

FAST RETAILING CO., LTD. announces results for the year to August 2005

	Yr to August 2005		Yr to August 2006	
	Actual	(y/y)	Estimate	(y/y)
Net Sales	383.9	(+12.9%)	435.0	(+13.3%)
Gross Profit	170.2	(+4.3%)	202.0	(+18.6%)
(to net sales)	44.3%	(▲3.6p)	46.4%	(+2.1p)
SG&A Expenses	113.5	(+14.5%)	134.0	(+18.0%)
(to net sales)	29.6%	(+0.4p)	30.8%	(+1.2p)
Operating Income	56.6	(▲11.4%)	68.0	(+19.9%)
(to net sales)	14.8%	(▲4.0p)	15.6%	(+0.9p)
Ordinary Income	58.6	(▲8.7%)	69.0	(+17.7%)
(to net sales)	15.3%	(▲3.6p)	15.9%	(+0.6p)
Net Income	33.8	(+8.0%)	37.9	(+11.9%)
(to net sales)	8.8%	(▲0.4p)	8.7%	(▲0.1p)

【Business year to August 2005】 Revenue up, ordinary profit down

During the year to August 2005, FAST RETAILING CO., LTD. enjoyed an increase in revenue but a fall in profit compared to the previous year. On a consolidated basis, overall net sales came in at ¥383.9bln (up 12.9% year on year), ordinary income totaled ¥58.6bln (down 8.7% year on year) and net income increased to ¥33.8bln (up 8.0% year on year).

First to list results for the UNIQLO operation in Japan – the parent operation that constitutes 95% of consolidated net sales. UNIQLO's Japan overall net sales came in at ¥365.3bln (up 8.8% year on year), ordinary income totaled ¥58.2bln (down 10.5% year on year). We opened 69 new directly managed stores and closed 31 similar stores – a net increase of 38 stores. That brought our total number of stores at the end of August 2005 to 664 (679 including franchise stores). Existing store sales did better the previous year's performance, rising 0.6% year on year. But this unfortunately fell short of our initial estimate for an on-year increase of 3.6% on existing store sales. That was a direct result of a disappointing rise in customer numbers of just 1.2% on year due to unusual weather conditions and the poor performance of our spring garments. In addition, the average purchase price per customer fell 0.6% year on year.

Our gross profit margin at the parent company was down 3.7 points year on year at 44.5% following speedy inventory adjustment of poor selling products. However, our parent inventory levels at the end of August 2005 were roughly the same as the previous year, and so we feel that we are maintaining an appropriate inventory. SG&A costs rose 8.9% year on year as increased hiring both at our head office and in our stores boosted personnel costs somewhat, and increased store openings notched up rents.

Looking next at performance at other group companies. Regarding UNIQLO operations overseas, our China operation achieved a profit for the first time. We also gained some new consolidated subsidiaries during the business year to August 2005: ONEZONE CORPORATION, the shoe retail chain developer, and NELSON FINANCES S.A.S., the developer of the COMPTOIR DES COTONNIERS brand predominantly in France.

We purchased ONEZONE CORPORATION in March 2005 and due to some determined restructuring efforts, including inventory clearance, we actually posted an ordinary loss of ¥0.6bln in relation to that business for the year to August 2005. However, we did benefit from an extraordinary gain related to debt forgiveness at ONEZONE and so, on a net income basis, we were able to account a profit of ¥1.07bln for the year there.

The NELSON FINANCES S.A.S. business continued to expand favorably opening an increasing number of stores in the European market. However, the takeover of this business did generate an amortization account adjustment (a goodwill write down) of ¥4.2bln on the FAST RETAILING consolidated accounts for the year to August 2005.

Elsewhere in the consolidated accounts, FAST RETAILING also reported a ¥1.08bln non-operating income as investment income from its equity method subsidiary LINK THEORY HOLDINGS CO., LTD. (LTH) which successfully listed on the Tokyo Stock Exchange's Mothers Exchange in June 2005. We also earned an extraordinary profit of ¥2.61bln, a differential investment gain related to the change in our equity stake following the listing of LTH and its subsequent public offering.

