

# The Ariake Project

Becoming a digital consumer retailing company

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My name is Dai Tanaka and I am Group Executive Officer at Fast Retailing.

Today, I want to talk about our transformative Ariake Project that we are channeling efforts into right now across the whole Group.

### Ariake Project

Sweeping corporate transformation supported by all Group companies and employees to help realize our shift into a digital consumer retailing company.

### Digital Consumer Retailing Company

The ideal new Fast Retailing operation for realizing a better world based on LifeWear concepts.

1. Customer platforms that link us directly with each individual customer and facilitate two-way information communication.
2. Turn the things that customers want into products based on customer opinions for delivery along with information.
3. Make, transport, and sell the exact required volume of desired products at exactly the right time.
4. Get closer to individual customers to provide a fun and convenient shopping experience anywhere, anytime.
5. All employees coordinate work for customers' benefit based on centralized information.

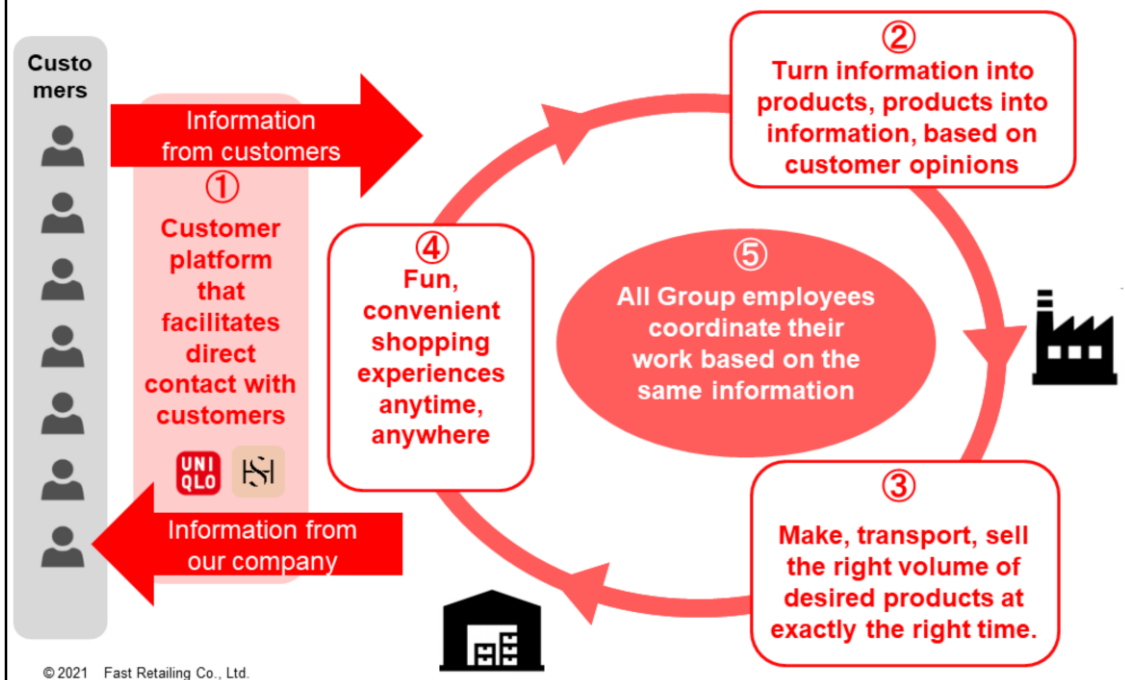
We have been promoting Ariake Project reforms across Group companies since 2017 as part of our drive to realize our corporate transformation into a digital consumer retailing company.

The digital consumer retailing company is a new business format that Fast Retailing is aiming to achieve based on our unique LifeWear clothing concept. It is a company format that will enable us to pursue even higher levels of ultimate customer satisfaction and create an even better society through commerce.

Broadly speaking, a digital consumer retailing company involves five important underlying concepts.

## Overview:

### Digital Consumer Retailing Company Under Ariake Project



This slide shows a comprehensive overview of those five concepts.

