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Interim results for six months to February 2005 plus full year forecasts

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My name is Naoki Otoma and I am the Senior VP, member of the Board, for Investor Relations at FAST RETAILING CO., LTD..

I would like to take this opportunity today to run you through FAST RETAILING's actual results for the first half (six months to February 2005) and our business forecasts for the full business year through August 2005.

【Parent】 Profit & loss statement for six months to February 2005

Net sales：¥199.8bln (＋ ¥19.0bln y/y)
Operating income：¥35.4bln (▲¥4.2bln y/y)

Billions of yen

	Yr to Aug 04	Yr to Aug 05				
	1H Actual	1H Initial est.	1H Revised est.	1H Actual	(y/y)	(v. initial est)
Net Sales	180.7	205.0	199.8	**199.8**	(+10.6%)	(▲2.5%)
(to net sales)	100.0%	100.0%	100.0%	100.0%		
Gross Profit	85.8	95.0	87.9	**88.9**	(+3.6%)	(▲6.4%)
(to net sales)	47.5%	46.3%	44.0%	44.5%	(▲3.0p)	
SG&A Expenses	46.1	53.7	53.4	**53.4**	(+15.9%)	(▲0.4%)
(to net sales)	25.5%	26.2%	26.7%	26.8%	(+1.2p)	
Operating Income	39.6	41.3	34.5	**35.4**	(▲10.7%)	(▲14.2%)
(to net sales)	22.0%	20.1%	17.3%	17.7%	(▲4.2p)	
Ordinary Income	39.6	41.5	35.0	**35.8**	(▲9.6%)	(▲13.6%)
(to net sales)	22.0%	20.2%	17.5%	17.9%	(▲4.0p)	
Net Income	21.3	23.0	20.0	**20.9**	(▲1.5%)	(▲8.8%)
(to net sales)	11.8%	11.2%	10.0%	10.5%	(▲1.3p)	

First of all, let me take you through the first half results for the FAST RETAILING parent company.

Overall net sales rose ¥19.0bln year on year to ¥199.8bln.

However, on the profit front, gross margin fell 3.0 points year on year to 44.5%. Operating profit also fell 10.7% year on year to ¥35.4bln. We view this as a fairly severe outcome for our first half performance.

【Parent】 Net sales

Net sales：¥199.8bln （+10.6% year on year）

Net sales at existing stores： ＋1.9% y/y

〇Customer numbers ･･･struggled against unusual weather

〇Average purchase per customer ･･･▲1.5% y/y in part due to sales-tax inclusive price displays

★Directly managed stores ･･･net increase of 27 stores in 1H

･New store openings 41 （Initial estimate 41 stores）

･Store closures 14 （ 〃 11 stores）

※Store numbers at end Feb 05
653 directly managed stores （666 including franchise outlets）

Existing Stores y/y change	Yr to Aug 04			**Yr to Aug 05**
		1H	2H	**1H**
Net Sales	2.5%	2.3%	2.7%	**1.9%**
Customer Nos	3.5%	2.9%	4.2%	**3.4%**
Av. Purchase	▲1.0%	▲0.6%	▲1.4%	**▲1.5%**

To give you some more details first on net sales. As I said, overall net sales rose 10.6% year on year to ¥199.8bln.

Net sales at existing stores rose 1.9% year on year. While the average purchase price per customer fell year on year by 1.5% (mainly due to the discounting effect following the introduction of sales-tax inclusive price displays), customer numbers actually rose 3.4% year on year.

In addition, we also expanded our store numbers by 27 stores net, generating a total of 653 directly managed stores as of the end of February 2005.

【Parent】 Gross profit margin

Gross profit margin 44.5%

▲3.0 points year on year

〇Sales-tax inclusive price displays result in effective price cuts

〇Introduction of new garments of quality material and manufacture

〇Sluggish sales meant discounting to offload inventory

Our gross profit margin fell 3.0 points on year to 44.5%.

The main factors behind this fall were:

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

-the increase in unit costs resulting from the introduction of new garments with a close focus on quality material and manufacture

-the need to discount to offload excess inventory after unusual weather patterns (a prolonged summer last year and a warm winter period) adversely impacted sales.

