existing store net sales rose in line with forecasts by 3.5% year on year.

【Parent】 Net sales

Existing store net sales +3.5%

○ Customer numbers at existing stores +4.2% y/y
…successful promotion campaigns boosting numbers

○ Average purchase price ▲0.7% y/y
…roughly in line with previous year despite introduction of sales-tax inclusive price displays that effectively resulted in marginal price cuts

Year on year change		Yr to August 2005				
		Sep	Oct	Nov	Sep-Nov	Dec
Existing store basis	Net sales	▲10.8%	+15.0%	+0.3%	+3.5%	▲6.8%
	Customer nos	▲5.2%	+13.1%	+1.6%	+4.2%	▲6.5%
	Average purchase	▲5.9%	+1.7%	▲1.3%	▲0.7%	▲0.3%

Looking at a breakdown of our existing store position, the number of customers visiting our existing stores rose 4.2% year on year thanks to our successful promotional campaigns. Breaking down the figures by month; September numbers were down 5.2% due to the prolonged hot weather, October numbers bounced back, up 13.1% thanks to successful campaigns and November numbers were up 1.6% despite the warm winter weather. Into December and the numbers turned down again, falling 6.5% below previous year's levels as the warm winter weather dragged on sales.

The average purchase price per customer was pressured somewhat as the introduction of sales-tax inclusive price displays in effect resulted in marginal price cuts. Having said that, we were able to roughly maintain the previous year's level with the average price falling a mere 0.7% year on year.

Product strategies

"Declaration on global quality"

(announced to press Sep 1, 2004)

aim for global quality in design, fabric, technology

New men's line plus "shapely-leg pants"	(Sep)
Cashmere sweaters	(Oct)
Outlast Fleece	(Oct-Nov)
Premium Down	(Nov-Dec)

To review our overall product strategy during the first quarter, we first introduced our "Declaration on global quality" announced to the press back on September 1.

We looked to introduce new products in line with the seasons and actual campaigns conducted under this new commitment were many including:

-the new menswear line and the campaign for shapely-leg pants in September
-The cashmere campaign conducted in October
-The Outlast Fleece campaign conducted in October through November
-And the Premium Down campaign running from November through December.

These campaigns were generally extremely well received by our customers helping to boost customer numbers.

【Parent】 Gross profit margin

Q1 gross profit margin : 46.0**%**

Fell ▲3.7 points year on year

- ○ price cuts resulting from sales-tax inclusive price displays
- ○ launch of new lines with focus on quality fabric and design
- ○ early inventory adjustment during prolonged hot summer and mild winter

Our gross profit margin for the first quarter came in down 3.7 points year on year at 46.0%.

There were a variety of factors at play here including:

-Price cuts resulting from the introduction of sales-tax inclusive price displays

-A rise in material costs following the launch of new products focused on clear quality fabric and design

-An early start to the inventory adjustment process due to the unusual weather patterns last year – a prolonged hot summer and a mild winter.

【Parent】 SG&A

Q1 SG&A : ¥27.7bln (+17.5% y/y)

○ **Personnel costs**

…leading investment – hiring of mid-career head office staff

○ **Advertising & promotion costs**

… on the attack – concerted efforts on advertising to really drive our corporate message home, promotion to boost sales

SG&A costs rose 17.5% year on year to ¥27.7bln and the SG&A ratio also rose 1.1 points to 26.8%.

The main areas responsible for the cost increases were personnel and advertising and promotion. First on the personnel side, we were positively looking to hire mid-career head office staff who could help us in our mid to long-term strategy for global expansion and development of new businesses. We see this as a kind of leading investment.

In addition, we went into attack mode on advertising and promotion. We went for some new advertising that really drove our corporate message home, invested in our sales promotion to boost net sales and expanded our mass vehicle exposure to coincide with peak sales periods.

The increase here in SG&A costs did result in a fall in our profits with operating profit down 9.9% year on year to ¥19.8bln.

