

Results Summary for FY2016 (Twelve Months to August 2016)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2015	Year to Aug 2016						Year to Aug 2017	
	Full Year Actual (2014/9~2015/8)	1H Actual		2H Actual		Full Year Actual		Full Year Estimate	
		(2015/9~2016/2)	y/y	(2016/3~2016/8)	y/y	(2015/9~2016/8)	y/y	(2016/9~2017/8)	y/y
Revenue	1,681.7	1,011.6	+6.5%	774.8	+5.8%	1,786.4	+6.2%	1,850.0	+3.6%
Gross Profit (to revenue)	848.5 50.5%	476.9 47.1%	-0.5% -3.4p	388.0 50.1%	+5.2% -0.3p	864.9 48.4%	+1.9% -2.1p	-	-
SG&A Expenses (to revenue)	671.8 39.9%	370.7 36.6%	+10.2% +1.2p	332.2 42.9%	-1.0% -2.9p	702.9 39.3%	+4.6% -0.6p	-	-
Business profit (to revenue)	176.6 10.5%	106.2 10.5%	-25.8% -4.6p	55.8 7.2%	+66.7% +2.6p	162.0 9.1%	-8.3% -1.4p	180.0 9.7%	+11.1% +0.6p
Operating profit (to revenue)	164.4 9.8%	99.3 9.8%	-33.8% -6.0p	27.9 3.6%	+94.3% +1.6p	127.2 7.1%	-22.6% -2.7p	175.0 9.5%	+37.5% +2.4p
Finance income/cost (to revenue)	16.2 1.0%	-17.3 -	-	-19.7 -	-	-37.0 -	-	0.0 -	-
Profit before income taxes (to revenue)	180.6 10.7%	82.0 8.1%	-49.9% -9.1p	8.1 1.1%	-51.8% -1.2p	90.2 5.1%	-50.1% -5.6p	175.0 9.5%	+93.9% +4.4p
Profit attributable to owners of the parent (to revenue)	110.0 6.5%	47.0 4.7%	-55.1% -6.3p	1.0 0.2%	-80.9% -0.5p	48.0 2.7%	-56.3% -3.8p	100.0 5.4%	+108.1% +2.7p

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2015	Year to Aug 2016					
		Full Year Actual (2014/9-2015/8)	1H Actual		2H Actual		Full Year Actual	
			(2015/9~2016/2)	y/y	(2016/3~2016/8)	y/y	(2015/9~2016/8)	y/y
UNIQLO Japan	Revenue	780.1	453.6	-0.2%	346.1	+6.3%	799.8	+2.5%
	Business profit (to revenue)	115.6 14.8%	63.6 14.0%	-28.2% -5.5p	40.2 11.6%	+48.8% +3.3p	103.8 13.0%	-10.2% -1.8p
	Operating profit (to revenue)	117.2 15.0%	64.1 14.1%	-28.3% -5.6p	38.3 11.1%	+38.0% +2.6p	102.4 12.8%	-12.6% -2.2p
	Revenue	603.6	389.2	+12.7%	266.1	+3.1%	655.4	+8.6%
UNIQLO International	Business profit (to revenue)	50.7 8.4%	32.5 8.4%	-24.7% -4.1p	13.6 5.1%	+80.6% +2.2p	46.1 7.0%	-9.0% -1.4p
	Operating profit (to revenue)	43.3 7.2%	29.4 7.6%	-31.4% -4.8p	8.0 3.0%	+15x +2.8p	37.4 5.7%	-13.7% -1.5p
	Revenue	295.3	167.3	+12.9%	161.2	+9.6%	328.5	+11.3%
Global Brands	Business profit (to revenue)	20.9 7.1%	14.2 8.5%	+15.3% +0.2p	9.8 6.1%	+15.2% +0.3p	24.1 7.3%	+15.2% +0.2p
	Operating profit (to revenue)	14.4 4.9%	14.3 8.6%	+21.9% +0.7p	-4.7 -	-	9.5 2.9%	-34.0% -2.0p

FY2016 Full-year Highlights

■ Consolidated results: Fast Retailing full-year profit down, but 2H profit rebounds sharply on strong overall performance

- Full-year revenue up, profit down. Consolidated revenue: JP¥1.7864 trillion (+6.2% year on year), operating profit: ¥127.2 billion (-22.6%), profit attributable to owners of the parent: ¥48.0 billion (-56.3%).
- Factors underlying sharp decline in profit attributable to owners of the parent: Under other expenses, recorded a ¥11.0 billion foreign exchange loss, a ¥13.8 billion J Brand impairment loss, and ¥9.3 billion for impairment losses on UNIQLO Japan and UNIQLO USA stores plus retirement and store-closure losses. A further ¥36.9 billion foreign exchange loss recorded under finance income and costs after yen appreciation reduced the value of long-term foreign-currency holdings in yen terms.
- While full-year operating profit declined, Fast Retailing recorded a 94.3% year-on-year rebound in profit in the second half from March to August, thanks to a nascent recovery in sales at UNIQLO Japan and UNIQLO International and concerted cost-cutting efforts in the second half.

