

Results Summary for FY2020 Third Quarter (Nine Months to May 2020)

Consolidated Business Performance

(Billions of Yen)

	Year to Aug. 2019 3Q Actual	Year to Aug. 2020					
		Nine months to May 2020 (Sep. 2019 - May 2020)		Three months to May 2020 (Mar. 2020 - May 2020)		Full-year Est. (Sep. 2019 - Aug. 2020)	
		Actual	(y/y)	Actual	(y/y)		(y/y)
Revenue	1,822.8	1,544.9	-15.2%	336.4	-39.4%	1,990.0	-13.1%
Gross Profit (to revenue)	892.6 49.0%	751.2 48.6%	-15.8% -0.4p	174.4 51.9%	-39.0% +0.4p	- -	- -
SG&A Expenses (to revenue)	642.0 35.2%	608.0 39.4%	-5.3% +4.2p	169.2 50.3%	-18.9% +12.7p	- -	- -
Business profit (to revenue)	250.5 13.7%	143.2 9.3%	-42.8% -4.4p	5.2 1.6%	-93.2% -12.3p	150.0 7.5%	-43.4% -4.1p
Operating profit (to revenue)	247.6 13.6%	132.3 8.6%	-46.6% -5.0p	-4.3 -	- -	130.0 6.5%	-49.5% -4.7p
Finance income/costs (to revenue)	-0.4 -	10.0 0.6%	- -	-4.0 -	- -	0.0 -	- -
Profit before income taxes (to revenue)	247.2 13.6%	142.4 9.2%	-42.4% -4.4p	-8.4 -	- -	130.0 6.5%	-48.5% -4.5p
Profit attributable to owners of the parent (to revenue)	158.6 8.7%	90.6 5.9%	-42.9% -2.8p	-9.8 -	- -	85.0 4.3%	-47.7% -2.8p

Performance by Group Operation

(Billions of Yen)

	Year to Aug. 2019 3Q Actual	Year to Aug. 2020				
		Nine months to May 2020 (Sep. 2019 - May 2020)		Three months to May 2020 (Mar. 2020 - May 2020)		
		Actual	(y/y)	Actual	(y/y)	
UNIQLO Japan	Revenue	701.0	598.8	-14.6%	135.2	-35.5%
	Business profit (to revenue)	96.7 13.8%	81.4 13.6%	-15.8% -0.2p	10.4 7.7%	-64.2% -6.2p
	Operating profit (to revenue)	96.7 13.8%	79.1 13.2%	-18.1% -0.6p	7.5 5.6%	-74.0% -8.2p
UNIQLO International	Revenue	820.5	673.5	-17.9%	132.2	-45.0%
	Business profit (to revenue)	125.0 15.2%	60.3 9.0%	-51.7% -6.2p	2.3 1.7%	-93.6% -13.4p
	Operating profit (to revenue)	124.8 15.2%	51.8 7.7%	-58.5% -7.5p	-1.4 -	- -
GU	Revenue	185.3	187.4	+1.1%	55.1	-19.0%
	Business profit (to revenue)	26.2 14.2%	20.4 10.9%	-22.3% -3.3p	4.7 8.6%	-60.8% -9.2p
	Operating profit (to revenue)	26.3 14.2%	20.4 10.9%	-22.2% -3.3p	4.6 8.4%	-61.8% -9.5p
Global Brands	Revenue	113.6	83.3	-26.7%	13.2	-63.2%
	Business profit (to revenue)	4.8 4.3%	-5.3 -	- -	-6.3 -	- -
	Operating profit (to revenue)	4.6 4.1%	-6.0 -	- -	-6.7 -	- -

FY2020 3Q Main Points

■Fast Retailing Group 3Q revenue, profit drops sharply and falls below plan on large COVID-19 impact

- Consolidated revenue for the nine months to May 2020: 1.5449 trillion yen (-15.2% year-on-year), consolidated operating profit: 132.3 billion yen (-46.6%)
- 1Q-3Q revenue and profit declined at all four business segments on COVID-19 impact. Profit down sharply due to recording of impairment losses of 15.2 billion yen on property, plant and equipment at loss-making stores and right-of-use assets.
- 3Q performance knocked especially hard by COVID-19. The Group recorded a 39.4% decline in 3Q revenue to 336.4 billion yen and a 3Q operating loss of 4.3 billion yen.