【Parent】 BS at end Nov 2004

Billions of yen

	End Aug 04	Eng Nov 04	Net change
Total Assets	246.0	285.3	+39.2
Current Assets	179.0	215.2	+36.2
Fixed Assets	67.0	70.0	+3.0
Liabilities	78.9	115.2	+36.3
Shareholder Equity	167.1	170.0	+2.9

Next I'd like to talk about our balance sheet. Total assets at the end of November 2004 stood at ¥285.3bln, up ¥39.2bln compared to the end of August. Current assets rose ¥36.2bln and fixed assets rose ¥3.0bln while our liabilities also rose ¥36.3bln and shareholder equity increased ¥2.9bln.

I'd like to go through a few salient points related to the balance sheet.

【Parent】 Balance sheet-main points

Main points compared with end August 2004

(1) Cash, cash equivalents and marketable securities

▲¥7.0bln （¥135.6bln ⇒ ¥128.6bln）

※owing to tax and dividend payments

(2) Inventory ＋¥7.4bln （¥28.2bln ⇒ ¥35.7bln）

※Increase in sales inventory

①More new stores, ②seasonal factors、③early shift of stock to warehouses

(3) Carry forward hedging loss on exchange contracts

+¥24.3bln （¥3.1bln ⇒ ¥27.4bln）

※due to the strengthening of the yen . No impact on PL

There are three main points I would like to focus on here.

Firstly, our total amount of cash, cash equivalents and marketable securities at the end of November 2004 was ¥128.6bln. That represents a fall of ¥7.0bln compared to August 2004, the result of tax and dividend payments.

Secondly, our inventory assets increased ¥7.4bln compared to August rising to ¥35.7bln. Total inventory was boosted by several factors at once including a natural increase in line with a larger number of new stores, a seasonal increase in inventory for sales and an early shift of inventory to warehouses to ensure we did not miss out on early demand.

The third point relates to expanded hedging losses carried forward on foreign exchange contracts. As the yen strengthens, the value of our existing exchange contracts shrinks on paper but this has no material impact on our profit and loss position.

【Group】 PL for 3 months to Nov 04

Net sales ¥104.4bln、ordinary profit ¥20.4bln

Billions of yen

	Yr to Aug 05 3 mths to Nov 04 Actual	(y/y)	Yr to Aug 04 3 mths to Nov 03 Actual
Net Sales	104.4	(+12.5%)	92.8
(to net sales)	100.0%		100.0%
Gross Profit	48.0	(+4.4%)	46.0
(to net sales)	46.0%	(▲3.6p)	49.5%
SG&A Expenses	28.2	(+16.0%)	24.3
(to net sales)	27.0%	(+0.8p)	26.2%
Operating Income	19.8	(▲8.6%)	21.6
(to net sales)	19.0%	(▲4.4p)	23.3%
Ordinary Income	20.4	(▲6.0%)	21.7
(to net sales)	19.5%	(▲3.8p)	23.4%
Net Income	11.8	(▲2.6%)	12.1
(to net sales)	11.3%	(▲1.8p)	13.1%

FAST RETAILING CO.,LTD.

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Let me explain next about our group results for the three months to November 2004.

Net sales came in at ¥104.4bln, gross profit at ¥ 48.0bln, SG&A expenses totalled ¥28.2bln. On the profit side, operating income totalled ¥19.8bln, and ordinary income totalled ¥20.4bln.

As was the case with the parent results, while we generated a year-on-year increase in revenue in the three months, consolidated profit levels fell compared to the previous year.

【Group】 Subsidiary performance in 3 months to Nov 04

Billions of yen

	Consolidated	Parent	UNIQLO(U.K.) (UK)	FRJS (China)	National Standard
		04/9～04/11	04/9～04/11	04/7～04/9	04/6～04/8
Net Sales	104.4	103.5	0.58	0.17	0.15
Ordinary Income	20.4	20.1	0.01	▲0.02	▲0.05
Net Income	11.8	11.5	0.01	▲0.02	▲0.05

※Non-operating income generated from Link Holdings Under the equity method between September to November 04 was ¥0.39bln.

