April 12, 2007
FAST RETAILING CO., LTD

Results summary - Interim results for six months to February 2007

Consolidated results

(billions of yen)	6mths to Feb 06	6 mths to Feb 07		Yr to Aug 06	Yr to Aug 07	
	Actual	Actual	y/y	Actual	Revised Estimate	y/y
Net Sales	238.6	**284.1**	+19.1%	448.8	**538.2**	+19.9%
(to net sales)	100.0%	100.0%		100.0%	100.0%	
Gross Profit	112.4	**131.6**	+17.1%	212.4	**255.3**	+20.2%
(to net sales)	47.1%	46.3%		47.3%	47.4%	
SG&A Expenses	66.9	**88.4**	+32.2%	142.0	**181.9**	+28.0%
(to net sales)	28.0%	31.1%		31.7%	33.8%	
Operating Income	45.5	**43.1**	▲5.2%	70.3	**73.4**	+4.4%
(to net sales)	19.1%	15.2%		15.7.%	13.6%	
Ordinary Income	47.1	**42.6**	▲9.7%	73.1	**72.1**	▲1.4%
(to net sales)	19.8%	15.0%		16.3%	13.4%	
Net Income	26.5	**22.6**	▲14.6%	40.4	**38.1**	▲5.6%
(to net sales)	11.1%	8.0%		9.0%	7.1%	

【Summary】 Revenue up, profit down in six months to February 2007

The FAST RETAILING group saw its revenue rise but income fall over the six months to February 2007. Overall net sales rose 19.1% year on year to ¥284.1bln. Operating income fell 5.2% to ¥43.1bln and net income fell 14.6% to ¥22.6bln. As regards the overall net sales figure, revenue increased at the mainstay domestic UNIQLO operation, UNIQLO CO., LTD. And we also achieved a high increase in revenue contributions from newly consolidated subsidiaries CABIN CO., LTD. and PETIT VEHICULE S.A., a subsidiary of FR FRANCE S.A.S. However, on the income side, consolidated operating income fell 5.2% year on year. That fall was due to a number of factors: 1) a fall in gross profit margin at the domestic UNIQLO operation, 2) a wider loss at consolidated subsidiaries such as ONEZONE CORPORATION and G.U. CO., LTD. that are currently attempting to carve out new business, 3) a loss at the UNIQLO US operation due to increased expenses associated with the opening of our new global flagship store in New York, 4) increased goodwill amortization associated with M&A activities, and 5) an expanded investment loss generated by our equity-method affiliate LINK THEORY HOLDINGS CO., LTD.

In the second half through August 2007, we will be working to improve margins at our mainstay domestic UNIQLO operation, and to further develop our large-format stores in order for domestic UNIQLO to generate the expected increase in profit over the full business year. For the full business year to August 2007, we expect consolidated overall net sales to rise 19.9% year on year to ¥538.2bln, operating income to rise 4.4% to ¥73.4bln, but ordinary income to fall 1.4% to ¥72.1bln, and net income to fall 5.6% to ¥38.1bln. Profit per share is predicted to reach 374.96 yen generating an annual dividend of 140 yen per share.

Domestic UNIQLO – interim revenue up 10.9%, operating income down 5.7%

The domestic UNIQLO operation accounts for approximately 82% of total consolidated net sales. This time, interim net sales at the domestic UNIQLO operation rose 9.1% year on year thanks to a 2.9% increase in net sales on an existing store basis, and a net increase of 31 direct-run stores as of end February 2007. Among the new stores, ten are large-format stores with floor space of 1,600sqm. As of end February, we had a total 713 direct-run UNIQLO stores or 731 stores including franchise stores. Underlying the 2.9% increase in existing store net sales was a 2.7% increase in customer numbers and a 0.2% rise in average purchase price per customer. We were able to boost customer numbers over the previous year with successful sales initiatives such as our SKINNY bottoms campaign since September and our concerted sales drive in November.

While we achieved our interim target on overall net sales, the impact of the unusually warm winter knocked our gross profit margin down 2.0 points year on year. Over the winter period we had to take additional measures such as our discount “bulk buy” sales promotion in November, continued discounting in December, and offloading of winter garment inventory through January and February. SG&A costs rose as a percentage of net sales on the back of increased hiring and associated personnel costs. Taken overall then, this resulted in a 5.7% drop in operating income at the domestic UNIQLO operation, UNIQLO CO., LTD. over the six months to February 2007.

Domestic UNIQLO operation – full year business forecasts

We are predicting an increase in existing store sales at UNIQLO Japan of 3.9% year on year in the six months to August 2007, and a full year increase of 3.3% year on year. We are continuing to expand our large store network at a favorable pace with 11 more new stores coming on line in the second half. Following the fall in our gross margin over the first half, we are planning to strengthen control over the gross profit rate in the second half and generate a year-on-year improvement. In order to achieve this, we are looking to strengthen the accuracy of our product and production plans, push ahead flexibly with reviews of sales and promotion plans, and also create a more sophisticated system of production adjustment according to demand conditions. On the product front, we are looking to boost sales by bringing forward the changeover of seasonal ranges, and also by increasing the percentage of fashionable goods on sale as new seasonal garments come into the stores. In addition, we are strengthening the appeal of our traditionally popular, fashionable basic items by offering wider color variations during periods when actual demand is ripe.