The first involves customer-centric commerce supported by customer platforms that enable us to connect directly with customers and facilitate two-way communication.

The second concept involves turning information into products by creating the products that customers truly desire based on daily customer feedback.

The third concept involves building a coordinated end-to-end supply chain that enables us to produce exactly the right volume of those products at the right time for delivery to the required retail locations.

The fourth concept involves unifying our physical store network and e-commerce operations to ensure customers can enjoy a fun and convenient shopping experience anytime, anywhere.

And the fifth and final concept involves creating working styles that enable us to achieve the above four concepts by freely linking and ensuring continuous coordination among all our 120,000 employees.

As a digital consumer retailing company, we seek to consistently provide LifeWear that exceeds customers expectations. We strive to achieve that aim by linking these five concepts under one operation so that we can maximize our strengths as a clothing retailer and a manufacturer, encourage unified Groupwide moves based on customer-centric information, and link all parts of our operation from our customers through to our partner factories in real time.

I would now like to introduce some concrete initiatives that we have formulated around these five key pillars.

### Build customer platforms that link directly with individual customers and facilitate two-way information communication

#### Build EC, app member platforms to link directly with customers

- Encouraged customers to become app/EC members to facilitate direct links. Increased global app membership to 140 million
- 57 million members for UQ & GU Japan combined.



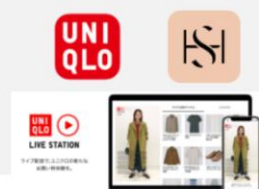
#### Collect and store opinions and information from customers and stores

- Collect daily opinions from global customers and store staff. Collected and visualized approx. 27 million opinions in 2020.
- Understand customer needs in each market by analyzing info/data on customer actions on EC site and in stores.



#### Convey information directly to each individual customer

- Develop own unique information channels (own app, social media, StyleHint and LIVE STATION, etc.)
- Build/refine digital marketing platform, better convey tailored information to individual customers.



First, regarding our commitment to build customer platforms that link directly with individual customers and facilitate two-way information communication, we have been working to expand our e-commerce and app membership base. We currently have approximately 140 million app members worldwide, with UNIQLO and GU apps in Japan achieving a combined total of approximately 57 million members.

Building these platforms has enabled us to receive daily comments from customers. Indeed, if we include the opinions that we receive from our instore staff, our platforms collected approximately 27 million opinions last year. These opinions and comments from customers, combined with the customer purchasing information that we acquire through e-commerce and stores, have become an important source of information for fully understanding exactly what customers want right now, and a key focal point for creating those desired products and services.

At the same time, we are also diversifying and refining the ways in which we convey information to our customers. In addition to conveying information via our app and social media, we are also developing our own information channels through StyleHint and LIVE STATION for example in order to transmit more information that is closely tailored to each individual customer and based on digital marketing platforms.

### Turn information into products, products into information, based on customer opinions

#### Create the things customers want Information into products

- Analyze customer opinions collected daily in real time, create ideas for new products and improvements, build processes for immediate planning and design.
- Developed over 50 product items in the past year based on customer opinions under UNIQLO UPDATE (souffle yarn knitwear, ultra light down, etc.)



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#### Convey product value Products into information

- We have set up a top-class Japanese photography studio in our UNIQLO CITY TOKYO Ariake headquarters and are building a platform to turn products into information in real time.
- Provide more diverse information on each product from our own studio (LifeWear Magazine, Masterpiece catalogue, content for our EC site, etc.)



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Our second pillar initiatives involves turning information into products based on opinions and comments received from our customers.

LifeWear is ultimate everyday wear that has been created to satisfy our customers' everyday needs. Up until now, we have tended to come up with ideas for new products and improvements through design processes that sometimes involve collaborating with global designers and analyzing the opinions and comments that we receive from customers on a daily basis. The number of products that we develop based on customer opinions is increasing every year. In fact, in the past year we developed over 50 such product items. Some of the items developed for our 2021 Fall Winter Collection, such as soufflé yarn sweaters and our ultra light down relax coats, were derived from customer opinion.

