

Results Summary for FY2018 3Q (Nine Months to May 2018)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug. 2017 3Q Actual	Year to Aug. 2018					
		Nine months to May 2018 (Sep. 2017 - May 2018)		Three months to May 2018 (Mar. 2018 - May 2018)		Full-year Est. (Sep. 2017 - Aug. 2018)	
		Actual	(y/y)	Actual	(y/y)		(y/y)
Revenue	1,477.9	1,704.1	+15.3%	517.3	+12.4%	2,110.0	+13.3%
Gross Profit (to revenue)	725.4 49.1%	850.3 49.9%	+17.2% +0.8p	264.7 51.2%	+14.5% +1.0p	- -	- -
SG&A Expenses (to revenue)	546.1 37.0%	598.0 35.1%	+9.5% -1.9p	194.3 37.6%	+7.6% -1.6p	- -	- -
Business profit (to revenue)	179.2 12.1%	252.3 14.8%	+40.8% +2.7p	70.3 13.6%	+39.3% +2.6p	245.0 11.6%	+33.1% +1.7p
Operating profit (to revenue)	180.6 12.2%	238.8 14.0%	+32.3% +1.8p	68.4 13.2%	+36.9% +2.3p	225.0 10.7%	+27.5% +1.2p
Finance income/costs (to revenue)	14.8 1.0%	-1.4 -	- -	3.8 0.7%	- -	-8.0 -	- -
Profit before income taxes (to revenue)	195.4 13.2%	237.4 13.9%	+21.5% +0.7p	72.2 14.0%	+51.0% +3.6p	217.0 10.3%	+12.2% -0.1p
Profit attributable to owners of the parent (to revenue)	120.1 8.1%	148.3 8.7%	+23.5% +0.6p	44.1 8.5%	+93.1% +3.5p	130.0 6.2%	+9.0% -0.2p

Performance by Group Operation

(Billions of Yen)

		Year to Aug. 2017 3Q Actual	Year to Aug. 2018			
			Nine months to May 2018 (Sep. 2017 - May 2018)		Three months to May 2018 (Mar. 2018 - May 2018)	
			Actual	(y/y)	Actual	(y/y)
UNIQLO Japan	Revenue	653.4	704.4	+7.8%	210.7	+6.3%
	Business profit (to revenue)	93.2 14.3%	120.2 17.1%	+28.9% +2.8p	31.4 14.9%	+32.2% +2.9p
	Operating profit (to revenue)	92.6 14.2%	120.0 17.0%	+29.6% +2.8p	31.3 14.9%	+31.3% +2.9p
UNIQLO International	Revenue	561.5	716.0	+27.5%	208.6	+23.7%
	Business profit (to revenue)	69.4 12.4%	112.5 15.7%	+62.2% +3.3p	31.7 15.2%	+61.9% +3.6p
	Operating profit (to revenue)	68.1 12.1%	112.4 15.7%	+65.0% +3.6p	31.6 15.2%	+63.7% +3.7p
GU	Revenue	156.6	166.6	+6.4%	60.8	+3.3%
	Business profit (to revenue)	14.9 9.5%	14.9 9.0%	+0.1% -0.5p	5.9 9.8%	-21.4% -3.0p
	Operating profit (to revenue)	14.8 9.5%	15.0 9.0%	+1.7% -0.5p	5.9 9.7%	-20.0% -2.9p
Global Brands	Revenue	104.2	114.7	+10.1%	36.3	+7.4%
	Business profit (to revenue)	4.4 4.3%	5.4 4.8%	+23.4% +0.5p	2.1 5.9%	+48.3% +1.7p
	Operating profit (to revenue)	4.3 4.1%	-3.5 -	- -	2.1 5.8%	+25.3% +0.8p

FY2018 3Q Highlights

■ Consolidated results: Fast Retailing reports higher-than-expected revenue and profit gains

• Revenue and profit both rose higher than expected in the nine months to May 2018. Consolidated revenue expanded 15.3% year-on-year to ¥1.7041 trillion and operating profit increased by 32.3% year-on-year to ¥238.8 billion.

• In the third quarter from March to May 2018, operating profit exceeded target, rising 36.9% on the back of significant profit gains at both UNIQLO International and UNIQLO Japan.

