

Results Summary for FY2020 First Half (Six Months to February 2020)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2019		Year to Aug 2020			
	1H Actual	Full-year	1H Actual	(y/y)	Full-year Est.	(y/y)
Revenue	1,267.6	2,290.5	1,208.5	(-4.7%)	2,090.0	(-8.8%)
Gross Profit	606.7	1,119.5	576.7	(-4.9%)	-	-
(to revenue)	47.9%	48.9%	47.7%	(-0.2p)	-	-
SG&A Expenses	433.4	854.3	438.7	(+1.2%)	-	-
(to revenue)	34.2%	37.3%	36.3%	(+2.1p)	-	-
Business profit	173.3	265.1	137.9	(-20.4%)	150.0	(-43.4%)
(to revenue)	13.7%	11.6%	11.4%	(-2.3p)	7.2%	(-4.4p)
Operating profit	172.9	257.6	136.7	(-20.9%)	145.0	(-43.7%)
(to revenue)	13.6%	11.2%	11.3%	(-2.3p)	6.9%	(-4.3p)
Profit before income taxes	174.2	252.4	150.8	(-13.4%)	145.0	(-42.6%)
(to revenue)	13.7%	11.0%	12.5%	(-1.2p)	6.9%	(-4.1p)
Profit attributable to owners of the parent	114.0	162.5	100.4	(▲11.9%)	100.0	(-38.5%)
(to revenue)	9.0%	7.1%	8.3%	(-0.7p)	4.8%	(-2.3p)

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2019		Year to Aug 2020	
		1H Actual	Full-year	1H Actual	(y/y)
UNIQLO Japan	Revenue	491.3	872.9	463.5	(-5.7%)
	Business profit	67.6	103.2	71.0	(+5.1%)
	(to revenue)	13.8%	11.8%	15.3%	(+1.5p)
UNIQLO International	Revenue	580.0	1,026.0	541.2	(-6.7%)
	Business profit	88.6	140.3	58.0	(-34.6%)
	(to revenue)	15.3%	13.7%	10.7%	(-4.6p)
GU	Revenue	117.1	238.7	132.2	(+12.9%)
	Business profit	14.1	28.1	15.6	(+11.0%)
	(to revenue)	12.0%	11.8%	11.8%	(-0.2p)
Global Brands	Revenue	77.7	149.9	70.1	(-9.8%)
	Business profit	3.2	3.9	0.9	(-70.4%)
	(to revenue)	4.2%	2.6%	1.4%	(-2.8p)
	Operating profit	3.1	3.6	0.7	(-76.3%)
	(to revenue)	4.0%	2.5%	1.1%	(-2.9p)

FY2020 1H Main Points

■Fast Retailing Group 1H revenue and profit fall sharply on COVID-19 impact

- Consolidated revenue and profit down. Revenue: 1.2085 trillion yen (-4.7% year-on-year), operating profit: 136.7 billion yen (-20.4%).
- Revenue and profit from South Korea and Greater China operations down sharply on COVID-19 impact.

■ UNIQLO Japan: Revenue down, but operating profit up slightly on improved gross profit margin

- Revenue declined but profit rose. Revenue: 463.5 billion yen (-5.7%), operating profit: 71.6 billion yen (+5.7%).
- Same-store sales declined 4.6% as warm winter weather stifled sales of cold-weather clothing.
- Operating profit rose slightly on the back of a 2.2 point improvement in the gross profit margin and a reduction in SG&A expenses in monetary terms.
- March same-store sales down 27.8% year-on-year as COVID-19 severely impacted operations.

■ UNIQLO International: Large decline in 1H revenue and profit. Result far below plan.

- Revenue: 541.2 billion yen (-6.7%), operating profit 53.2 billion yen (-39.8%). Significant declines in revenue and profit in South Korea and Greater China due to COVID-19 impact.
- UNIQLO Greater China (Mainland China, Hong Kong, Taiwan) revenue down, operating profit sharply lower. Mainland China operation suffered a large drop in revenue for the month of February due to COVID-19, pushing revenue and profit lower for the first half as well.
- UNIQLO South Korea's operating loss deepened. UNIQLO South, Southeast Asia & Oceania reported double-digit rises in both revenue and profit. UNIQLO North America sales struggled during the warm winter weather, resulting in a first-half operating loss. UNIQLO Europe reported double-digit rises in both revenue and profit.

