

Results Summary for FY2017 3Q (Nine Months to May 2017)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug. 2016 3Q Actual	Year to Aug 2017					
		Nine months to May 2017 (Sep. 2016 - May 2017)		Three months to May 2017 (Mar. 2017 - May 2017)		Full-year Est. (Sep. 2016 - Aug. 2017)	
		Actual	(y/y)	Actual	(y/y)	Full-year Est.	(y/y)
Revenue	1,434.6	1,477.9	+3.0%	460.4	+8.9%	1,850.0	+3.6%
Gross Profit (to revenue)	694.3 48.4%	725.4 49.1%	+4.5% +0.7p	231.2 50.2%	+6.3% -1.2p	- -	- -
SG&A Expenses (to revenue)	540.4 37.7%	546.1 37.0%	+1.1% -0.7p	180.6 39.2%	+6.4% -0.9p	- -	- -
Business profit (to revenue)	153.8 10.7%	179.2 12.1%	+16.5% +1.4p	50.5 11.0%	+6.0% -0.3p	180.0 9.7%	+11.1% +0.6p
Operating profit (to revenue)	145.8 10.2%	180.6 12.2%	+23.9% +2.0p	49.9 10.9%	+7.5% -0.1p	175.0 9.5%	+37.5% +2.4p
Finance income/costs (to revenue)	-23.7 -	14.8 1.0%	- -	-2.0 -	- -	0.0 -	- -
Profit before income taxes (to revenue)	122.0 8.5%	195.4 13.2%	+60.1% +4.7p	47.8 10.4%	+19.5% +0.9p	175.0 9.5%	+93.9% +4.4p
Profit attributable to owners of the parent (to revenue)	71.0 4.9%	120.1 8.1%	+69.1% +3.2p	22.8 5.0%	-4.5% -0.7p	100.0 5.4%	+108.1% +2.7p

Performance by Group Operation

(Billions of Yen)

		Year to Aug. 2016 3Q Actual	Year to Aug 2017			
			Nine months to May 2017 (Sep. 2016 - May 2017)		Three months to May 2017 (Mar. 2017 - May 2017)	
			Actual	(y/y)	Actual	(y/y)
UNIQLO Japan	Revenue	645.4	653.4	+1.2%	198.3	+3.5%
	Business profit (to revenue)	92.8 14.4%	93.2 14.3%	+0.5% -0.1p	23.7 12.0%	-18.7% -3.2p
	Operating profit (to revenue)	93.2 14.4%	92.6 14.2%	-0.6% -0.2p	23.8 12.0%	-18.0% -3.2p
UNIQLO International	Revenue	532.8	561.5	+5.4%	168.7	+17.5%
	Business profit (to revenue)	44.5 8.4%	69.4 12.4%	+55.9% +4.0p	19.5 11.6%	+63.2% +3.2p
	Operating profit (to revenue)	42.2 7.9%	68.1 12.1%	+61.3% +4.2p	19.3 11.5%	+50.7% +2.6p
Global Brands	Revenue	254.3	260.9	+2.6%	92.7	+6.5%
	Business profit (to revenue)	23.4 9.2%	19.3 7.4%	-17.4% -1.8p	8.9 9.7%	-2.4% -0.9p
	Operating profit (to revenue)	23.0 9.1%	19.1 7.3%	-17.0% -1.8p	9.0 9.8%	+3.8% -0.2p

FY2017 3Q Highlights: Fast Retailing Revenue and Profit Rise in Nine Months to May

■ Consolidated results: Higher-than-expected gains in 1Q-3Q revenue and profit

- Fast Retailing achieved higher-than-expected increases in 1Q-3Q revenue and profit. Consolidated revenue totaled ¥1.4779 trillion (+3.0% year on year) and operating profit expanded to ¥180.6 billion (+23.9%).
- 1Q-3Q profit attributable to owners of the parents rose sharply, up 69.1% to ¥120.1 billion, following the reporting of a ¥13.3 billion foreign exchange gain under finance income and costs.
- 3Q revenue and operating profit also increased, but 3Q profit attributable to owners of the parent declined 4.5% year on year due to the provisioning of an additional ¥6.5 billion in tax expenses to accommodate changes in our policy on the receipt of potential dividends from overseas subsidiaries.

