

## Results Summary for FY2020 1Q (Three Months to November 2019)

### Consolidated Business Performance

(Billions of Yen)

	Year to Aug 2019	Year to Aug 2020			
	1Q Actual	1Q Actual		Full Year Estimate	
	(2018/9~2018/11)	(2019/9~2019/11)	y/y	(2019/9~2020/8)	y/y
<b>Revenue</b>	<b>644.4</b>	<b>623.4</b>	-3.3%	<b>2,340.0</b>	+2.2%
<b>Gross Profit</b> (to revenue)	<b>324.8</b> 50.4%	<b>312.9</b> 50.2%	-3.7% -0.2p	-	-
<b>SG&amp;A Expenses</b> (to revenue)	<b>221.5</b> 34.4%	<b>224.0</b> 35.9%	+1.2% +1.5p	-	-
<b>Business profit</b> (to revenue)	<b>103.2</b> 16.0%	<b>88.8</b> 14.2%	-14.0% -1.8p	<b>250.0</b> 10.7%	-5.7% -0.9p
<b>Operating profit</b> (to revenue)	<b>104.6</b> 16.2%	<b>91.6</b> 14.7%	-12.4% -1.5p	<b>245.0</b> 10.5%	-4.9% -0.7p
<b>Finance income/cost</b> (to revenue)	<b>6.4</b> 1.0%	<b>10.3</b> 1.7%	+60.8% +0.7p	<b>0.0</b> -	-
<b>Profit before income taxes</b> (to revenue)	<b>111.0</b> 17.2%	<b>102.0</b> 16.4%	-8.2% -0.8p	<b>245.0</b> 10.5%	-2.9% -0.5p
<b>Profit attributable to owners of the parent</b> (to revenue)	<b>73.4</b> 11.4%	<b>70.9</b> 11.4%	-3.5% -	<b>165.0</b> 7.1%	+1.5% -

※Includes an approximate 2% boost to operating profit resulting from the adoption of IFRS16 from FY2020.

### Performance by Group Operation

(Billions of Yen)

		Year to Aug 2019	Year to Aug 2020	
		1Q Actual	1Q Actual	
		(2018/9~2018/11)	(2019/9~2019/11)	y/y
<b>UNIQLO Japan</b>	<b>Revenue</b>	<b>246.1</b>	<b>233.0</b>	<b>-5.3%</b>
	<b>Business profit</b> (to revenue)	<b>37.9</b> 15.4%	<b>38.8</b> 16.7%	<b>+2.6%</b> +1.3p
	<b>Operating profit</b> (to revenue)	<b>37.9</b> 15.4%	<b>38.5</b> 16.5%	<b>+1.6%</b> +1.1p
<b>UNIQLO International</b>	<b>Revenue</b>	<b>291.3</b>	<b>280.7</b>	<b>-3.6%</b>
	<b>Business profit</b> (to revenue)	<b>52.8</b> 18.1%	<b>38.2</b> 13.6%	<b>-27.6%</b> -4.5p
	<b>Operating profit</b> (to revenue)	<b>52.5</b> 18.0%	<b>37.8</b> 13.5%	<b>-28.0%</b> -4.5p
<b>GU</b>	<b>Revenue</b>	<b>65.4</b>	<b>72.9</b>	<b>+11.4%</b>
	<b>Business profit</b> (to revenue)	<b>8.6</b> 13.1%	<b>12.4</b> 17.0%	<b>+44.3%</b> +3.9p
	<b>Operating profit</b> (to revenue)	<b>8.5</b> 13.1%	<b>12.3</b> 17.0%	<b>+44.4%</b> +3.9p
<b>Global Brands</b>	<b>Revenue</b>	<b>40.7</b>	<b>36.1</b>	<b>-11.4%</b>
	<b>Business profit</b> (to revenue)	<b>2.8</b> 6.9%	<b>1.9</b> 5.3%	<b>-32.5%</b> -1.6p
	<b>Operating profit</b> (to revenue)	<b>2.7</b> 6.7%	<b>1.8</b> 5.2%	<b>-31.5%</b> -1.5p

### FY2020 1Q Main Points

■Fast Retailing Group 1Q revenue and profit down on large profit contraction in South Korea and Hong Kong

• Consolidated revenue and profit down. Revenue: 623.4 billion yen (-3.3% year-on-year), operating profit:

91.6 billion yen (-12.4%). South Korea and Hong Kong reported significant contractions in profit, the weather remained persistently warm during the 1Q, and UNIQLO Japan profits improved to a lesser extent than originally expected.

- Recorded a 10.3 billion yen foreign exchange gain under finance income/cost. As a result, first-quarter profit before income taxes: 102.0 billion yen (-8.2%), profit attributable to owners of the parent: 70.9 billion yen (-3.5%).

### ■ UNIQLO Japan: Despite revenue fall, profit rises slightly on improved gross profit margin

- Revenue declined but profit rose. Revenue: 233.0 billion yen (-5.3%), operating profit: 38.5 billion yen (+1.6%).