■ UNIQLO Japan: March-to-May quarter continues strong, revenue and profit gains exceed plan

• UNIQLO Japan revenue and profit rose further than expected in the third quarter from March to May, with revenue expanding 6.3% to ¥210.7 billion and operating profit rising 31.3% to ¥31.3 billion. Same-store sales increased by 5.4% on strong sales of AIRism, UT and DRY T-shirts and other Summer items. The gross profit margin improved by 0.7 point on more constrained discounting. The SG&A ratio improved 2.2 points as the operation pursued greater efficiencies.

• Operating profit increased significantly in the nine months from September 2017 through May 2018, expanding 29.6% to ¥120.0 billion.

■ UNIQLO International: March-to-May quarter far outstrips plan, generates large profit rise

• UNIQLO International far exceeded expectations to achieve significant gains in both revenue and profit in the March-to-May quarter, with revenue expanding 23.7% to ¥208.6 billion and operating profit rising 63.7% to ¥31.6 billion. Greater China, South Korea, and Southeast Asia & Oceania generated especially large profit gains, while UNIQLO USA's operating loss shrank.

• Operating profit expanded 65.0% to ¥112.4 billion in the nine months from September 2017 through May 2018, drawing ever nearer to the UNIQLO Japan operating profit level.

■ GU: Operating profit 3Q (March - May) decline is significantly below expectations

• Revenue rose but profit declined in the March-to-May quarter. Revenue totaled ¥60.8 billion (+3.3%), operating profit totaled ¥5.9 billion (-20.0%). The operating profit figure fell far short of expectations. Same-store sales declined. The gross profit margin shrank 1.9 points on more forceful discounting.

• Operating profit expanded only slightly in the nine months to May 2018, rising 1.7% to ¥15.0 billion.

■ Global Brands: Theory operation underpins segment, helps achieve 3Q operating profit

• Revenue rose 7.4% to ¥36.3 billion and operating profit expanded 25.3% to ¥2.1 billion in the March-to-May quarter. The Theory fashion label generated gains in both revenue and profit, while Comptoir des Cottonniers reported a wider loss.

• Global Brands reported an operating loss of ¥3.5 billion in the nine months to May 2018, following the recording of ¥8.9 billion first-half impairment loss largely at Comptoir des Cottonniers.

■ FY2018 consolidated estimates: Expect record operating profit, latest estimates unchanged

• Current estimate for FY2018 consolidated revenue: ¥2.1100 trillion (+13.3%), consolidated operating profit: ¥225.0 billion (+27.5%), profit attributable to owners of the parent: ¥130.0 billion (+9.0%), and earnings per share: ¥1,274.41.

• Operating profit by Group operation: UNIQLO International and UNIQLO Japan are expected to generate

large gains in operating profit, GU to report a profit decline, and Global Brands to report an operating loss following the recording of first-half impairment losses.

- Currently forecast an annual dividend per share of ¥400, including an interim dividend of ¥200. That represents an increase of ¥50 on the previous year's dividend.

Fiscal 2018 3Q Performance in Focus

■ UNIQLO Japan: March-to-May quarter continues strong, revenue and profit gains exceed plan

UNIQLO Japan reported a considerable rise in both revenue and profit in the first nine months of fiscal 2018, with revenue totaling ¥704.4 billion (+7.8 % year-on-year) and operating profit totaling ¥120.0 billion (+29.6% year-on-year). While the cost of sales continued to rise over the period due to persistent weakening in internal yen exchange rates, that negative impact was successfully offset by stricter discounting rates. As a result, the gross profit margin improved by 0.8 point year on year. Meanwhile, the selling, general and administrative expense ratio improved 2.0 points year-on-year on the back of significant reductions in advertising and promotion expenses, distribution costs and personnel expenses.

In the three months to 31 May 2018, same-store sales, including online sales, expanded by 5.4% year-on-year as consistently warm weather in March and April generated strong sales of summer items such as AIRism, UT and DRY T-shirts. Online sales increased by 33.1% to ¥16.4 billion, constituting 7.8% of total revenue. A new service, launched on 3 April 2018, enabling customers to pick up online purchases from local UNIQLO stores free of charge proved extremely popular, and contributed to the continued successful expansion of our e-commerce business.

■ UNIQLO International: March-to-May quarter far outstrips plan, generates large profit rise

UNIQLO International revenue and profit rose significantly in the first nine months of fiscal 2018, with revenue totaling ¥716.0 billion (+27.5% year-on-year) and operating profit increasing to ¥112.4 billion (+65.0% year-on-year). The operating profit margin improved by 1.3 points year-on-year as we shifted to a business format that relied less heavily on discounting. The selling, general and administrative expense ratio improved 2.1 points on consistent cost-cutting efforts.