At the same time as we seek to turn information into products, we are also working to turn products into information. We work on every detail of every product to ensure it has the potential to improve customers' lives, and we believe that clearly conveying the value of those products to our customers is just as important as making them. That's why we set up a top-class Japanese photography studio on the fourth floor of our Ariake headquarters in April, 2021 and are currently working to create information that conveys the value of our products through various channels, including our LifeWear Magazine and Masterpiece catalogue.



### Supply chain management that makes, transports, sells the right volume of desired products at exactly the right time

#### The right amount of necessary items

##### AI-driven production/retail coordination

- Develop an AI-driven demand forecasting model with Google. Create more accurate plans by reflecting demand predictions based on various global big data in sales planning.
- Optimize production by reflecting sales plans in production plans in real time using optimum production volume algorithms.
- Optimize inventory distribution, to individual country warehouses for instance, using inventory distribution algorithms.

#### Reduce overall SCM lead times to respond to changing business

- Share sales conditions and production progress with major partner factories in real time. Strengthen cooperation with factories through locally assigned personnel.
- Drastically reduce additional production lead times by stockpiling key materials, utilizing air freight, and sending products directly from factories to stores.
- Unify inventory management from factory gate to store by introducing RFID. Achieve efficient visualization of accurate, real-time inventory.

#### SKU operation that provides the right volume of right products and right time

- Completed automated warehouses in Japan, US, Australia. Automating warehousing will enable us to build a system for introducing the right amount of the right product per SKU unit into stores depending on latest sales.
- Building a system to facilitate the delivery of the right volume of necessary products at the right time to stores by managing delivery routes inhouse.

The third pillar involves supply chain reform that will enable us to make, transport, and sell the right volume of the products that customers are wanting at exactly the right time.

Thanks to our global expansion, the Fast Retailing Group currently manufactures and sells approximately 1.3 billion items of clothing a year. As our globalization progresses and our customer base grows increasingly diverse, it is becoming more and more difficult each year to provide all our stores around the world with the right volume of the right products at exactly the right time.

In order to enable us to make, transport, and sell the right volume of desired products at the right time under such circumstances, we have first focused on coordinating our sales, production, and inventory planning using AI-driven demand forecasting and algorithms. We seek to improve the accuracy of our sales planning on a daily basis by reflecting demand forecasts derived from a variety of different global information in those plans, and applying algorithms to those sales plans to then create optimal production and inventory plans.

Based on the assumption that everything won't always go to plan, we are also working on reducing the lead time from factories to stores to facilitate a more ad hoc response to changes in daily sales totals. We are gradually managing to reduce overall lead times by strengthening cooperation with our partner factories and stockpiling key raw materials to reduce production lead times and using air freight or delivering products directly to stores to reduce transportation lead times.

We are also making gradual progress on shaping right-time, right-product, right-volume deliveries to stores that take into account each store's recent sales performance by building automated warehouses in individual countries and regions, and managing distribution routes inhouse, etc.

### Get closer to individual customers to provide fun, convenient shopping experiences anytime, anywhere

#### Achieve a world-class EC operation

- Advertised shift to a main EC operation, strengthened individual EC operations, launched digital flagship store with the world's largest product range, boosted Group EC sales to 380 billion yen or 18% of total FR sales.
- New global commerce platform developed inhouse. Drastically improving speed of new service and functionality development by bringing engineers inhouse.



#### Evolve the shopping experience by merging EC and physical stores

- Unified physical store/EC inventory management, started sales based on shared inventory with online-to-offline (O2O) services in mind.
- Launching various joint EC/store services ("Order & Pick" in-store pickup of online purchases, purchasing instore products, etc.). Roughly 40% of purchasers are using the in-store pickup service.