【Parent】 SG&A

Billions of yen

	Six mths to Feb 04		Six mths to Feb 05		Net change	
	Actual	(to net sales)	Actual	(to net sales)	y/y	(to net sales)
SG&A Expenses	46.1	25.5%	**53.4**	**26.8%**	**+7.3**	**+1.2p**
Personnel	16.3	9.0%	**18.9**	**9.5%**	**+2.5**	**+0.4p**
Advertising & Promotion Costs	9.2	5.1%	**11.1**	**5.6%**	**+1.9**	**+0.5p**
Store Rents	11.9	6.6%	**12.7**	**6.4%**	**+0.7**	**▲0.3p**
Depreciation	0.8	0.5%	**0.8**	**0.4%**	**+0.0**	**▲0.0p**
Other	7.6	4.3%	**9.7**	**4.9%**	**+2.0**	**+0.6p**

SG&A ¥53.4bln (+¥7.3bln year on year)

○Personnel (+ ¥2.5bln)

－expanding/strengthening group personnel for the future

○Advertising & promotion costs (+¥1.9bln)

－stronger promotion campaigns to boost sales (newspapers, TV, fliers, etc)

Our SG&A costs rose by ¥7.3bln year on year to ¥53.4bln.

The main reasons behind this rise in SG&A were:

-The rise in personnel costs resulting from management efforts to increase and strengthen the pool of quality staff fit to manage an expanding set of group companies.

-We also increased the amounts spent on advertising and promotion according to our 'renewed business push" or efforts to boost net sales.

In addition, the "other" category in the SG&A table rose by ¥2.0bln. This was due to increased spending on equipment and fixtures in our stores, systems depreciation, pro-forma standard taxation, consignment fees, etc.

【Parent】 BS at end Feb 05

Billions of yen

	End Aug 04	End Feb 05	Change	(Reference) End Feb 04
Total Assets	246.0	**293.1**	+47.0	251.9
Current Assets	179.0	**221.5**	+42.5	186.3
Fixed Assets	67.0	**71.5**	+4.5	65.5
Liabilities	78.9	**112.9**	+34.0	93.8
Shareholders' Equity	167.1	**180.1**	+13.0	158.1

Next, let me move onto the FAST RETAILING parent balance sheet.

Total assets at the end of February 2005 had expanded ¥47.0bln compared to the end of August 2004 to ¥293.1bln.

Current assets expanded by ¥42.5bln and fixed assets by ¥4.5bln.

【Parent】 BS-main points

Main points （compared to end August 2004）

① Increase in cash, cash equivalents, marketable securities ＋¥18.3bln
（¥135.6bln ⇒ ¥154.0bln）
∵ Larger free cash flow

② Increase in end 1H inventory ＋¥6.7bln（¥28.2bln ⇒ ¥35.9bln）
∵ 1) Increase in new stores, 2) Increase in spring goods inventory

③ Deferred hedging losses on forward exchange contracts ＋¥15.0bln
（¥3.1bln ⇒ ¥18.1bln）
∵ Arising from stronger yen trend, no impact on P & L

④ Increase in key money/guarantees ＋¥1.5bln（¥12.3bln ⇒ ¥13.8bln）
∵ Investment related to new stores including UNIQLO PLUS

I would like to highlight a few of the main points relating to the balance sheet. First of all, at end February 2005 our total cash, cash equivalents and marketable securities (MMFs) had risen by ¥6.0bln compared to end August 2004 to a total of ¥18.3bln. The biggest contributing factor here was increased operating cash flow, a reflection of our expansion in overall revenue.

Inventories at the end of the first half (February 2005) had risen by ¥6.7bln compared to end August 2004. This was due to:
1) An increase in inventory resulting from an increase in new stores
2) An increase in spring garment inventory.

When compared to the previous year's figures, inventory totals had risen by a larger margin of ¥14.0bln but that was due largely to our intended shift towards direct trading.

Next, on our deferred hedging losses on forward exchange contracts, these rose ¥15.0bln compared to August 2004. That was due to an increase in hidden losses incurred on the contracts as the yen strengthened. It therefore has no bearing on our profit and loss accounts.

Finally, key money and guarantees increased ¥1.5bln compared to end August 2004. This was the result of investment related to new stores including our new UNIQLO PLUS flagship store.