■UNIQLO Japan: Revenue, profit down sharply in 3Q, but starts to recover in June

- Large falls in 3Q revenue and profit. Revenue: 135.2 billion yen (-35.5%), operating profit: 7.5 billion yen (-74.0%). Segment results came in below plan as Japan's state of emergency declaration was not incorporated into our latest estimates announced in April.
- Same-store sales declined 34.0% with a maximum of 311 stores closed temporarily for business from late March through the May Golden Week holiday due to COVID-19. However, e-commerce sales were strong (+47.7%).
- Sales recovered robustly in June, rising 26.2% on strong sales of AIRism, bra tops and other core Summer items.
- 1Q-3Q operating profit declined 18.1% to 79.1 billion yen.

■UNIQLO International: Reports sharp decline in revenue and an operating loss in 3Q

- Large declines in 3Q revenue and profit. Revenue: 132.2 billion yen (-45.0%), operating loss: 1.4 billion (v. 36.3 billion yen profit in 3Q FY2019).
- Performance fell far short of plan with many stores temporarily closed from March due to COVID-19 and the reopening of individual UNIQLO International operations occurring later than originally predicted.
- E-commerce sales expanded strongly for UNIQLO International as a whole as we strengthened digital marketing and expanded free delivery services.
- Greater China (Mainland China, Hong Kong, and Taiwan) revenue and profit declined sharply overall but performance started to recover at a faster pace than we had expected. Operation achieved rises in both revenue and profit in May.
- UNIQLO South Korea and UNIQLO South, Southeast Asia & Oceania reported a sharp decline in revenue and an operating loss. North America and Europe reported large declines in revenue and a wider operating loss.
- 1Q-3Q operating profit declined sharply to 51.8 billion yen (-58.5%).

■GU: 3Q revenue and profit down sharply, but sales start to recover in June

- Large declines in 3Q revenue and profit. Revenue: 55.1 billion yen (-19.1%), operating profit: 4.6 billion yen (-61.8%). 3Q performance fell short of plan as we hadn't incorporated Japan's state of emergency declaration in our April estimates.
- Same-store sales declined by a significant 27.0% with a maximum 192 stores temporarily closed for business from late March through the May Golden Week holiday.
- Same-store sales rose 16.4% in June on strong sales of mass-trend fashion items, innerwear, and loungewear.
- 1Q-3Q operating profit declined sharply to 20.4 billion yen (-22.2%).

■Global Brands: Large declines in 3Q revenue and profit, reports an operating loss

- 3Q Global Brands performance fell short of plan to report a large decline in revenue and an operating loss. Revenue: 13.2 billion yen (-63.2%), operating loss: 6.7 billion yen (v. 1.4 billion yen profit in 3Q FY2019).
- The impact of temporary store closures due to COVID-19 was large. Both Theory and PLST reported a decline in revenue and an operating loss. Comptoir des Cottonniers reported a wider operating loss.

• 1Q-3Q operating profit figure declined significantly to record an operating loss of 6.0 billion yen (v. 4.6 billion yen profit in 1Q-3Q FY2019).

■ FY2020 consolidated estimates: Business profit unchanged, operating profit revised down 15.0 billion yen

• New FY2020 estimates for consolidated revenue: 1.9900 trillion yen (-13.1%), consolidated business profit: 150.0 billion yen (-43.4%), consolidated operating profit: 130.0 billion yen (-49.5%), and profit attributable to owners of the parent: 85.0 billion yen (-47.7%).

• Full-year consolidated revenue forecast revised down 100.0 billion yen after 3Q revenue fell short of plan. Full-year business profit estimate unchanged from our most recent forecast after performance started to recover at a faster pace than predicted at UNIQLO Japan, GU, and UNIQLO Greater China. Full-year operating profit forecast revised down 15.0 billion yen following the recording of 15.2 billion yen in impairment losses in the nine months to May 2020 and our decision to incorporate the possibility that further impairment losses will need to be recorded in the remaining three months of the business year as well.