■UNIQLO Japan: Fall in 3Q operating profit

- 3Q revenue rose to ¥198.3 billion (+3.5% year on year). 3Q operating profit declined to ¥23.8 billion (-18.0%), a level slightly below target.
- 3Q same-store sales up 2.7%, thanks to strong sales of wireless bras, Dry Stretch Kando Pants and other in-the-news items.
- 3Q gross profit margin contracted 2.2p as weaker internal yen rates pushed up the cost of sales. SG&A ratio up 1.0p on higher distribution and personnel expenses.

■UNIQLO International: Profit rises sharply on Southeast Asia, S. Korea and Greater China strength

- Sharp gains in both revenue and profit outstripped expectations. 3Q revenue: ¥168.7 billion (+17.5% year on year). 3Q operating profit: ¥19.3 billion (+50.7%).
- Southeast Asia & Oceania, South Korea, Greater China performances especially strong. Loss at UNIQLO USA shrank.

■Global Brands: Theory profit rises sharply, but GU profit down

- Gains in both revenue and profit in line with expectations. 3Q revenue: ¥92.7 billion (+6.5% year on year). 3Q operating profit: ¥9.0 billion (+3.8%).
- GU 3Q profit down. Revenue fell below target. Gross profit margin contracted on aggressive inventory rundowns and rising cost of sales.
- Theory 3Q revenue and profit rose sharply, with a standout performance by PLST brand.

■Fiscal 2017 consolidated estimates: Initial estimates unchanged. Expect large profit rise

- Fiscal 2017 estimates unchanged. Consolidated revenue: ¥1.8500 trillion (+3.6%), operating profit: ¥175.0 billion (+37.5%), profit attributable to owners of the parent: ¥100.0 billion (+108.1%). EPS ¥980.74.
- 1Q-3Q profit attributable to owners of the parent reached ¥120.1 billion, well above full-year target of ¥100.0bln, but forecast remains unchanged in light of uncertainties such as potential loss-making subsidiaries and store-related impairment losses, and unpredictable foreign exchange rate trends.
- UNIQLO Japan expected to fall below recent forecasts, to report a slight dip in operating profit.
- UNIQLO International expected to achieve strong revenue and profit gains, with Greater China, Southeast Asia, and South Korea acting as the key drivers of growth.
- Global Brands estimated to generate increased revenue and profit, with a strong performance from Theory expected to offset any continued struggle experienced by GU.
- Scheduled annual dividend: ¥350.

+++++ Fiscal 2017 1Q-3Q Performance in Focus

■ UNIQLO Japan: Slight fall in 3Q operating profit

UNIQLO Japan reported a rise in revenue but a contraction in profit in the nine months to May 2017. Revenue rose 1.2% year-on-year to ¥653.4 billion while operating profit dipped 0.6% year-on-year to ¥92.6 billion.

In the three months from March to May, same-store sales, including online sales, increased 2.7% year-on-year, thanks to strong sales of newsworthy items such as wireless bras, easy ankle pants and Dry Stretch Kando Pants, and successful sales strategies over Golden Week, Mother's Day and the UNIQLO anniversary celebration. Meanwhile, e-commerce sales increased 17.3% in the third quarter to constitute 6.2% of total sales.

Operating profit declined in the third quarter, but this was due to factors such as the inflammatory impact of weaker internal yen exchange rates on cost of sales, as well as higher distribution, personnel and other business expenses.

■ UNIQLO International: Profit rises sharply on Southeast Asia, S. Korea and Greater China strength

UNIQLO International generated rises in both revenue and profit in the nine months to May 2017, with revenue expanding by 5.4% year-on-year to ¥561.5 billion and operating profit rising by a significant 61.3% year-on-year to ¥68.1 billion.