We are planning a year-end dividend of 65 yen per share, bringing the annual dividend to 130 yen.

【Business forecasts for the year to August 2006】

FAST RETAILING is predicting a rise in both consolidated revenue and profit for the year to August 2006. Overall net sales are forecast to rise 13.3% year on year to ¥435.0bln, ordinary income is seen rising 17.7% year on year to ¥69.0bln, and net income up 11.9% to ¥37.9bln. Revenue at existing UNIQLO stores in Japan is expected to be flat. We expect our total number of directly managed stores to reach 699 by the end of August 2006 with 74 new store openings and 39 planned store closures—planned a net increase of 35 stores (718 total stores including franchises). We also plan to open new specialty stores such as “BODY by UNIQLO” selling exclusively women’s underwear and undergarments, and “uniqlo KIDS” exclusively for children’s clothing.

FAST RETAILING has declared its intention of aiming to generate sales of 1 trillion yen as a group by 2010. Our UNIQLO operations overseas are expected to generate ¥100bln of the 1 trillion yen sales total by the year 2010. To that aim, we scaled up our genuine push into overseas markets from autumn 2005. In addition to our existing presence in the UK and Shanghai, China, we also opened our first stores in South Korea, the US, Hong Kong and Beijing. In addition, we expanded and refurbished our UK Regent Street outlet transforming it into a flagship UNIQLO store of which we are very proud. We expect our UK operation to shift into the black in the year to August 2006.

In addition, COMPTOIR DES COTONNIERS JAPAN CO., LTD. (the developer of the original COMPTOIR DES COTONNIERS brand for the Japanese market) is planning to open its first stores in Japan from the spring of 2006. We expect to continue to enjoy a strong non-operating income from our equity method subsidiary LINK THEORY HOLDINGS CO., LTD.

for the year. We forecast an annual dividend for the year to August 2006 of 130 yen. That translates into a consolidated payout ratio of 34.9%.

【FAST RETAILING to shift to a holding company structure from November 1, 2005】

FAST RETAILING CO., LTD. plans to shift to a holding company structure from November 1, 2005. We realize that we must further strengthen our UNIQLO brand and also continue to challenge new business areas and overseas markets. In order to achieve that, we determined it both necessary and vital to create a clear distinction between each member company so that we can better monitor and clarify profitability and management responsibilities. We also need to facilitate the taking of speedy decisions regarding business tie-ups and a flexible approach to capital injections, etc. In addition, we have also introduced a new management system incorporating entrusted operating officers and external board members. All of these measures together will help us create a strong, revolutionary and speedy management style and a reputable corporate governance system.

【Third generation SPA – Concept-oriented retailing based on quality, global information】

SPA retailers are involved in the whole process of clothes creation, from design through manufacture, distribution and retail. The first generation of SPA firms was manufacture-oriented, selling mass-produced garments. The second generation of SPAs enjoyed high growth by selling mass fashion and trend goods. FAST RETAILING is now aiming to transform itself yet again into the so far unconquered territory of third generation SPA management – the “Information transmission retailer”. The third generation SPA firm would collect the most superior global information, apply its own perspective and mold it into its own “concept” around which the entire business would evolve.

One step towards realizing this goal is the establishment of R&D centers worldwide with the UNIQLO Design Studio, New York, Inc. at the core. Further evidence of this is our organizational shift to product specific sections within the company dealing separately with men’s wear, women’s wear, kid’s wear, etc.

We are aiming to become the world’s number one casual wear company. And we aim to do this by using our new product development system to gather and fully digest only the best information from all over the world – information that we will then channel into the manufacture and sale of our own top quality products.

Note: FAST RETAILING CO., LTD. discloses a variety of business results and releases on its IR website. Please refer to <http://www.fastretailing.com/ir/> for further details and information.