• FY2020 annual dividend forecast: 480 yen per share, split equally between interim and year-end dividends of 240 yen each. Same level as FY2019.

Fiscal 2019 3Q Performance in Focus

■UNIQLO Japan: Revenue, profit down sharply in 3Q, but starts to recover in June

UNIQLO Japan reported large declines in both revenue and profit in the first nine months of fiscal 2020, with revenue declining to 598.8 billion yen (-14.6% year-on-year) and operating profit contracting to 79.1 billion yen (-18.1% year-on-year). This decline in performance was due to a considerable worsening in UNIQLO Japan results caused by the COVID-19 impact for the three months from March to May 2020, when revenue declined by 35.5% year-on-year and operating profit plummeted by 74.0% year-on-year.

In March to May 2020, UNIQLO Japan same-store sales (including e-commerce sales) declined by 34.0% year-on-year following the temporary closure of a maximum 311 out of a total 813 stores during the period from late March through to early May. However, sales subsequently started to recover from the middle of May onwards once our stores reopened for business, resulting in a significant recovery in sales for the month of June. Meanwhile, e-commerce sales continued strong, recording a very healthy 47.7% year-on-year rise in the third quarter as digital advertising and TV commercials drew more customers to our online store. The gross profit margin improved 3.3 points year-on-year in the third quarter on the back of tighter discounting margins following our decision to restrict highly aggressive discounts to attract customers, and on improved cost of sales generated by the consistent appreciation in the yen exchange rate for merchandise purchasing. In light of the large decline in revenue, UNIQLO Japan's selling, general and administrative expense ratio increased by 9.5 points year-on-year in the third quarter, but those expenses declined year-on-year in monetary terms.

As part of our plan to open new stores where customers can truly experience our LifeWear clothing concept and LifeWear products, UNIQLO Japan opened the UNIQLO PARK Yokohama Bayside Store in April 2020, followed by UNIQLO Harajuku in early June, and UNIQLO TOKYO in Marronnier Gate Ginza, UNIQLO's biggest global flagship store in Japan, later in June. All three stores got off to a strong start.

■UNIQLO International: Reports sharp decline in revenue and an operating loss in 3Q

UNIQLO International reported a sharp decline in both revenue and profit in the first nine months of fiscal 2020, with revenue falling to 673.5 billion yen (-17.9% year-on-year) and operating profit contracting to 51.8 billion yen (-58.5% year-on-year).

In the three months from March to May 2020, all markets reported large declines in revenue and profit as a result of COVID-19, but e-commerce sales expanded strongly thanks to concerted efforts to strengthen digital marketing and expand free delivery services in all UNIQLO International operations. Breaking down the third-quarter performance into individual regions, while Greater China reported a large decline in revenue and profit for the quarter, both revenue and profit actually increased year-on-year in May and the region is now exhibiting a favorable pace of recovery. In South Korea, same-store sales declined sharply as Japan-Korean tensions and COVID-19 knocked customer visits lower, resulting in an overall operating loss for the quarter. UNIQLO South, Southeast Asia & Oceania, which includes Southeast Asian nations, Australia, and India, reported a sharp decline in revenue and an operating loss for the quarter after stores had to temporarily close their doors due to COVID-19 from the middle of March and tourist numbers also declined as a result of the virus. However, performance recovered favorably and exceeded expectations in Vietnam after that nation lifted its lockdown relatively quickly compared to other markets. Nearly all our stores in North America remained closed from the middle of March through end May, resulting in a large decline in revenue and a wider operating loss for the quarter. UNIQLO Europe also reported a sharp fall in revenue and an expanding operating loss as stores in the region's larger markets of the UK, France, and Russia remained closed for business from the middle of March through to the end of May.

