

Financial results for third quarter (March-May 04)

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My name is Masatoshi Morita and I am the CFO of FAST RETAILING CO., LTD.

I would like to take you through a brief explanation of our third quarter financial results that cover the period from March to May 2004.

[Parent] 3Q PL statement

1 Q ~ 3 Q

Net sales ¥266.6bln, ordinary income 58.3bln

	Yr to Aug 03	Yr to Aug 04		Billions of yen
	1 Q ~ 3 Q Actual	1 Q ~ 3 Q Actual (y/y)	3 Q Actual (y/y)	
Net Sales	238.1	266.6 (+12.0%)	85.9 (+12.8%)	
(to net sales)	100.0%	100.0%	100.0%	
Gross Profit	105.4	128.9 (+22.3%)	43.1 (+21.7%)	
(to net sales)	44.3%	48.4% (+4.1p)	50.2% (+3.6p)	
SG&A Expenses	66.8	70.8 (+5.9%)	24.6 (+7.2%)	
(to net sales)	28.1%	26.6% (1.5p)	28.7% (1.5p)	
Operating Income	38.5	58.1 (+50.8%)	18.4 (+48.4%)	
(to net sales)	16.2%	21.8% (+5.6p)	21.5% (+5.1p)	
Ordinary Income	39.4	58.3 (+47.8%)	18.6 (+42.5%)	
(to net sales)	16.6%	21.9% (+5.3p)	21.7% (+4.5p)	
Net Income	18.7	31.8 (+69.7%)	10.5 (+41.1%)	
(to net sales)	7.9%	11.9% (+4.0p)	12.2% (+2.4p)	

Actual results for the 3 mths to May 03 (Q3) and the 9 mths to May 03 (Q1-Q3)
have been calculated using internal management data

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First, let us take the third quarter parent-only results.

Looking at the results on a cumulative basis running for the 9 months from September 2003 to May 2004, FAST RETAILING generated net sales of ¥266.6bln and gross profit of ¥128.9bln. SG&A expenses totaled ¥70.8bln. Operating income came in at ¥58.1bln and ordinary income at ¥58.3bln.

Since we only began publishing quarterly data from this year, we do not have official comparative figures for the third quarter of 2003 (the three months to May 2003). However, based on internal management data, we can say that FAST RETAILING saw revenue and profit increase in both the third quarter and the full nine months through May 2004 as shown in the above table.

Third quarter net sales, gross profit margin, operating income, ordinary income all came in above initial estimates thanks to a strong product range and successful promotion campaigns.

[Parent] Net sales (3Q:04/3 ~ 04/5)

Net sales : ¥85.9bln

Strong sales ··· + 12.8% y/y

Net increase of 17 stores (2H est. 21 stores)

· Store openings 31 (" 38)

· Store closures 14 (" 17)

Net sales at existing stores +4.3% y/y

Actual results for the 3 mths to May 03 (Q3) and the 9 mths to May 03 (Q1-Q3)
have been calculated using internal management data

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Let's now take a closer look at FAST RETAILING's net sales position.

Net sales in the three months to May 2004 increased to ¥85.9bln. That represents a rise of 12.8% year on year.

We opened 31 new stores during the quarter and closed 14 resulting in a net increase of 17 stores. That left us with 624 directly-managed stores and 635 stores in total (including the 11 franchise stores) as of the end of May 2004. Store openings for the second half are proceeding as planned.

Net sales at existing stores were also encouraging up 4.3% year on year in the third quarter.

[Parent] Net sales (3 Q : 04/3 ~ 04/5)

Net sales at existing stores + 4.3%

Customer numbers at existing stores +5.2% y/y

· strong campaigns boosted customer numbers

Average purchase price per customer 0.8% y/y

· stable around previous year's level

Y/Y Change		Yr to Aug 2004				
		March	April	May	Mar - May	June
Existing	Net Sales	6.6%	+3.3%	+16.6%	+4.3%	1.8%
Store	Customer Nos	7.0%	+5.3%	+16.7%	+5.2%	+1.3%
Basis	Average Purchase Price	+0.4%	1.8%	0.1%	0.8%	3.1%

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Looking at that 4.3% year-on-year increase in existing store net sales in more detail:

First, we note that our improved garment range and successful promotion campaigns were largely responsible for the 5.2% year-on-year boost in customer numbers to existing stores in the three months to May 2004. Breaking that down even further, customer numbers were down 7.0% year on year in March due to poor weather but numbers rose 5.3% in April and 16.7% in May.