#### Accelerate global store openings with "new stores"

- Pressing ahead with steady global introduction of self-checkout service first launched in Japan to improve customer convenience and operational efficiency.
- Accelerating global store development by pressing ahead with O2O-format stores based on unified EC/store sales and services and using our scrap & build policy for replacing less profitable stores with better located ones.
- Greatly improving store productivity by promoting the digitalization of store operations, such as our app to connect with customers in stores, and our layout creation app.

The fourth pillar involves reforming our retail frameworks and merging our physical stores and e-commerce operations to ensure customers can enjoy fun and convenient shopping experiences anytime, anywhere.

The first thing we did here was to position e-commerce as our main business. We have launched digital flagship stores that boast a broader range of products than any physical stores all around the world and have successfully expanded e-commerce sales to approximately 18% of total sales.

We are pressing ahead with the global introduction of our own commerce platforms that are designed to support this kind of e-commerce business and assume the merger of our physical and online stores. We are also gaining the ability to build convenient services swiftly by shifting our development engineer system inhouse.

Parallel to these efforts to make e-commerce our main business, we are also pressing ahead with the creation of new combined physical store and e-commerce services. Having unified store and e-commerce inventories, customers can now pick up any products that they purchased online immediately at one of our stores. We are also launching various other services that make shopping more convenient, such as sending out products ordered online directly from our stores. Our instore pickup service currently accounts for over 40% of online purchases, proving just how popular these services are with our customers.

We are also working to improve customer convenience in our physical stores by introducing self-checkouts and UNIQLO Pay payment options.

We believe our stores are important bases for our business, so, going forward, we intend to develop a new type of store that incorporates e-commerce and online-to-offline (O2O) services as a matter of course and offers a unique instore brand experience.

### **All Group employees coordinate their work based on the same information**

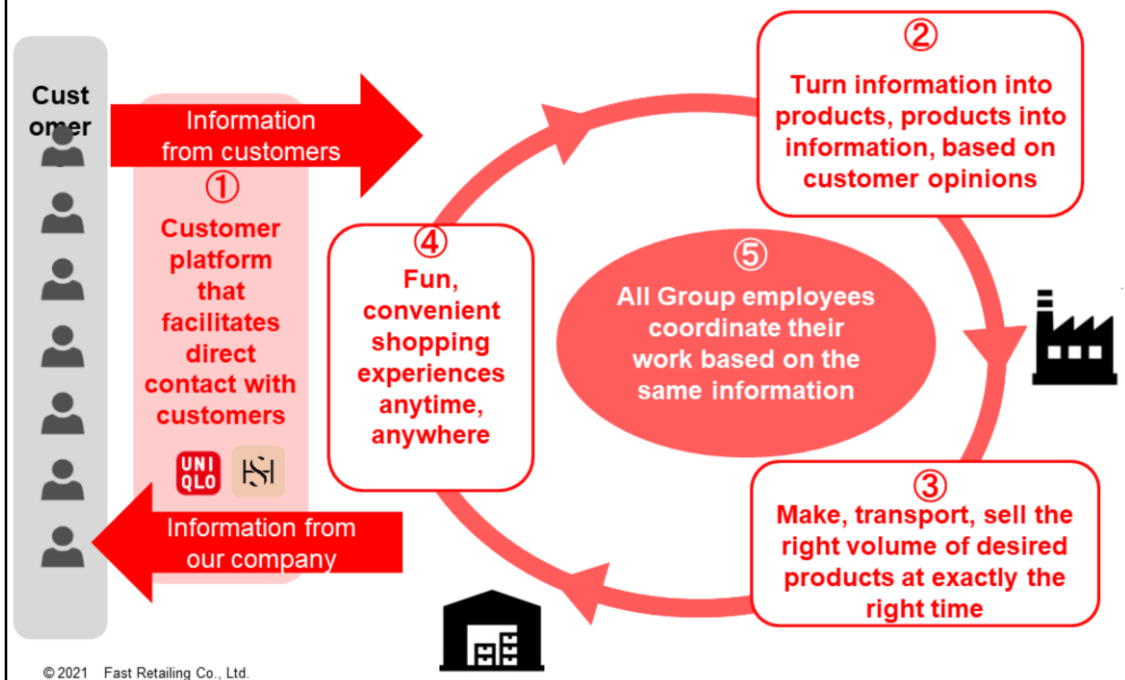
- Centralize all companies' results, plans, and other information and reports in the management cockpit. Implement a working system in which all employees at all Group companies get to see the same information when conducting their daily operations.
- Working at UNIQLO CITY TOKYO. Practice Ariake-format daily working styles in GHQ in which all employees work in full coordination, regardless of department or rank.
- Review business processes across departments, build ideal business processes, promote robotic (RPA) and other business process automation.
- Unify Group company communication platforms, implement working styles that enable all employees, including store staff, to connect immediately, anywhere, anytime through Chat or web meetings.