Next, let me take you through the financial performance of our subsidiaries in so far as they impact our consolidated results.

Our UK operation, which turned its first profit last business year, generated a further ordinary profit of ¥10mln in the three months to November 2004. The level of profitability at our UK operation was slightly less than in the previous period due to costs incurred in the opening of new stores.

While we are still aiming for a profit at our China operation during this business year, the first quarter performance generated an ordinary loss of ¥20mln. Losses at our China operation are clearly shrinking.

National Standard, incorporated into our group last year, generated a loss of ¥50mln. Management is aiming for a swift shift into the black here.

Finally, we accounted a ¥0.39bln non-operating income from Link Holdings, the marketer of the Theory apparel brand, which is affiliated to FAST RETAILING under the equity method.

【Parent】 Forecasts for yr to Aug 05

No change to mid-term or full year forecasts

Billions of yen

	Year to Aug 2005			
	1H	(y/y)	Full year	(yy)
Net Sales	205.0	(+13.4%)	380.0	(+13.1%)
Gross Profit	95.0	(+10.7%)	178.0	(+10.1%)
(to net sales)	46.3%	(▲1.2p)	46.8%	(▲1.3p)
SG&A Expenses	53.7	(+16.4%)	106.4	(+9.8%)
(to net sales)	26.2%	(+0.7p)	28.0%	(▲0.8p)
Operating Income	41.3	(+4.1%)	71.6	(+10.4%)
(to net sales)	20.1%	(▲1.9p)	18.8%	(▲0.5p)
Ordinary Income	41.5	(+4.6%)	72.0	(+10.7%)
(to net sales)	20.2%	(▲1.8p)	18.9%	(▲0.5p)
Net Income	23.0	(+8.0%)	40.0	(+13.0%)
(to net sales)	11.2%	(▲0.6p)	10.5%	(▲0.0p)

First let me emphasise that we have no intention of revising our forecasts for the first half or the full year on either a parent only or a consolidated basis.

Our full year forecasts for the parent company are for net sales to rise 13.1% year on year to ¥380.0bln. Ordinary profit is expected to rise 10.7% year on year to ¥72.0bln.

【Group】 Forecasts for year to Aug 05

No change to mid-term or full year forecasts

Billions of yen

	Yr to Aug 2005			
	1H	(y/y)	Full year	(y/y)
Net Sales	207.4	(+13.4%)	384.8	(+13.2%)
Gross Profit	96.2	(+11.0%)	180.3	(+10.5%)
(to net sales)	46.4%	(▲1.0p)	46.9%	(▲1.1p)
SG&A Expenses	54.8	(+15.7%)	108.7	(+9.5%)
(to net sales)	26.4%	(+0.5p)	28.3%	(▲0.9p)
Operating Income	41.3	(+5.4%)	71.6	(+12.0%)
(to net sales)	20.0%	(▲1.5p)	18.6%	(▲0.2p)
Ordinary Income	41.9	(+7.0%)	72.8	(+13.4%)
(to net sales)	20.2%	(▲1.3p)	18.9%	(+0.0p)
Net Income	23.4	(+31.3%)	40.8	(+30.1%)
(to net sales)	11.3%	(+1.5p)	10.6%	(+1.4p)

Finally, to look at our consolidated forecasts for the year to August 2005. Here too, as with the parent company, we plan no change in our initial estimates.

Consolidated net sales are expected to rise 13.2% to ¥384.8bln and ordinary income is seen rising 13.4% year on year to ¥72.8bln.

That completes this brief explanation of FAST RETAILING CO., LTD's results for the first quarter or three months to November 2004. Thank you for your attention.