The average purchase price per customer in the third quarter was roughly in line with the previous year's level falling a mere 0.8% year on year. The data fluctuated from month to month but, following the slight 0.6% fall in the first half, we feel that the average purchase price trend continues to stabilize.

Sales promotions (March through May)

Shapely Leg Stretch Pants (Mar)

Women's stretch boot-cut pants,
Women's boot-cut jeans...

Printed T-Shirts (Apr-May)

Andy Warhol, Barbara Kruger,
MLB, HELLO KITTY...

Dry Summer Bottoms (May-Jun)

Men's dry two-tuck pants, dry light jeans,
women's dry stretch 5-pocket jeans...

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Let's now take a look back at promotion efforts conducted during the three months to May.

In March we launched our Shapely Leg Stretch Pants Campaign that focused mainly on women's pants and helped boost sales of women's stretch boot-cut pants in particular.

Next from April through the May Golden Week holiday, we conducted our Printed T-shirt Campaign. The campaign was a success taking the variety of designs and cuts on offer from last year's 600 to an even more impressive 1000.

Then in May and June, we launched our Dry Summer Bottoms Campaign focusing on summer long pants. Our men's dry two-tuck pants and women's stretch 5-pocket pants attracted new custom to our stores.

2004 SUMMER

Yukata	Expanding on last year's designs for women, men and kids
Swimwear	Launch of new casual swimwear line
Dry clothing	Campaigns for dry-mesh T-shirts etc
Collaboration	Planned collaboration with LEE magazine
Olympics	Manufacture and donation of uniforms, sale of replica uniforms

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We are currently conducting a whole range of campaigns to keep abreast of the fierce summer competition in 2004.

We are offering *yukata* or summer kimono for the second year now and this year we have expanded the range to include summer kimonos for men and children as well as women. This is being well received by our customers.

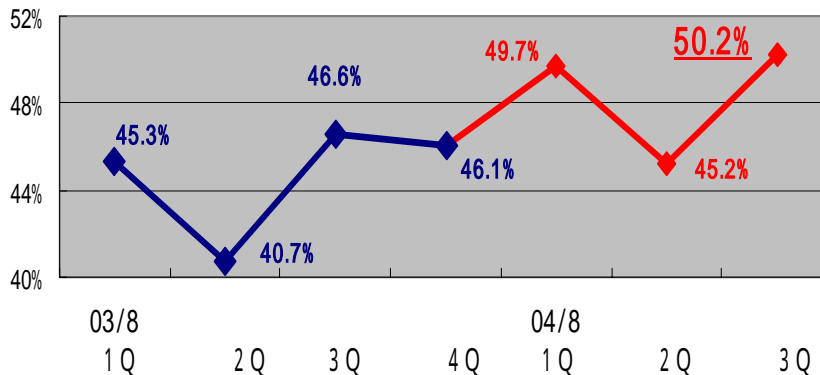
This year we broke into the swimwear market this year with our new casual swimwear line.

Regular dry casual clothes are our mainstay. This year's campaign focuses on dry mesh T-shirts.

We have a planned collaboration with LEE women's Magazine in place and we are also taking advantage of this year's summer Olympics in Athens to sell replicas of uniforms that we have already manufactured and donated to the games.

[Parent] Gross profit margin

Strong sales boost 3Q GPM to 50.2%



Graph data calculated using internal management figures.

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Moving onto our gross profit margin which came in 2 points above target at 50.2%.

This was due in the main to the greater than expected increase in net sales and a reduced need for price discounting. The third quarter GPM result was extraordinarily high compared to past data, perhaps even too high to realistically maintain.

The third quarter, like the first quarter, constitutes the first half of any particular season and it appears that gross profit margin at these points tends to increase. Conversely though, we tend to have to discount more in the fourth quarter to offload summer inventory etc and so gross profit margin tends to fall at that point. Therefore we expect gross profit margin for the full second half to be less than 50.2%.

In addition, SG&A costs came in pretty much as forecast. That enabled us to generate above forecast operating and ordinary incomes in the third quarter of ¥18.4bln and ¥18.6bln respectively.

[Parent] Balance sheet at end May 04

Billions of yen

	End Aug 03	End May 04	Change
Total Assets	+219.7	+237.6	+17.8
Current Assets	+169.6	+170.3	+0.6
Fixed Assets	+50.0	+67.2	+17.1
Liabilities	+77.5	+73.9	3.6
Shareholder Equity	+142.1	+163.6	+21.5

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Moving onto our balance sheet first on a parent-only basis.