In the third quarter from March to May, UNIQLO Southeast Asia and Oceania and UNIQLO South Korea performed extremely well to report a doubling in operating profit. In Southeast Asia and Oceania, UT T-shirts, sports goods such as DRY-EX polo shirts, new women's blouses and dresses, Dry Stretch Kando Pants, and clothes designed to suit the Southeast Asian climate and culture sold especially well. Our efforts to overhaul business management in South Korea also paid off, generating a rebound in same-store sales, an improvement in the gross profit margin, and a reduction in business expenses. Profits continued to expand at UNIQLO Greater China thanks to successful sales campaigns timed to draw in customers over May Day and other public holidays, and strong sales of UT T-shirts, polo shirts and other core Summer ranges. UNIQLO USA reported a lower operating loss in the third quarter after same-store sales recovered and business cost ratios improved under the new operational structure. In Europe, leading investment in 10 new store openings over three months inflated costs and knocked operating profit slightly lower.

Overall, the UNIQLO International network increased by 143 to 1,071 stores at the end of May 2017.

■ Global Brands: Theory profit rises sharply, but GU profit down

In the nine months to May 2017, revenue from the Global Brands segment rose 2.6% year-on-year to ¥260.9 billion, while operating profit contracted by 17.0% year-on-year to ¥19.1 billion.

GU revenue rose but profit and same-store sales declined over the three months from March to May 2017. While the palazzo pants and fashion-conscious design blouses featured in our advertising campaigns sold well, they didn't prove as much of a hit as initially anticipated. Furthermore, we didn't produce sufficient volumes of latest fashion trend items, resulting in shortages in some products and lost sales opportunities. The gross profit margin was also hit by discounting of excess inventory, and rising cost of sales in the wake of recent yen weakness.

Looking at other labels in the Global Brands segment, our Theory fashion brand reported significant rises in both revenue and profit in the third quarter. Theory's PLST label reported an especially strong rise in customer visits following the brand's decision to expand its product range into casual office clothing, and expand its client base through extensive digital marketing.

While same-store sales at our France-based Comptoir des Cotonniers brand continued to decline, determined cost-cutting helped reduce operating losses. Finally, our France-based Princesse tam.tam and US-based J Brand premium denim label reported further losses in line with previous year levels.

■ Fiscal 2017 consolidated estimates: Initial forecasts unchanged. Expect large profit rise

Fast Retailing is expected to generate a large expansion in profits over the full year through August 2017. Detailing those forecasts, consolidated revenue is forecast to rise to ¥1.8500 trillion (+3.6% year on year), operating profit to ¥175.0 billion (+37.5%) and profit attributable to owners of the parent to ¥100.0 billion (+108.1%). That would translate into expected net earnings per share of ¥980.74. In the nine months to May 2017, profit attributable to owners of the parent already reached ¥120.1 billion, a level well above our full-year target of ¥100.0bln. However, we decided not to revise our forecast after considering various factors such as potential loss-making subsidiaries and store-related impairment losses, and unpredictable foreign exchange rate trends.

Looking more closely at estimated performance at individual business segments, UNIQLO Japan is expected to report a rise in revenue in the fourth quarter from June to August 2017. However, for the full business year, we forecast operating profit will fall below our latest target to report a slight contraction, on the back of higher season-end offloading of excess stock and larger-than-expected product markdowns in the fourth quarter.

UNIQLO International is expected to generate rising profits in the fourth quarter fueled by strong

performances from UNIQLO Greater China, Southeast Asia & Oceania, and South Korea. At the same time, losses at UNIQLO USA are predicted to shrink considerably in the fourth quarter. As a result, we forecast UNIQLO International will outstrip our latest full-year target to generate large gains in both revenue and profit.

We still expect our Global Brands segment will generate gains in both full-year revenue and profit as planned, with any struggles experienced by GU in the fourth quarter being offset by a favorable performance from Theory. GU operating profit is now expected to dip to a level below our recent forecast for the second half of fiscal 2017 (March to August 2017) as lower-than-expected sales in the third quarter prompts more aggressive offloading of excess stock in the fourth quarter.

In terms of store numbers, we forecast the overall Fast Retailing Group network will expand to a total of 3,304 stores by the end of August 2017. This total breaks down into 841 UNIQLO Japan stores (including franchise stores), 1,088 UNIQLO International stores and 1,375 Global Brands stores.

Finally, 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/.](http://www.fastretailing.com/eng/ir/)