



## Fast Retailing Group (TSE:9983) 1Q17 Results: Revenues Miss Estimates; EPS Jumps on a Weaker Yen

	1Q17	1Q16	YoY Change
Revenues (JPY Bil.)	528.8	520.3	1.6%
Gross Margin	51.2%	51.2%	–
SG&A/Sales	34.8%	36.6%	(182) bps
Adjusted Operating Margin	16.8%	14.6%	216 bps
Diluted EPS (JPY)	682.60	470.48	45.1%

Source: Company reports/Fung Global Retail & Technology

- **Fast Retailing Group reported 1Q17 consolidated revenues of ¥528.8 billion, up 1.6% year over year, and missed the consensus median estimate of ¥540.9 billion.**
- **Profit before taxes increased by 34.2% year over year to ¥104.2 billion, and diluted EPS jumped 45.1% to ¥682.60, boosted by a weaker yen.**
- **The company guides for full-year revenues of ¥1,850 billion, operating profit of ¥175 billion and basic EPS of ¥980.74.**

### 1Q17 Results

Fast Retailing Group reported 1Q17 consolidated revenues of ¥528.8 billion, up 1.6% year over year, and missed the consensus median estimate of ¥540.9 billion. Consolidated operating profit increased by 16.7% year over year to ¥88.5 billion. The selling, general and administrative expense ratio improved by 1.8%, due to the group's cost-cutting initiatives.

The company recorded a foreign-exchange gain of ¥15.6 billion, due to yen depreciation, which boosted the carrying amount of long-term foreign-currency denominated assets in terms of yen. The retailer's profit before taxes increased by 34.2% year over year to ¥104.2 billion, and diluted EPS jumped 45.1% to ¥682.60.

### 1Q17 Results by Business Segment

Fast Retailing Group's business segments include UNIQLO Japan, UNIQLO International and Global Brands. UNIQLO Japan and UNIQLO International accounted for 45.2% and 37.2% of total revenues, respectively, while Global Brands accounted for 17.6%.

#### UNIQLO Japan

UNIQLO Japan's revenues totaled ¥238.8 billion, up 3.4% year over year and operating profit increased by 1.8% year over year to ¥45.6 billion. Same-store sales including online sales increased by 2.5% year over year. The number of UNIQLO Japan stores excluding franchise stores was 800 at the end of November 2016.

#### UNIQLO International

UNIQLO International reported a 0.2% year-over-year fall in revenues to ¥196.5 billion, largely due to the stronger yen which pushed yen-based sales down by an average 16%. Operating profit increased by 44.6% year over year to ¥30.1 billion in 1Q17. The



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segment's operating profit margin increased by 4.7% in the quarter, due to an improvement in the gross profit margin and a successful cost-cutting drive. The UNIQLO International network surpassed the 1,000-store mark, for a total of 1,009 stores at the end of November 2016.

**Global Brands**

Global Brands' revenues expanded to ¥92.7 billion, up 1.1% year over year, but operating profit declined to ¥9.5 billion, down 22.7% year over year. The retailer's low-priced GU casual fashion brand contributed to the revenue increase. However, GU's operating profit declined in 1Q17, as unseasonably warm weather in September stifled early sales of fall ranges. GU same-store sales expanded marginally over 1Q17.

**Outlook**

The company guides for a dividend of ¥175.00 per share in 2Q17 compared to ¥185.00 per share declared last year, a full-year dividend of ¥175.00 per share compared to ¥165.00 per share declared last year.

Fast Retailing forecasts full-year revenues of ¥1,850 billion, operating profit of ¥175 billion and profit before taxes of ¥175 billion, or ¥980.74 per basic share.



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