Total assets at the end of May 2004 stood at ¥237.6bln, an increase of ¥17.8bln compared to end August 2003.

Current assets increased by ¥0.6bln and fixed assets rose ¥17.1bln over the same period.

On the other hand, liabilities fell by ¥3.6bln and shareholder equity rose by ¥21.5bln.

I'd like to single out a few salient points concerning the balance sheet for you today.

[Parent] Balance sheet—main points

Main points - compared with end Aug 2003

Increase in cash, cash equivalents and marketable securities +¥7.6bln
(¥123.0bln ¥130.7bln)

Increase in inventory at end May +¥2.2bln (¥19.8bln ¥22.0bln)
Increased sales inventory due to seasonal factors, increased
inventory for new stores

Forward exchange contracts
¥18.1bln (forward exchange contracts: ¥13.8bln ¥4.3bln deferred hedging
losses on forward contracts)
arising from stronger yen trend – no impact on P & L statement

Increased investment in securities +¥9.0bln (¥2.6bln ¥11.7 bln)
Acquisition of Link Holdings, foreign currency bond investments etc

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First of all, total cash, cash equivalents and marketable securities stood at ¥130.7bln, an increase of ¥7.6bln compared to the end of August 2003.

Inventory levels rose by ¥2.2bln to ¥22.0bln. But we do not have a problem with this level since it was due to an increased need for inventory to stock new stores and also to seasonal increases in sales inventory.

Thirdly, the forward exchange contract total shifted to a negative ¥18.1bln. The recent strengthening of the yen has eroded the value of our foreign exchange forward position transforming it from a hidden profit to a hidden loss on the balance sheet. However, this does not effect our profit and loss position. FAST RETAILING buys foreign exchange forward contracts to cover our purchases two to three years out. These forward contracts are meant purely to ensure a stable costs of goods going forward and are set at rates which do not adversely effect profitability.

Finally, we experienced an increase of ¥9.0bln in our investment in securities segment due to our acquisition of Link Holdings and investment in triple-A rated foreign currency denominated bonds etc.

[Group] 3 Q PL statement

1 Q ~ 3 Q

Net sales ¥269.9bln, ordinary income ¥57.9bln

	Yr to Aug 04	
	1 Q ~ 3 Q Actual	3 Q Actual
Net Sales (to net sales)	269.9 100.0%	87.0 100.0%
Gross Profit (to net sales)	130.1 48.2%	43.5 50.0%
SG&A Expenses (to net sales)	72.7 26.9%	25.3 29.1%
Operating Income (to net sales)	57.4 21.3%	18.2 21.0%
Ordinary Income (to net sales)	57.9 21.4%	18.7 21.5%
Net Income (to net sales)	28.3 10.5%	10.4 12.0%

Billions of yen

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Next to our consolidated results for the third quarter.

Looking at the results on a cumulative basis running for the 9 months from September 2003 to May 2004, net sales totaled ¥269.9bln, gross profit came in at ¥130.1bln, SG&A expenses stood at ¥72.7bln. That generated an operating income of ¥57.4bln and an ordinary income of ¥57.9bln.

[Group] 3Q results per subsidiary

1Q ~ 3Q

UK : continues in the black

China : loss shrinking steadily/gradually
heading towards a profit

National Standard: new group addition

	Group					
	Parent	UNIQLO (U.K.)	FRJS (China)	National Standard	F R Foods (Food)	
	03/9 ~ 04/5	03/9 ~ 04/5	03/7 ~ 04/3	03/12 ~ 04/2	03/7 ~ 04/3	
Net Sales	269.9	266.6	1.41	0.75	0.20	0.95
Ordinary Income	57.9	583.0	0.05	0.09	0.04	0.62
Net Income	28.3	318.0	0.05	0.09	0.04	0.71

Including a non-operating profit of ¥300mln generated by Link Holdings between March and May 2004 and accounted as investment income under the equity method

Data in the table have been calculated using internal management figures

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Next let us look at the financial position at each of our main subsidiaries in turn.

Having shifted into the black this business year, our UK operation continues to generate a profit totaling ¥50mln over the nine months to May 2004. Management continues its efforts to ensure that we stay in profit for the full business year. Leases on our Knightsbridge and Uxbridge stores are coming to an end and so we will close both of those stores on July 25, 2004. To compensate, new stores will be opened in centrally-located Oxford Street and suburban Croydon in September.

