October 12, 2017
Fast Retailing Co., Ltd.

Results Summary for FY2017 (September 1, 2016 to August 31, 2017)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2016	Year to Aug 2017						Year to Aug 2018	
	Full Year Actual	1H Actual		2H Actual		Full Year Actual		Full Year Estimate	
	(2015/9～2016/8)	(2016/9～2017/2)	y/y	(2017/3～2017/8)	y/y	(2016/9～2017/8)	y/y	(2017/9～2018/8)	y/y
Revenue	1,786.4	1,017.5	+0.6%	844.4	+9.0%	1,861.9	+4.2%	2,050.0	+10.1%
Gross Profit	864.9	494.2	+3.6%	415.0	+7.0%	909.2	+5.1%	-	-
(to revenue)	48.4%	48.6%	+1.5p	49.2%	-0.9p	48.8%	+0.4p	-	-
SG&A Expenses	702.9	365.4	-1.4%	359.7	+8.3%	725.2	+3.2%	-	-
(to revenue)	39.3%	35.9%	-0.7p	42.6%	-0.3p	38.9%	-0.4p	-	-
Business profit	162.0	128.7	+21.2%	55.3	-0.9%	184.0	+13.6%	205.0	+11.4%
(to revenue)	9.1%	12.7%	+2.2p	6.6%	-0.6p	9.9%	+0.8p	10.0%	+0.1p
Operating profit	127.2	130.6	+31.5%	45.7	+63.7%	176.4	+38.6%	200.0	+13.4%
(to revenue)	7.1%	12.8%	+3.0p	5.4%	+1.8p	9.5%	+2.4p	9.8%	+0.3p
Finance income/cost	-37.0	16.9	-	0.0	-	16.9	-	0.0	-
(to revenue)	-	1.7%	-	0.0%	-	0.9%	-	-	-
Profit before income taxes	90.2	147.6	+79.9%	45.7	+458.7%	193.3	+114.3%	200.0	+3.4%
(to revenue)	5.1%	14.5%	+6.4p	5.4%	+4.3p	10.4%	+5.3p	9.8%	-0.6p
Profit attributable to owners of the parent	48.0	97.2	+106.7%	22.0	+21x	119.2	+148.2%	120.0	+0.6%
(to revenue)	2.7%	9.6%	+4.9p	2.6%	+2.5p	6.4%	+3.7p	5.9%	-0.5p

Performance by Group Operation

(Billions of Yen)

		Year to Aug 2016	Year to Aug 2017					
		Full Year Actual	1H Actual		2H Actual		Full Year Actual	
		(2015/9-2016/8)	(2016/9～2017/2)	y/y	(2017/3～2017/8)	y/y	(2016/9～2017/8)	y/y
UNIQLO Japan	Revenue	799.8	455.1	+0.3%	355.6	+2.7%	810.7	+1.4%
	Business profit	103.8	69.5	+9.3%	27.2	-32.3%	96.7	-6.9%
	(to revenue)	13.0%	15.3%	+1.3p	7.7%	-3.9p	11.9%	-1.1p
	Operating profit	102.4	68.7	+7.3%	27.1	-29.3%	95.9	-6.4%
	(to revenue)	12.8%	15.1%	+1.0p	7.6%	-3.5p	11.8%	-1.0p
UNIQLO International	Revenue	655.4	392.8	+0.9%	315.3	+18.5%	708.1	+8.1%
	Business profit	46.1	49.8	+53.1%	26.4	+93.5%	76.2	+65.1%
	(to revenue)	7.0%	12.7%	+4.3p	8.4%	+3.3p	10.8%	+3.8p
	Operating profit	37.4	48.7	+65.9%	24.3	+203.3%	73.1	+95.4%
	(to revenue)	5.7%	12.4%	+4.8p	7.7%	+4.7p	10.3%	+4.6p
Global Brands	Revenue	328.5	168.1	+0.5%	171.9	+6.6%	340.1	+3.5%
	Business profit	24.1	10.4	-27.0%	7.5	-23.7%	17.9	-25.6%
	(to revenue)	7.3%	6.2%	-2.3p	4.4%	-1.7p	5.3%	-2.0p
	Operating profit	9.5	10.0	-29.7%	3.9	-	14.0	+47.5%
	(to revenue)	2.9%	6.0%	-2.6p	2.3%	+5.3p	4.1%	+1.2p

FY2017 Highlights

■Consolidated results: Fast Retailing achieves record levels of revenue, operating profit and net profit in FY2017

・Fast Retailing generates a record performance in FY2017. Consolidated revenue: ¥1.8619 trillion (+4.2% year-on-year), operating profit: ¥176.4 billion (+38.6%) and profit attributable to owners of the parents: ¥119.2 billion (+148.2%).