- Same-store sales down 4.1% year-on-year. Sales of cold-weather ranges proved sluggish in the face of persistently warm weather during the September to November quarter.

- Operating profit rose slightly on the back of a 2.3 point improvement in the gross profit margin and a reduction in SG&A expenses in monetary terms.

### ■ UNIQLO International: Revenue and profit down (revenue and profit up excl. South Korea and Hong Kong impact)

- Revenue: 280.7 billion yen (-3.6%), operating profit 37.8 billion yen (-28.0%). Revenue and profit falls caused primarily by sharply lower revenue and profit figures from South Korea and Hong Kong.

- UNIQLO Greater China (Mainland China, Hong Kong, Taiwan) revenue up but profit down. However, both revenue and profit rose after stripping out the currency effect. UNIQLO South Korea reported an operating loss. UNIQLO South, Southeast Asia & Oceania reported further strong results characterized by double-digit rises in both revenue and profit. UNIQLO North America reported rising revenue and profit. Despite double-digit growth in revenue, UNIQLO Europe profit declined slightly due to the foreign-exchange effect.

### ■ GU: Achieves large gains in both revenue and profit

- GU reported significant 1Q revenue and profit gains. Revenue: 72.9 billion yen (+11.4%), operating profit 12.3 billion yen (+44.4%).

- Same-stores sales increased on strong sales of lightweight outerwear, and knitwear featured in our advertising campaigns.

- Profit expanded considerably and gross profit margin improved by an impressive 3.2 points on lower cost of sales and reduced discounting.

### ■ Global Brands: Revenue, profit down on sluggish Theory, PLST sales

- Global Brands revenue and profit declined. Revenue: 36.1 billion yen (-11.4%), operating profit 1.8 billion yen (-31.5%).

- Theory, PLST revenue and profit down with sales of Winter ranges struggling in the face of persistently warm weather. Comptoir des Cotonniers reported a similar loss to the previous year.

### ■ FY2020 consolidated estimates: Revised down

- Revised down initial estimate for FY2020 consolidated revenue by 60.0 billion yen and operating profit by 30.0 billion yen. This reflects our corporate performance in the first quarter and subsequent month of December, and also our decision to revise down our initial second-half estimates for UNIQLO International to incorporate present circumstances in South Korea and Hong Kong.

- FY2020 estimates for consolidated revenue: 2.3400 trillion yen (+2.2%), consolidated operating profit: 245.0 billion yen (-4.9%), and profit attributable to owners of the parent: 165.0 billion yen (+1.5%).

• We forecast an annual dividend per share in FY2020 of 500 yen, split equally between interim and year-end dividends of 250 yen each.

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## **FY2020 First Quarter Performance in Focus**

### **■UNIQLO Japan: Despite revenue fall, profit rises slightly on improved gross profit margin**

UNIQLO Japan segment reported a decline in revenue but a rise in profit in the first quarter of fiscal 2020, with revenue totaling 233.0 billion yen (-5.3% year-on-year) and operating profit totaling 38.5 billion yen (+1.6% year-on-year). First-quarter same-store sales, including online sales, declined by 4.1% year-on-year. Despite multiple strong-selling items, including new curved pants, souffle yarn sweaters, trendy sweat shirts and pants, and leggings, the decline in same-store sales was caused by weaker demand for thermal clothing during the warm weather and our inability to sufficiently convey the attractiveness of in-focus, newsworthy products to our customers. E-commerce sales growth also slowed for the same reasons as for our physical stores, with online sales totaling 24.7 billion yen (+4.1% year-on-year) in the first quarter. UNIQLO Japan's gross profit margin improved by 2.3 points on the back of an appreciation in the yen exchange rate for merchandise purchasing. The selling, general and administrative expense ratio increased 1.0 point to 33.3%, but declined in monetary terms as expected.

### **■UNIQLO International: Revenue and profit down (revenue and profit up excl. South Korea and Hong Kong impact)**

UNIQLO International segment reported a decline in revenue and profit in the first quarter of fiscal 2020, with revenue falling to 280.7 billion yen (-3.6% year-on-year) and operating profit declining to 37.8 billion yen (-28.0% year-on-year). However, if we strip out the significant declines in revenue and profit from South Korea and Hong Kong, the remaining UNIQLO International markets generated rising first-quarter revenue and profit. Furthermore, following an early rundown of excess inventories at each operation, UNIQLO International's overall gross profit margin contracted by 3.0 points year-on-year, while the selling, general and administrative expense ratio increased 1.4 points on the back of lower-than-expected total sales.