During the March-to-May quarter, Greater China, South Korea, and the Southeast Asia & Oceania region generated strong results, while UNIQLO USA further reduced operating losses. Same-store sales at UNIQLO Greater China attained double-digit year-on-year growth following a strong launch of new Spring Summer ranges, and effective news generated by popular new UT brand contents, Kando pants and jackets, and other ranges. UNIQLO South Korea's gross profit margin improved as the successful linking of marketing and in-store displays helped reduce discounting. UNIQLO Southeast Asia and Oceania reported continued double-digit growth in same-store sales on the back of strong sales of UT T-shirts, polo shirts and short pants. The reduction in operating losses at UNIQLO USA was achieved by reviewing product mixes and improving the accuracy of sales plans. UNIQLO Europe also reported rising overall same-store sales, thanks primarily to a strong performance from the Russia UNIQLO operation.

■ GU: Operating profit decline in the third quarter significantly below expectations

The GU business segment reported increases in both revenue and profit in the first nine months of fiscal 2018, with revenue totaling ¥166.6 billion (+6.4% year-on-year) and operating profit reaching ¥15.0 billion (+1.7% year-on-year).

In the March-to-May quarter, same-store sales declined year-on-year. Sales of products featured in advertising campaigns were sluggish, and we experienced some shortages in strong-selling items after greatly increasing the number of product ranges on offer. Against this backdrop of sluggish sales, we started discounting early, resulting in a 1.9 point decline in the gross profit margin for the quarter, and a 1.2 point increase in the business expenses to net sales ratio. As a result, operating profit declined by a significant 20.0% year-on-year.

■ **Global Brands: Theory operation underpins segment, helps achieve 3Q operating profit**

For the Global Brands segment, revenue rose but profit fell in the first nine months of fiscal 2018. The segment reported a rise in revenue to ¥114.7 billion (+10.1% year-on-year) and an operating loss of ¥3.5 billion, following the recording of ¥8.9 billion in first-half impairments losses at Comptoir des Cotonniers and other labels.

In the March-to-May quarter, the Theory operation reported a rise in both revenue and profit, while Comptoir des Cotonniers reported an expanded loss, and the Princesse tam.tam and J Brand labels reported continued losses.

■ **FY2018 consolidated estimates: Expect record operating profit, latest estimates unchanged**

Fast Retailing's business estimates for the financial year ending August 31, 2018 remain unchanged from our latest estimates which predict a record full-year performance. Consolidated revenue is expected to expand to ¥2.1100 trillion (+13.3% year-on-year), consolidated operating profit to reach ¥225.0 billion (+27.5%), profit before taxes increase to ¥217.0 billion (+12.2%), and profit attributable to owners of the parent increase to ¥130.0 billion (+9.0%), resulting in earnings per share of ¥1,274.41.

Taking each business segment in turn, we forecast UNIQLO Japan will generate a rise in full-year revenue and a significant gain in profit. However, we do expect operating profit will fall below target in the fourth quarter from June to August on the back of expected strong discounting in response to underperforming sales performances in June and July. UNIQLO International is forecast to generate strong gains in both revenue and profit that will exceed our latest forecasts. UNIQLO operations in Greater China, Southeast Asia & Oceania, and South Korea are expected to continue to perform strongly in the fourth quarter. UNIQLO USA is predicted to halve its operating loss for the full business year. Full-year GU operating profit is expected to decline and fall short of target owing to more vigorous inventory rundowns in the fourth quarter on the back of sluggish third-quarter sales of Spring Summer ranges. Finally, Global Brands is expected to report a rise in full-year revenue. However, the segment is also estimated to report an operating loss for the full year following the recording of first-half impairment losses.

In terms of store numbers, we expect the total store network to expand to 3,467 stores worldwide at the end of August 2018, with 830 stores (including franchise outlets) at UNIQLO Japan, 1,255 stores at UNIQLO International, 393 stores at GU, and 989 stores at Global Brands.

Finally, we have scheduled a FY2018 annual dividend of ¥400 per share, divided equally between interim and year-end dividends of ¥200 each. That represents a ¥50 increase in the annual dividend compared to FY2017.

Fast Retailing Co., Ltd. discloses business results data and offers a variety of press releases on its IR website <http://www.fastretailing.com/eng/ir/>.