The fifth pillar refers to reforming our working styles so that all Group employees are able to coordinate their work based on a customer-centric approach. Under Ariake-style working practices, all 120,000 Group employees strive to work for the benefit of our customers, while all accessing the same information and coordinating their work in real time from a Groupwide perspective. In order to ensure that everyone has access to the same information for their work, we are building a framework that unifies information across the Group. We are also implementing working styles that enable all staff across our global headquarters, individual market operations, head offices, and stores to work in true coordinated fashion based on the same information, regardless of their department or rank.



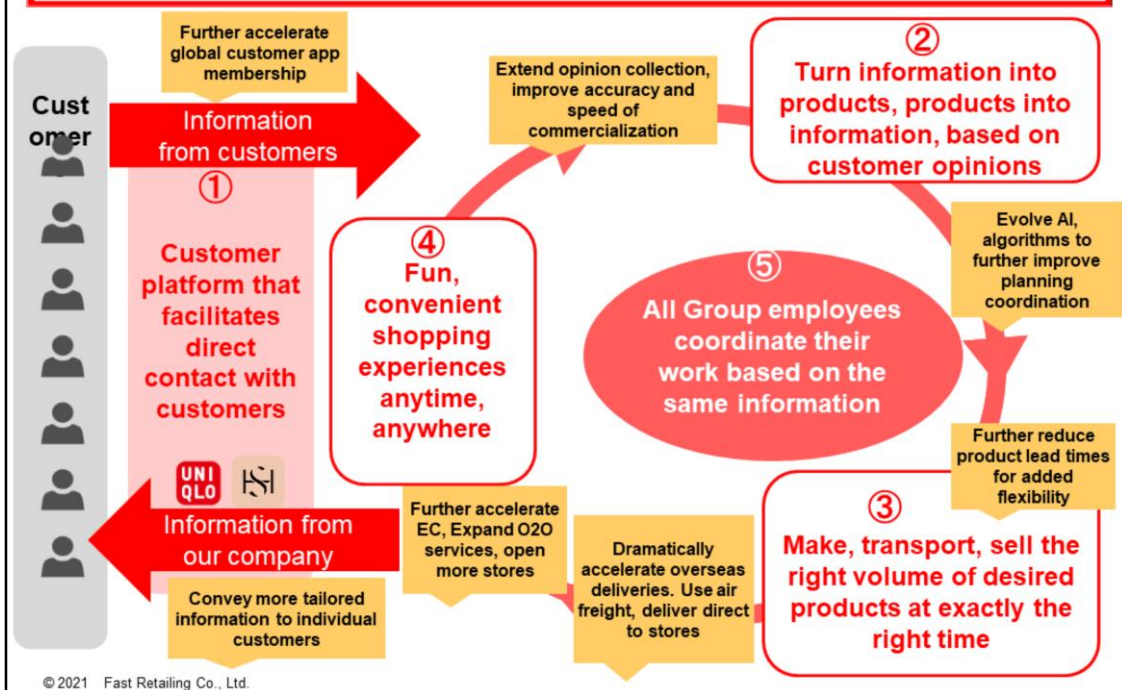
## Overview:

### Digital Consumer Retailing Company Under Ariake Project



As I just explained when illustrating the five pillars, we are aggressively pursuing reforms to help create a digital consumer retailing company, but we still have a long way to go to fully achieve that transformation. Also, the more we pursue our Ariake Project goals, the more we realize that there is no clear end to these reforms, so I want to continue advancing our reforms in order to achieve even higher levels of customer satisfaction.