・Net profit expands by 2.5 times on, a) profit gains at UNIQLO International contributing greatly to consolidated result, b) significantly lower impairment losses, and c) the recording of foreign exchange gains.

■ UNIQLO Japan: Gross profit margin improves but operating profit down on rising SG&A ratios

・Revenue up, profit down. Revenue: ¥810.7 billion (+1.4%), operating profit: ¥95.9 billion (-6.4%).

・Full-year same-store sales expand by 1.1%. Especially strong second-half growth of 2.4%, thanks to strong sales of newsworthy items such as wireless bras and Dry Stretch Kando Pants.

・On the profit front, while the gross profit margin improved by 0.3 point year-on-year, the SG&A to net sales ratio increased 1.3 points on higher personnel and distribution expenses.

■UNIQLO International: Operating profit nearly doubles, SE Asia operation enters growth stage

・Revenue: ¥708.1 billion (+8.1%). Operating profit almost doubles to ¥73.1 billion (+95.4%) on improved gross profit margins and leaner cost structures at all regional operations, as well as a halving of the operating loss at UNIQLO USA.
・Performance especially strong in Southeast Asia & Oceania, where operating profit doubled year on year. The gross profit to net sales margin improved considerably following an expansion of core product ranges, and strong sales of items designed exclusively for the Southeast Asian market.
・UNIQLO Greater China and UNIQLO South Korea also reported large year-on-year profit gains.

■Global Brands: Overall revenue and profit rises but GU profit drops

・Revenue and profit rise. Revenue: ¥340.1 billion (+3.5%), operating profit: ¥14.0 billion (+47.5%).
・GU revenue up but profit down. Revenue: ¥199.1 billion (+6.0%), operating profit: ¥13.5 billion (-39.0%). Profit dipped on a fall in the gross profit margin owing to lower-than-expected sales, and a rising SG&A to net sales ratio.
・Theory generated a large profit gain. Comptoir des Cotonniers, Princesse tam.tam and J Brand reported a full-year loss. Accounted ¥3.6 billion in impairment losses for J Brand.

■FY2018 consolidated estimates: Expect a new record performance with revenue and profit gains across three business segments

・Predicting another record overall performance, stemming from revenue and profit gains at all three business segments. FY2018 estimates for consolidated revenue: ¥2.0500 trillion (+10.1%), consolidated operating profit: ¥200.0 billion (+13.4%) and profit attributable to owners of the parent: ¥120.0 billion (+0.6%).
・Revenue from UNIQLO International is expected to surpass that of UNIQLO Japan for the first time, and operating profit to come close to doing the same. UNIQLO International profit expansion expected to prove the key driver of consolidated performance.
・Forecasting an annual dividend per share in FY2018 of ¥350.

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Fiscal 2017 Performance in Focus

■ UNIQLO Japan: Gross profit margin improves but operating profit down on rising SG&A ratios

UNIQLO Japan reported a rise in revenue but a fall in profit in fiscal 2017, with revenue totaling ¥810.7 billion (+1.4% year-on-year) and operating profit totaling ¥95.9 billion (-6.4% year-on-year). In the twelve months to 31 August 2017, same-store sales, including online sales, expanded by 1.1% year-on-year, thanks to an increase in customer visits. Warm weather during the most vigorous sales month of December resulted in a modest rise in same-store sales in the first half of only 0.1% year-on-year. However, same-store sales subsequently expanded by 2.4% year-on-year in the second half on buoyant sales of newsworthy products such as wireless bras, Dry Stretch Kando Pants, easy ankle pants and UT T-shirts. Meanwhile, e-commerce sales increased 15.6% in fiscal 2017 to constitute 6.0% of total sales. On the profit front, while the gross profit to net sales margin improved by a modest 0.3 point year-on-year, the selling, general and administrative expense to net sales ratio increased by 1.3 points year-on-year, resulting in a decline in operating profit. Looking at selling, general and administrative expenses in more detail, while advertising and promotion expenses were further reduced across the financial term as part of the overall cost-cutting drive, personnel costs increased over the financial year, and distribution expenses increased temporarily in relation to the complete transformation of our distribution system.