【Group】 Profit & Loss for six months to February 2005

Billions of yen

	6 mths to Feb 04 Actual	Six months to Feb 05 Initial est.	Actual	y/y	v. initial est.
Net Sales	182.9	207.4	**201.8**	+10.4%	▲2.7%
(to net sales)	100.0%	100.0%	**100.0%**		
Gross Profit	86.6	96.2	**89.8**	+3.7%	▲6.6%
(to net sales)	47.4%	46.4%	**44.5%**	(▲2.8p)	
SG&A Expenses	47.4	54.8	**54.5**	+15.0%	▲0.6%
(to net sales)	25.9%	26.4%	**27.0%**	(+1.1p)	
Operating Income	39.2	41.3	**35.3**	▲9.9%	▲14.5%
(to net sales)	21.5%	20.0%	**17.5%**	(▲3.9p)	
Ordinary Income	39.1	41.9	**36.2**	▲7.5%	▲13.5%
(to net sales)	21.5%	20.2%	**17.9%**	(▲3.5p)	
Net Income	17.8	23.4	**21.3**	+19.6%	▲8.9%
(to net sales)	9.8%	11.3%	**10.6%**	(+0.8p)	

Next, let me move onto business results for the six months to February for the FAST RETAILNG group as a whole.

Net sales rose 10.4% year on year to ¥201.8bln. Operating income fell 9.9% to ¥35.3bln but net income rose 19.6% to ¥21.3bln.

The situation for the FAST RETAILING group as a whole mirrored that at the parent company. A shrinking operating income at the parent company generating a divergent picture – higher income but lower profit.

【Group】Subsidiary performance over six months to Feb 2005

Billions of yen

	6 mths to Feb 04 Consolidated	six months to Feb 05 Consolidated	Parent 04/9～05/2	UNIQLO(U.K.) (U.K.) 04/9～05/2	FRJS (China) 04/7～04/12	National Standard 04/6～04/11	LINK THEORY HOLDINGS 04/9～05/2 under equity method
Net Sales	182.9	201.8	199.8	1.14	0.52	0.34	
Ordinary Income	39.1	36.2	35.8	▲0.02	0.04	▲0.06	0.49※1
Extraordinary loss	▲6.1	▲0.1	▲0.1	▲0.01	▲0.00	▲0.00	
Net Income	17.8	21.3	20.9	▲0.03	0.04	▲0.06	

※1 Including a non-operating profit of ¥490mln generated by LINK THEORY HOLDINGS between Sep 04 and Feb 05 and accounted as investment income under the equity method

※2 ONEZONE CORPORATION to become consolidated subsidiary in 2H yr to August 2005 (not treated as consolidated subsidiary in 1H accounts)

Breaking down the group performance by subsidiary, our overseas subsidiary situation was as follows:

Our UK operation, UNIQLO(U.K.) suffered a final loss of ¥30mln during the first half while our China operation FRJS finally shifted into the black to the tune of ¥40mln. National Standard posted a final loss of ¥60mln.

However, LINK THEORY HOLDINGS, an equity-method affiliated company, generated a non-operating profit of ¥490mln which was then accounted as investment income under the equity method.

【Parent】 Forecasts for six months to to Aug 2005

Billions of yen

	Yr to Aug 2004 2H Actual	Yr to Aug 2005 2H forecast (y/y)
Net Sales	155.1	171.9 (+10.9%)
Existing stores	+2.7%	+4.2%
New stores [Net increase]	38 stores [19 stores]	28 stores [18 stores]
Gross Profit	75.9	80.4 (+6.0%)
(to net sales)	48.9%	46.8% (▲2.1p)
SG&A Expenses	50.7	53.4 (+5.3%)
(to net sales)	32.7%	31.1% (▲1.6p)
Operating Income	25.2	27.0 (+7.4%)
(to net sales)	16.2%	15.7% (▲0.5p)
Ordinary Income	25.3	27.1 (+7.0%)
(to net sales)	16.4%	15.8% (▲0.6p)
Net Income	14.1	15.0 (+6.5%)
(to net sales)	9.1%	8.7% (▲0.4p)

Moving on now to our business forecasts for the parent company for the second half or six months through to the end of August 2005.