■ GU: achieved large revenue and profit gains as expected

- GU reported considerable 1H revenue and profit gains. Revenue: 132.2 billion yen (+12.9%), operating profit 15.8 billion yen (+12.0%).
- Same-store sales rose 3.8% on strong sales of on-target mass-trend knitwear and lightweight outerwear that was well suited to warmer winter weather.
- Improved cost of sales generated a 0.4 point rise in the gross profit margin. Large profit gain.

■ Global Brands: Profit down sharply as Theory and PLST struggle. Short of plan

- Global Brands profit down sharply. Revenue: 70.1 billion yen (-9.8%), operating profit 0.7 billion yen (-76.3%)
- Theory and PLST profit down as sales of Winter ranges struggled during the warm winter weather.
- Comptoir des Cotonniers operating loss held steady at a similar level to the previous year.

■ FY2020 consolidated estimates: Revised down

- Difficult to calculate accurate business estimates because we cannot rationally predict when COVID-19 will be brought under control in each market. Our revised FY2020 business estimates are calculated based on actual business performance in March and an assumption that COVID-19 will be brought under control towards the latter part of the second-half period from March to August 2020.
- New FY2020 estimates for consolidated revenue: 2.0900 trillion yen (-8.8%), consolidated operating profit: 145.0 billion yen (-43.7%), and profit attributable to owners of the parent: 100.0 billion yen (-38.5%). This represents downward revisions of ¥250.0 billion yen in revenue and ¥100.0 billion yen in operating profit compared to our previous estimates issued in January.
- We forecast an annual dividend per share in FY2020 of 480 yen, split equally between interim and year-end dividends of 240 yen each. This dividend is the same as the FY2019 level.

FY2019 First Half Performance in Focus

■UNIQLO Japan: Revenue down, but operating profit up slightly on improved gross profit margin

UNIQLO Japan segment reported a decrease in revenue but a rise in profit in the first half of fiscal 2020, with revenue declining to 463.5 billion yen (-5.7% year-on-year) and operating profit rising to 71.6 billion yen (+5.7% year-on-year). Same-store sales (including e-commerce sales) declined by 4.6% year-on-year after the warmer winter weather stifled sales of core Winter items. While e-commerce sales totaled 52.5 billion yen (+8.3% year-on-year) over the first-half period, the rate of online sales growth slowed for the same reasons as for our physical stores. UNIQLO Japan's gross profit margin improved by 2.2 points to 47.8% on the back of a continued appreciation in the yen exchange rate for merchandise purchasing. The selling, general and administrative expense ratio increased 0.5 point to 31.9%, while, in monetary terms, selling, general and administrative expenses decreased further than planned and compared to the prior fiscal year. Despite a strong launch of our new Spring ranges, revenue began to decline sharply from the latter half of February brought by the impact of COVID-19 started to adversely affect results.

■UNIQLO International: Large decline in 1H revenue and profit. Result far below plan.

UNIQLO International segment reported a sharp decline in both revenue and profit in the first half of fiscal 2020, with revenue falling to 541.2 billion yen (-6.7% year-on-year) and operating profit declining to 53.2 billion yen (-39.8% year-on-year). This was caused primarily by considerable reductions in revenue and profit at UNIQLO South Korea and UNIQLO Greater China, which were both adversely impacted by the outbreak of COVID-19 and other factors. UNIQLO International's gross profit margin contracted 2.3 points year-on-year following an early rundown of excess stock in each UNIQLO International market. The selling, general and administrative expense ratio increased 2.3 points year-on-year on the back of lower-than-planned revenue.