■GU: 3Q revenue and profit down sharply, but sales start to recover in June

Our GU operation reported a rise in revenue but a significant decline in operating profit in the nine months to May 2020, with revenue climbing to 187.4 billion yen (+1.1% year-on-year) but operating profit declining to 20.4 billion yen (-22.2% year-on-year). While GU managed to maintain a strong performance and generate double-digit growth in both revenue and profit in the first half from September 2019 to February 2020, revenue subsequently declined by 19.0% year-on-year and operating profit declined by 61.8% year-on-year in the third quarter from March to May 2020.

In the March-to-May quarter, same-store sales declined by a considerable 27.0% year-on-year after a maximum of 192 stores were temporarily closed for business from the end of March through to the beginning of May. While performance did slump in April when many stores were closed, same-store sales recovered to previous year levels in May as stores reopened for business. Meanwhile, e-commerce sales near doubled year-on-year in the third quarter. GU's gross profit margin declined 3.3 points year-on-year in the third quarter partly because the measure was being compared to an especially high level achieved in the previous year and partly owing to stronger discounting of Spring Summer ranges. GU's selling, general and administrative expense ratio increased by 5.8 points year-on-year on the back of the heavy decline in sales, but, in monetary terms, business expenses declined year-on-year.

■Global Brands: Large declines in 3Q revenue and profit, reports an operating loss

Global Brands revenue and profit declined sharply in the first nine months of fiscal 2020. Revenue declined to 83.3 billion yen (-26.7% year-on-year) and the segment posted an operating loss of 6.0 billion yen (compared to an operating profit of 4.6 billion in the first nine months of fiscal 2019).

In the March-to-May quarter, Global Brands revenue declined 63.2% year-on-year and the segment posted an operating loss of 6.7 billion yen (compared to an operating profit of 1.4 billion yen in the third quarter of fiscal 2019). With nearly all stores in Japan closed temporarily from the latter part of April through to the middle of May and all stores in the United States closed from the middle of March through to the end of May, our Theory fashion label reported falling revenue and an operating loss for the third quarter. Our PLST operation also reported a fall in revenue and an operating loss for the third quarter as a maximum 102 stores out of a total 104 stores were temporarily closed for business in the month of April. Finally, our France-based Comptoir des Cotonniers brand recorded a wider year-on-year loss in the third quarter as nearly all stores in Europe were temporarily closed from the middle of March through to the middle of May.

■ FY2020 consolidated estimates: Business profit unchanged, operating profit revised down 15.0 billion yen

Our new estimates for the full business year through end August 2020 are as follows. We now expect FY2020 consolidated revenue to total 1.9900 trillion yen (-13.1% year-on-year), consolidated business profit to total 150.0 billion yen (-43.4% year-on-year), consolidated operating profit to total 130.0 billion yen (-49.5% year-on-year), and profit attributable to owners of the parent to total 85.0 billion yen (-47.7% year-on-year). These new forecasts include a 100.0 billion yen downward revision in revenue and a 15.0 billion yen downward revision in operating profit compared to our most recent estimates issued in April. The reasons for these revisions are as follows: 1) Third-quarter performance came in below plan at all four of our business segments because we had not incorporated the declaration of a state of emergency in Japan into our business estimates announced in April and because UNIQLO International stores reopened for business later than we had initially predicted. 2) We recorded impairment losses of 15.2 billion yen for the nine months from September 2019 to May 2020, and we incorporated the risk of having to record additional impairment losses for the fourth quarter as well from June to August 2020. However our forecast for business profit, which is a good indicator of fundamental business profitability, remains unchanged at 150.0 billion yen (-43.4% year-on-year). Indeed, business profit is on track to achieve this forecast thanks to our successful global control of any excessive discounting to draw in customers, stronger cost-cutting, and the fact that overall performance at UNIQLO Japan, GU, and UNIQLO Greater China is recovering at a faster pace than originally predicted.

Our dividend forecast remains unchanged and we are still scheduled to pay an annual dividend per share in FY2020 of 480 yen, split equally between interim and year-end dividends of 240 yen each. This dividend is the same as the FY2019 level.

Fast Retailing Co., Ltd. discloses business results data and offers a variety of press releases on its IR website
<https://www.fastretailing.com/eng/ir/>