We are predicting net sales for the full year at our domestic UNIQLO operation to rise 10.7% year on year to ¥435.5bln, and operating income to rise 3.4% to ¥71.2bln.

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FR Group – business performance

(Overseas UNIQLO operations)

The opening of our global flagship store in New York's SOHO area in November 2006 has succeeded in increasing global awareness of the UNIQLO brand. While we have achieved favorable sales at the global flagship store, increased costs including promotional expenses mean we are now looking at an expected loss of ¥1.3bln on the US UNIQLO operation for the full year.

We are enjoying a favorable expansion in our UK UNIQLO operation with the refurbishment and expansion of our Oxford store in October 2006. Initial costs associated with the opening of two flagship large-format stores tentatively in autumn 2007 are expected to increase the loss at the UK UNIQLO operation to approximately ¥0.4bln for the full business year.

Within our China UNIQLO operation, we opened a flagship store in December 2006 in the Pudong area of Shanghai with a floor space of 2300sqm. Our China, Hong Kong and South Korea UNIQLO operations have generated favorable sales and income in the first half, and we are expecting this to continue during the next six months through August 2007.

(Group operations)

Our new business G.U. CO., LTD. opened its first g.u. store in October 2006 and store development has proceeded to plan with 25 stores in operation at the end of the first half. However, given the fact that initial customer numbers fell short of our predictions, we revised down our full year forecasts for G.U. at the time of our first quarter results announcement back in January. In the second half through August 2007, we are revising our product make up to include more garments for women, we are implementing cost cuts, and are working to expand the operation and improve profitability.

At our French operation, the main COMPTOIR DES COTONNIERS brand and the lingerie brand PRINCESSE TAM.TAM both continue to perform well. Our French holding company **FR FRANCE** produced interim net sales of ¥17.8bln and operating income of ¥4.4bln. The pace of expansion of existing store sales at the COMPTOIR DES COTONNIERS operation exceeded our initial project reaching 15% year on year. Underlying this strong performance are the successful quick response system in place to ensure smooth additional production when demand proves high, and the popular 2006 autumn/winter collection by the brand's new chief designer. Going forward, we shall be looking to maintain a strong performance in France while working to create a global brand through expansion of the store network in other European countries and Japan. We are revising up our full year business forecasts for FR FRANCE to reflect this strong performance trend, and are now projecting sales of ¥34.5bln and operating income of ¥6.5bln.

We experienced an expanded loss at our footwear retailer **ONEZONE CORPORATION** during the interim period due to stiff competition in the industry and increased discounting. This deterioration in first half performance has led us to revise down our expectations for the full year at ONEZONE to an operating loss of ¥0.97bln. In the second half we are working to strengthen our product appeal by increasing the percentage of original footwear on the racks, and we are also looking at ways to improve profitability.

CABIN CO., LTD. (TSE First Section) became an FR consolidated subsidiary at end August 2006. Performance at CABIN over the six months from September 2006 to February 2007 generated net sales of ¥11.7bln and an operating income of ¥0.12bln. For fiscal 2007 (September 2006 – August 2007), we are forecasting net sales of ¥22.8bln and operating income of ¥0.3bln.

Given the significant downward revision in earnings projections at our equity-method affiliate LINK THEORY HOLDINGS (33.9% stake), we are expecting to account an operating loss of ¥2.0bln for the full year as an equity-method investment loss. We purchased a 33.4% stake in the JASDAQ listed, women's footwear specialty store operator VIEWCOMPANY CO., LTD. in November 2006. Its performance is reflected in the FR group consolidated accounts from the second quarter to February 2007 as an equity-method affiliate. We are projecting an equity-method investment loss of ¥0.09bln for the full business year to August 2007.

Consolidated business forecasts for the year to August 2007

For the full year to August 2007, we are forecasting net sales of ¥538.2bln (up 19.9% year on year), operating income of ¥73.4bln (up 4.4% year on year), ordinary income of ¥72.1bln (down 1.4% year on year), and net income of ¥38.1bln (down 5.6% year on year). While we are predicting a 19.9% increase in net sales overall, various factors suggest that ordinary income for the full year will fall. Those factors include the fall in first half income at the domestic UNIQLO operation, increased losses at group subsidiaries including UNIQLO USA, Inc., G.U. CO., LTD., and ONEZONE CORPORATION, an increase in goodwill amortization, and the investment loss generated by equity-method affiliate LINK THEORY HOLDINGS CO., LTD.

On shareholder return, we estimate a consolidated net profit of 374.96 yen per share. There is no change in our projected interim dividend of 70 yen and annual dividend of 140 yen per share.

Note: FAST RETAILING CO., LTD. discloses data on its business results and offers a variety of press releases on its IR website. Please refer to http://www.fastretailing.com/eng/ir/ for more detailed information.