■ UNIQLO Japan: 2H profit rises sharply on improved gross margin and cost-cutting drive

- Full-year revenue up, profit down. Revenue: ¥799.8 billion (+2.5% year on year), operating profit: ¥102.4

billion (-12.6%). However, second-half profit rebounds by a robust 38.0% year on year.

• Same-store sales rose 4.9% in 2H, compared to a 1.9% decline in 1H. 2H gross profit margin improved with customers appreciating UNIQLO Japan's our new reasonable prices and instantly recognizable set-price strategy. The SG&A ratio also improved thanks to concerted cost-cutting efforts in the second half.

■ UNIQLO International: Full-year revenue up, profit down. 2H profit rises sharply

• Full-year revenue up, profit down. Revenue: ¥655.4 billion (+8.6% year on year), operating profit: ¥37.4 billion (-13.7%). However, profit rebounded strongly in the second half to 15 times the previous-year's level, thanks to especially sharp profit gains in UNIQLO Greater China (encompassing mainland China, Hong Kong and Taiwan operations), Southeast Asia & Oceania, and Europe.

• UNIQLO USA business started to show signs of improvement in the second half, but the full-year operating loss expanded year on year following the reporting of impairment losses on stores and other temporary losses.

• New markets: UNIQLO opened its first stores in Belgium October 2015, and Canada September 2016.

■ Global Brands: Profit down on J Brand impairment loss

• Full-year revenue up, profit down: Revenue: ¥328.5 billion (+11.3% year on year), operating profit: ¥9.5 billion (-34.0%) on reporting of a ¥13.8 billion impairment loss on J Brand.

• An extremely strong performance generated robust gains in GU revenue and profit. GU revenue: ¥187.8 billion (+32.7% year on year), operating profit: ¥22.2 billion (+34.8%).

• Theory reported a rise in operating profit, while Comptoir des Cotonniers, Princesse tam.tam and J Brand reported losses.

■ Fiscal 2017 consolidated estimates

• In fiscal 2017, Fast Retailing expects to achieve consolidated revenue of ¥1.850 trillion (+3.6% year on year), operating profit of ¥175.0 billion (+37.5%), profit before income taxes of ¥175.0 billion (+93.9%) and profit attributable to owners of the parent of ¥100.0 billion (+108.1%). All three Fast Retailing business segments are expected to generate increases in both revenue and profit in fiscal 2017.

• We intend to maintain a scheduled annual dividend of ¥350 per share.

Fiscal 2016 Performance in Focus

■ UNIQLO Japan: Sharp 2H profit rebound on improved gross margin, cost-cutting drive

UNIQLO Japan reported a rise in revenue but a fall in profit in fiscal 2016, with revenue totaling ¥799.8 billion (+2.5% year on year) and operating profit totaling ¥102.4 billion (-12.6%). Full-year revenue was supported by a 0.9% year-on-year rise in same-store sales and a buoyant 30.1% year-on-year increase in e-commerce. The 12.6% decline in full-year operating profit was due largely to a 1.4 point contraction in the gross profit to net sales ratio, and a 0.5 point increase in selling, general and administrative expense ratios.

However, UNIQLO Japan operating profit recovered strongly in the second half to report a healthy 38.0% year-on-year gain. Same-store sales expanded 4.9% in the second half, thanks to strong sales of trendy items such as jogger pants, skants and women's blouses, and a strong performance by sport campaign items made from AIRism and DRY anti-perspiration high-function materials. The gross profit margin also improved in the second half, as the strategy to offer products at attractive, readily recognizable price levels every day of the week started to bear fruit, and cost-cutting efforts improved SG&A cost ratios.