■ UNIQLO International: Operating profit nearly doubles, SE Asia operation enters growth stage

UNIQLO International revenue rose to ¥708.1 billion (+8.1% year-on-year) in fiscal 2017, while operating profit almost doubled to ¥73.1 billion (+95.4% year-on-year). Several factors contributed to this strong performance, including a considerable improvement in the gross profit to net sales margin following the shift towards much tighter discounting in each individual operation, the positive effects of cost-cutting efforts, and a halving of the operating loss at UNIQLO USA. UNIQLO Southeast Asia & Oceania generated an especially strong performance. The expanded range of polo shirts, DRY T-shirts and other core products in that region, and strong sales of products designed specifically to suit the region's climate and culture both helped generate a significantly higher gross profit margin. UNIQLO South Korea generated a considerable increase in operating profit for the full financial term as the operation's positive management reforms helped encourage a recovery in same-store sales in the second half. UNIQLO Greater China reported a significant rise in operating profit, with same-store sales in Mainland China continuing their rising trend on the back of successful sales campaigns timed to draw in customers at the right point of the season and over public holidays. UNIQLO USA reduced its operating loss by half in fiscal 2017 thanks to efforts to tailor product ranges to suit specific regions, some successful sales promotions, and continued business reforms. At UNIQLO Europe, operating profit dipped slightly after the opening of 20 new stores mainly in Russia and France resulted in increased costs. In September 2017, Fast Retailing opened its first UNIQLO store in Spain, Barcelona. The store got off to a strong start.

■ Global Brands: Overall revenue and profit rises but GU profit drops

The Global Brands segment generated increases in both revenue and profit in fiscal 2017, with revenue rising to ¥340.1 billion (+3.5% year-on-year) and operating income expanding to ¥14.0 billion (+47.5% year-on-year). Considerably higher profits from the Theory fashion label and shrinking impairment losses from the J Brand premium denim label contributed to the rise in Global Brands operating profit.

GU reported a rise in revenue but a decline in profit in fiscal 2017, with revenue rising to ¥199.1 billion (+6.0% year-on-year) and operating profit contracting to ¥13.5 billion (-39.0% year-on-year). Same-store sales declined 3.0% year-on-year on lost sales opportunities resulting from shortages in some strong-selling items such as design blouses, big silhouette tops, design bottoms, pajamas and shoes, and the fact that some products did not become the hot-selling items we originally expected. The fall in operating profit was caused by a number of factors: the shortfall in sales, which weighed on the gross profit margin; a rising costs of sales caused by a weaker yen, and; a rising business expense to net sales ratio. In international markets, after the first GU store opened in Hong Kong in March 2017, GU Hong Kong business continues to be a success.

Looking finally at other labels in the Global Brands segment, Theory generated a significant increase in operating profit in fiscal 2017 on the back of strong sales from the US Theory brand and improved profitability from Theory's PLST brand operation. Revenue from our France-based Comptoir des Cotonniers operation declined but the label's cost-cutting drive helped successfully reduce operating losses. The France-based Princesse tam.tam label generated a further operating loss, while US-based J Brand accounted a ¥3.6 billion impairment loss.

■ FY2018 consolidated estimates: Expect a new record performance with revenue and profit gains across three business segments

Fast Retailing expects to achieve a record performance in the financial year ending August 31, 2018, with all three business segments generating rises in both revenue and profit. We predict consolidated revenue will expand to ¥2.0500 trillion (+10.1% year-on-year), consolidated operating profit will reach ¥200.0 billion (+13.4%), profit before tax will increase to ¥200.0 billion (+3.4%), and and profit attributable to owners of the parent will increase to ¥120.0 billion (+0.6%), resulting in earnings per share of ¥1,176.66 yen.

We forecast same-store sales (including online sales) at UNIQLO Japan will expand by roughly 1.9% year-on-year. While the gross profit margin is expected to contract slightly, UNIQLO Japan is forecast to achieve small full-year gains in both revenue and income on the back of more efficient personnel and distribution expenses and continued cost-cutting efforts. UNIQLO International is forecast to produce large rises in revenue and profit. UNIQLO International revenue is expected to surpass that of UNIQLO Japan for the first time, and UNIQLO International operating profit to approach a similar level to UNIQLO Japan. We expect UNIQLO Greater China and UNIQLO Southeast Asia & Oceania to contribute considerable revenue and profit gains, and UNIQLO North America (USA & Canada) to again halve operating losses for the year. Within the Global Brands segment, GU is forecast to generate some gain in revenue and profit, while the Theory operation is expected to achieve large gains in both revenue and profit.

In terms of store numbers, we expect the total store network to expand to 3,502 stores worldwide at the end of August 2018, with 831 stores (including franchise outlets) at UNIQLO Japan, 1,246 stores at UNIQLO International, and 1,425 stores at Global Brands.

Finally, we expect to offer the same ¥350 annual dividend per share for FY2018 as in FY2017. This will be split equally between interim and year-end dividends of ¥175 each.

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/.