We predict overall net sales will total ¥171.9bln, a rise of 10.9% over the previous year. This assumption is based on an expected rise in existing store net sales of 4.2% year on year and a net increase of 18 stores (28 new store openings and 10 stores closures).

【Parent】 Forecasts for full year to August 2005

Billions of yen

	Yr to August 2004 Actual	Yr to August 2005 Forecast (y/y)
Net Sales	335.8	371.8 (+10.7%)
Existing stores	+2.5%	+2.9%
New stores 【Net increase】	81 stores 【45 stores】	69 stores 【45 stores】
Gross Profit	161.7	169.4 (+4.7%)
(to net sales)	48.1%	45.6% (▲2.6p)
SG&A Expenses	96.8	106.9 (+10.4%)
(to net sales)	28.8%	28.8% (▲0.1p)
Operating Income	64.8	62.5 (▲3.7%)
(to net sales)	19.3%	16.8% (▲2.5p)
Ordinary Income	65.0	63.0 (▲3.1%)
(to net sales)	19.4%	16.9% (▲2.4p)
Net Income	35.4	36.0 (+1.7%)
(to net sales)	10.5%	9.7% (▲0.9p)

Our business forecasts for the parent company for the full year to August 2005 are as follows:

Net sales are expected to rise 10.7% to ¥371.8bln.

Operating income is expected to fall 3.7% to ¥62.5bln

Net income is expected to rise 1.7% to ¥36.0bln.

Over the full year, we expect to have opened 69 new stores and closed 14. That would represent an net increase of 45 directly managed store numbers.

【Group】 Forecasts for full year to August 2005

Billions of yen

	Yr to Aug 04	Yr to August 2005						
	Consolidated	Consolidated	Parent	UNIQLO (U.K.) (UK)	FRJS (China)	Natonal Standard	※1 ONEZONE	LINK THEORY HOLDINGS
			04/9～05/8	04/9～05/8	04/7～05/6	04/6～05/5	05/3～05/8	04/9～05/8 under equity method
Net Sales	339.9	388.0	371.8	2.40	1.07	0.76	12.00	
Ordinary Income	64.1	63.9	63.0	0.01	0.03	▲0.13	0.06	0.94※2
Extraordinary loss	▲7.7	0.4	▲1.0	▲0.01	▲0.01	▲0.00	0.95	
Net Income	31.3	38.3	36.0	0.00	0.01	▲0.13	1.01	

※1 ONEZONE CORPORATION only treated as consolidated subsidiary during second half (March – August 2005)

※2 Including a non-operating profit of ¥940mln generated by LINK THEORY HOLDINGS between Sep 04 and Aug 05 and accounted as investment income under the equity method

Finally, I would like to give you our business forecasts for the FAST RETAILING group as a whole for the full year to August 2005.

ONEZONE CORPORATION, which became a fully owned group subsidiary in March 2005, will be incorporated into our accounts as a consolidated subsidiary from the second half of the business year. The inclusion of ONEZONE CORP has led us to revise our consolidated forecasts to include an additional ¥12.0bln in net sales and ¥1.0bln in net income.

As a result, full year consolidated net sales are expected to come in at ¥388.0bln generating a net income of ¥38.3bln.

Breaking down the expected performance by subsidiary, while National Standard is expected to post a final loss, both our UK and our China operations are expected to generate a modest profit and, as I just mentioned, ONEZONE CORP is likely to generate a net income of ¥1.0bln for the group. In addition, we also expect a non-operating profit of ¥940mln to be generated by LINK THEORY HOLDINGS and accounted as investment income under the equity method.

【Dividend】

Expected year-end dividend of 65 yen
(full year dividend of 130 yen)

Annual payout ratio (parent only basis) ＝ 36.7%

	End Aug 2004 (Actual)			End Aug 2005 (fcst)		
		Mid-term	Yr End		Mid-term	Yr End (fcst)
Dividend per share	115 yen	50 yen	65 yen	130 yen	65 yen	65 yen
Payout ratio (Parent)	33.4%			36.7%		

Our mid-term (end February) dividend of 65 yen is in line with original forecasts. And we also plan to maintain our original forecast of 65 yen for our year-end (end August) dividend as well. That would generate a full-year dividend of 130 yen per share.

That completes my overview of our mid-term results. Thank you.