Our China operation generated a loss of ¥90mln over the nine months to March 2004. However, the China company did generate some profit in the third quarter alone. We are still aiming to shift the operation into the black next business year.

National Standard has been now incorporated into our group accounts. It is currently generating an ordinary net loss of ¥40mln.

Our food business closed its doors in May and we are currently dissolving the company.

Finally, our newly affiliated subsidiary, Link Holdings, generated a non-operating profit of ¥300 million in the third quarter booked as investment income under the equity method.

【Parent】 Forecasts for full year to August 2004

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		Billions of yen					
		Year to Aug 2004					
		1Q ~ 3Q Actual	(y/y)	Full-year fcst (revised)	(y/y)	Full-yr fcst (original)	(y/y)
Net Sales		266.6	(+ 12.0%)	334.0	(+ 10.7%)	330.0	(+ 9.4%)
Gross Profit		128.9	(+ 22.3%)	158.0	(+ 17.2%)	154.0	(+ 14.3%)
	(to net sales)	48.4%	(+ 4.1p)	47.3%	(+ 2.6p)	46.7%	(+ 2.0p)
SG&A Expenses		70.8	(+ 5.9%)	95.3	(+ 8.0%)	94.1	(+ 6.6%)
	(to net sales)	26.6%	(+ 1.5p)	28.5%	(+ 0.8p)	28.5%	(+ 0.8p)
Operating Income		58.1	(+ 50.8%)	62.7	(+ 34.9%)	59.9	(+ 28.8%)
	(to net sales)	21.8%	(+ 5.6p)	18.8%	(+ 3.4p)	18.2%	(+ 2.8p)
Ordinary Income		58.3	(+ 47.8%)	63.0	(+ 34.1%)	60.0	(+ 27.7%)
	(to net sales)	21.9%	(+ 5.3p)	18.8%	(+ 3.3p)	18.2%	(+ 2.6p)
Net Income		31.8	(+ 69.7%)	33.0	(+ 76.7%)	32.0	(+ 71.4%)
	(to net sales)	11.9%	(+ 4.0p)	9.9%	(+ 3.7p)	9.7%	(+ 3.5p)

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Finally, I would like to take you through our forecasts for the full business year to August 2004. Following the particularly strong third quarter results, we have decided to revise up our forecasts for both the FAST RETAILING parent company and group as a whole.

On a parent only basis, we decided to increase our net sales forecast by ¥4bln. We have also revised up our expectations on gross profit margin and made some adjustments to SG&A expense targets.

That generates the following new full-year forecasts: net sales of ¥334.0bln, ordinary income of ¥63.0bln and net income of ¥33.0bln.

[Group] Forecasts for full year to August 2004

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Billions of yen

	Yr to August 2004				
	1Q ~ 3Q Actual	Full-yr fcst (revised)	(y/y)	Full-yr fcst (original)	(y/y)
Net Sales	269.9	338.2	(+ 9.2%)	334.2	(+ 7.9%)
Gross Profit (to net sales)	130.1 48.2%	159.6 47.2%	(+ 16.4%) (+ 3.0p)	155.6 46.5%	(+ 13.5%) (+ 2.3p)
SG&A Expenses (to net sales)	72.7 26.9%	97.9 28.9%	(+ 2.2%) (- 2.0p)	96.7 28.9%	(+ 1.0%) (- 2.0p)
Operating Income (to net sales)	57.4 21.3%	61.7 18.2%	(+ 49.4%) (+ 4.9p)	58.9 17.6%	(+ 42.6%) (+ 4.3p)
Ordinary Income (to net sales)	57.9 21.4%	62.6 18.5%	(+ 50.6%) (+ 5.1p)	59.6 17.8%	(+ 43.4%) (+ 4.4p)
Net Income (to net sales)	28.3 10.5%	29.5 8.7%	(+ 40.9%) (+ 1.9p)	28.0 8.4%	(+ 33.8%) (+ 1.6p)

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We have also made slight upward revisions to our full-year consolidated forecasts based on those same strong third quarter numbers.

Our new full-year consolidated forecasts are: net sales of ¥338.2bln, ordinary income of ¥62.6bln and net income of ¥29.5bln.

That completes this explanation of FAST RETAILING's business results for the third quarter. Thank you.