Looking at individual regions, if we strip out the exchange rate effect, both revenue and profit from UNIQLO Greater China increased. However, if we include the yuan depreciation effect and the decline in Hong Kong profit, UNIQLO Greater China operating profit declined in the three months ended 30 November 2019. Revenue and profit from Mainland China increased on strong sales of Fall Winter ranges such as sweat shirts and pants, fleece, and flannel items. Mainland China e-commerce sales also continued to be strong, expanding by approximately 30% year-on-year. Meanwhile, UNIQLO South Korea same-store sales declined sharply on the back of a move to boycott Japanese products that began in July 2019, resulting in an operating loss in the first quarter. Other Asia & Oceania operation, which includes Southeast Asian nations, Australia and India, continues to expand favorably, generating significant increases in both revenue and profit in the first quarter as expected. Within that grouping, Indonesia and the Philippines reported an especially strong performance led by double-digit growth in same-store sales. We swiftly followed the opening of our first store in India in October 2019 with the opening of a second store in Delhi in November 2019. Both stores are performing strongly. UNIQLO North America reported rising revenue and profit on the back of revenue and profit increases from Canada. While UNIQLO Europe reported double-digit growth in first-quarter revenue, operating profit contracted slightly due to local currency depreciation. New operations launched over the past couple of years in Spain, the Netherlands, and Italy performed strongly, with Italy in particular reporting higher-than-expected sales.

### **■GU: Achieves large gains in both revenue and profit**

GU segment reported significant increases in both revenue and profit in the first quarter of fiscal 2020, with

revenue climbing to 72.9 billion yen (+11.4% year-on-year) and operating profit expanding to 12.3 billion yen (+44.4% year-on-year). Same-store sales increased due to a product mix that adapted successfully to the warmer weather, as well as strong sales knitwear promoted in TV commercials and advertising campaigns, and light outerwear. On the profit front, GU's gross profit margin improved by an impressive 3.2 points in the first quarter due to a decline in the cost of sales generated by further aggregate purchasing of core materials and early submission of production orders, and less discounting of excess stock. GU's selling, general and administrative expense ratio also improved by 0.7 point due to improvements in the personnel cost ratio achieved through greater efficiency of store operations and a lower advertising and promotion cost ratio.

### ■ Global Brands: Revenue, profit down on sluggish Theory, PLST sales

Global Brands segment revenue and profit both declined in the first quarter of fiscal 2020. Revenue totaled 36.1 billion yen (-11.4% year-on-year) and operating profit at 1.8 billion yen (-31.5% year-on-year). Our Theory fashion label reported a decline in both revenue and profit after sales of winter items struggled slightly in Japan and USA due to the warmer weather worldwide. Our Japan-based PLST brand also reported a decline in revenue and profit. While clothes manufactured using our "cut-and-sew" method, cardigans and other Fall items sold well, sales of thermal outerwear and bottoms struggled. Finally, our France-based Comptoir des Cottonniers brand remained its operating loss in the first quarter compared with the same period of fiscal 2019.

### ■ FY2020 consolidated estimates: Revised down

We have revised down our initial business estimates for the year ending 31 August 2020 to reflect both our corporate performance in the first quarter and subsequent month of December and our decision to revise down our second-half estimate for UNIQLO International performance to incorporate current circumstances in South Korea and Hong Kong. This has resulted in a downward revision of 60.0 billion yen for consolidated revenue, 30.0 billion yen for consolidated operating profit, and 10.0 billion yen for profit attributable to owners of the parent. Our latest FY2020 estimates now forecast consolidated revenue of 2.3400 trillion yen (+2.2% year-on-year), consolidated operating profit of 245.0 billion yen (-4.9%), and profit attributable to owners of the parent of 165.0 billion yen (+1.5%). Our second-half forecasts for UNIQLO Japan, GU, and Global Brands remain unchanged.

We now forecast UNIQLO International will generate higher revenue but lower profit in the full year through 30 August 2020. We expect Greater China to now report a slight decline in full-year profit due to a significant predicted profit contraction in Hong Kong and an approximate 8% drag on performance caused by a weakening in the yuan currency against the yen. However, if we strip out that currency effect, Greater China is forecast to report higher revenue and profit in FY2020. UNIQLO South, Southeast Asia & Oceania are expected to continue performing strongly and achieve double-digit growth in revenue and profit in both the second-half and full 2020 business year. UNIQLO South Korea is expected to report a sharp drop in both full-year revenue and profit and record an operating loss in FY2020. UNIQLO Europe is predicted to report higher full-year revenue and profit, and UNIQLO North America is expected to move into the black over the full business year. Meanwhile, UNIQLO Japan is predicted to report higher full-year revenue and profit in FY2020. In the first-half, revenue is likely to contract, but an improvement in the gross profit margin is expected to generate higher first-half operating profit. In the second-half, we expect higher revenue and profit thanks to further improvements in the gross profit margin and business cost ratios. GU operation is expected to report full-year revenue and profit gains. Sales are expected to continue strong in the second-half but any rise in operating profit will likely be slight compared to the buoyant performance in the

second-half of FY2019. Global Brands is forecast to report higher revenue and profit in FY2020 on the back of revenue and profit gains from Theory and PLST operations and a smaller loss from Comptoir des Cotonniers.

Our dividend estimates meanwhile remain unchanged. We expect our annual dividend per share in FY2020 will increase by ¥20 year on year to ¥500, split evenly between interim and year-end dividends of ¥250 each.

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