■ **UNIQLO International: Full-year revenue up, profit down. 2H profit rebounds sharply**

UNIQLO International also reported a rise in revenue and a fall in profit in the fiscal 2016 period, with revenue rising 8.6% year on year to ¥655.4 billion and operating profit contracting 13.7% to ¥37.4 billion. However, operating profit improved greatly in the second half to report a figure 15 times of the previous year, thanks to marked improvements in profitability in Greater China (the area spanning mainland China, Hong Kong and Taiwan), Southeast Asia and Oceania, and Europe.

Breaking down UNIQLO International's full-year performance by region, UNIQLO Greater China generated revenue of ¥332.8 billion (+9.3%) in fiscal 2016 and operating profit of ¥36.5 billion (-5.5%). While full-year profits declined at UNIQLO Greater China, the operation reported a much stronger-than-expected recovery in profitability in the second half. That was due mainly to a strong profit increase in mainland China, driven by a rebound in same-store sales from the second quarter onwards and an effective cost-cutting drive. Meanwhile, UNIQLO Southeast Asia and Oceania, and Europe reported rising revenue and profits in fiscal 2016. Across the Pacific, while second-half business conditions improved, UNIQLO USA reported an expanded operating loss for fiscal 2016 after accounting a ¥7.4 billion temporary loss from impairment losses on stores and losses related to asset retirement and store closures.

Finally, UNIQLO International has opened a series of prominent stores over the past 12 months, including the first UNIQLO stores in Belgium in October 2015, and the first stores in Canada in September 2016. In March 2016, UNIQLO International opened the avidly awaited refurbished 311 Oxford Street global flagship store, and, in September 2016, opened the first global flagship store in Southeast Asia; the UNIQLO Orchard Central Store in Singapore. As of 31 August 2016, the total number of UNIQLO International stores had expanded by 160 year on year to 958 stores.

■ **Global Brands: Profit down on J Brand impairment loss**

Global Brands also reported a rise in revenue but a fall in profit in fiscal 2016. Revenue expanded 11.3% year on year to ¥328.5 billion. Operating profit contracted 34.0% to ¥9.5 billion following the recording of a ¥13.8 billion impairment loss on J Brand and other operations. Within the Global Brands segment, our GU brand, which celebrates its 10th anniversary since the opening of the first GU store this fall, reported an overwhelmingly strong performance. GU generated significant rises in both revenue and profit in fiscal 2016, with revenue expanding by an impressive 32.7% to ¥187.8 billion, and operating profit expanding 34.8% to ¥22.2 billion. GU same-store sales recorded a double-digit gain on the back of strong sales of trendy women's knitwear, skants and wide pants. The number of GU stores increased by a net 31 stores year on year to 350 stores (including 10 stores outside of Japan) at the end of August 2016.

In terms of other Global Brands labels, Comptoir des Cotonniers reported a loss in fiscal 2016. Princesse tam.tam and J Brand generated persistent losses, while our Theory label reported expanded profits in fiscal 2016.

■ **Fiscal 2017 consolidated estimates: Rises in revenue, profit at all business segments**

In fiscal 2017, Fast Retailing expects to achieve consolidated revenue of ¥1.850 trillion (+3.6% year on year), operating profit of ¥175.0 billion (+37.5%), profit before income taxes of ¥175.0 billion (+93.9%) and profit attributable to owners of the parent of ¥100.0 billion (+108.1%). That would translate into expected

net earnings per share of ¥980.74. All three Fast Retailing business segments are expected to generate increases in both revenue and profit in fiscal 2017.

At UNIQLO Japan, we forecast same-store sales + online sales will expand by approximately 2.0% year on year in fiscal 2017, while the gross profit margin is expected to hold steady, and the operating profit margin to improve slightly on cost-cutting efforts. At UNIQLO International, we expect operating profit will expand sharply in fiscal 2017, with continued strong profit gains predicted from UNIQLO Greater China and UNIQLO Southeast Asia & Oceania. Losses at UNIQLO North America, which will include UNIQLO USA and UNIQLO's stores in Canada from fiscal 2017, are expected to shrink considerably. Finally, we expect the Global Brands segment will report a significant increase in operating profit in fiscal 2017, on predicted revenue and profit gains from GU and a comparative absence of impairment losses. We forecast the overall Fast Retailing Group network will expand to a total of 3,336 stores by the end of August 2017: 837 stores (including franchise stores) at UNIQLO Japan, 1,104 stores at UNIQLO International and 1,395 stores at Global Brands. We have scheduled an annual dividend for fiscal 2017 of ¥350, split evenly into an interim dividend of ¥175 and a year-end dividend of ¥175 yen per share.

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/>.