Looking at individual regions, UNIQLO Greater China revenue dipped, while operating profit declined sharply. Our Mainland China operation continued to generate strong results through most of January 2020, but revenue then fell sharply in the wake of the spread of COVID-19 at the end of January. In February, we temporarily closed a maximum of 395 stores resulting in a sharp fall in that month's revenue and an overall decline in both revenue and profit for the first-half as a whole. Revenue has started to recover in Mainland China from March onwards as the majority of stores reopened for business. At UNIQLO South Korea, the adverse impact of ongoing Korea-Japan tensions since July 2019 followed by the impact of COVID-19 from February 2020 resulted in a sharp decline in same-stores sales and recorded of a wider operating loss for the first half of fiscal 2020. UNIQLO South, Southeast Asia & Oceania, which includes Southeast Asian nations, Australia and India, generated double-digit growth in first-half revenue and profit. UNIQLO operations in Indonesia, the Philippines and Thailand continued to expand favorably by reporting double-digit increases in both revenue and profit. Our new Indian operation generated strong first-half sales following our entry into the market in October 2019 and the opening of our third store in new Delhi in February 2020. Following the opening of its first store in December 2019, our Vietnam operation has achieved a higher-than-expected performance thanks to the popularity of UV-cut mesh parkas, DRY-EX polo shirts, and other clothing that is well suited to the local climate. UNIQLO USA reported a first-half operating loss as warmer winter weather stifled the sales of Winter ranges. Meanwhile, UNIQLO Europe reported double-digit increases in both revenue and profit in the first half of fiscal 2020, thanks to especially strong sales in Italy and Spain and a double-digit increase in same-store sales in Russia.

■GU: achieved large revenue and profit gains as expected

GU segment reported significant increases in both revenue and profit in the first half of fiscal 2020, with revenue climbing to 132.2 billion yen (+12.9% year-on-year) and operating profit expanding to 15.8 billion

yen (+12.0% year-on-year). Same-store sales increased thanks to strong sales of on-target mass fashion trend items such as knitted cardigans and matching knitwear top and bottom sets along with lightweight outerwear hit products that adapted successfully to the warm winter weather. On the profit front, GU's gross profit margin improved by 0.4 point in the first half and operating profit increased significantly thanks to a decline in the cost of sales generated by further aggregate purchasing of core materials and early submission of production orders.

■ Global Brands: Profit down sharply as Theory and PLST struggle. Short of plan

Global Brands segment revenue and profit both declined in the first half of fiscal 2020. Revenue totaled 70.1 billion yen (-9.8% year-on-year) and operating profit stood at 0.7 billion yen (-76.3% year-on-year). Our Theory fashion label reported a decline in both revenue and profit after sales of Winter items struggled during the warmer winter weather. Revenue from our Japan-based PLST brand came in flat year-on-year as warmer winter weather dampened sales of Winter-season clothing, while operating profit dipped on a more determined rundown of excess inventories during the period. Finally, our France-based Comptoir des Cotonniers brand reported a first-half operating loss of similar magnitude to the preceding fiscal year.

■ FY2020 consolidated estimates: Revised down

It is difficult to calculate accurate business estimates at this current point in time when we cannot rationally predict when COVID-19 will be brought under control in each market in which we operate. Bearing that in mind, we have calculate these latest FY2020 business estimates based on actual corporate performance in the month of March and an assumption that COVID-19 will be contained towards the end of the second half from March to August 2020. Our latest FY2020 estimates predict consolidated revenue will total 2.0900 trillion yen (-8.8% year-on-year), consolidated operating profit will total 145.0 billion yen (-43.7% year-on-year), and profit attributable to owners of the parent will come in at 100.0 billion yen (-38.5% year-on-year). This represents downward revisions of ¥250.0 billion yen in revenue, ¥100.0 billion yen in operating profit, and ¥65.0 billion in profit attributable to owners of the parent compared to our previous estimates issued in January.

Looking at our estimates for the second half of FY2020 from March to August 2020, we expect UNIQLO International will report significant declines in both revenue and profit, UNIQLO Japan will report falling revenue and profit, GU will report a slight dip in revenue and a decline in operating profit, and Global Brands will report a decline in revenue and an operating loss over the six-month period. Due to the spread of COVID-19, UNIQLO International has temporarily closed a total of 408 stores worldwide, including all 244 stores in South, Southeast Asia & Oceania (Southeast Asia, Australia, and India), 97 out of 98 stores in Europe, all 62 stores in North America, and 5 out of 748 stores in Mainland China. Following the announcement of a state of emergency in Japan on April 7, 2020, we have decided to close UNIQLO Japan and GU Japan stores in bustling shopping areas such as Ginza, Shibuya and Ikebukuro in Tokyo, and Umeda and Shinsaibashi in Osaka, as well as stores housed in large commercial complexes. Other stores located in the targeted regions will operate shorter opening hours. Within the Global Brands segment, all Theory stores in the United States have been temporarily closed along with all Comptoir des Cotonniers stores in Europe.

We have revised our latest forecast for our FY2020 annual dividend per share to 480 yen, split equally between interim and year-end dividends of 240 yen each. This dividend is the same as for the previous year.

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