## Further Acceleration of the Ariake Project



We are working to further evolve our thinking and raise our level of execution especially in the areas included in the brown bubbles on the screen, including further reducing overall lead times across the supply chain by, for instance, speeding up the conversion of information into products, dispatching products directly to stores, or using air freight.

In addition, the most important element for the Ariake Project is that we base all these initiatives on the comprehensive vision that I explained at the beginning of this presentation and pursue comprehensive reforms designed to realize our ultimate digital consumer retailing company. All Group employees are united in our drive to accelerate reform to achieve that aim.

### A sustainable digital consumer retailing company

**Merge the Ariake Project and our sustainability objectives  
Achieve corporate growth through operations that make a  
sustainable contribution to the environment and society**

#### Deepening the Ariake Project

##### Realize an operation that strives to fundamentally reduce CO2 and cut waste to zero:

- Achieve a retail and production system that determinedly seeks to reduce CO2 and waste products based on the never make, transport or sell anything that is not necessary premise.
- Reduce greenhouse gas emissions by 90% for our stores and offices and 20% for materials, products and production processes (seek SBT recognition based on the joint international Science Based Target Initiative (SBTi)).

##### Safety and security-conscious operations:

- Achieve a trading environment that protects the working environments and human rights of all workers related to our business and visualizes all parts of the business in a transparent format.

#### Widening the Ariake Project

##### Achieving circular products and economy:

A sustainable digital consumer retailing company is not just about making and selling the products customers want, but also about making clothes that people can wear for longer and collecting and reusing/recycling clothes when customers have finished wearing them.

- Build long-serving, favorite services for the products that our customers buy.
- Build schemes to collect any items that customers have worn for recycling in some form.
  - Redistribute collected items to people in need.
  - Reuse collected items to make new clothes (more initiatives like our recycled down).
  - Recycle collected garments into different materials.

In addition, as a way of deepening and widening our Ariake Project, from this year, we have been working on merging our Project and sustainability objectives.

Fast Retailing's corporate mission is to contribute to customers and society through the clothing business. That means we shouldn't be satisfied just with the reforms that we have been pursuing so far to become a digital consumer retailing company but should instead pursue reforms from the perspective of a sustainable digital consumer retailing company. To that aim, we intend to reform Groupwide operations to ensure that any Fast Retailing growth is achieved through operations that make a sustainable contribution to the environment and society.

We are looking to deepen our Ariake Project by realizing an operation that strives to fundamentally reduce CO2 and waste.

So far under the Ariake Project, we have worked to create products based on a system that commits to make only what is really necessary. On the retail side, we have committed to fundamentally reduce CO2 emissions and cut waste to zero and we are currently working to build operations that fulfill these aims.

In concrete terms, we are working to fulfill our commitments on Science Based Target (SBT) approved targets to reduce greenhouse gas emissions by 90% for our stores and offices and 20% for materials, products and production processes.

We have also started working on expanding our Ariake Project by pursuing reforms designed to create a circular economy. To date, Fast Retailing has focused on making and selling the products that customers want. However from now on, as a sustainable digital consumer retailing company, we intend to help realize a circular economy by reforming our operations and responsibly collecting and reusing/recycling clothes in various different ways when customers have finished wearing them. These activities include building various schemes, possibly together with other companies, for widely collecting items that customers no longer wear for redistribution to people in need, reusing new collected items to make new clothes in a similar fashion to our recycled down ranges that we started selling in 2020, and recycling collected garments into different materials.

Changing clothes.  
Changing conventional wisdom. Change  
the world.

Fast Retailing's corporate statement commits to: Changing Clothes. Changing conventional wisdom. Change the world.

These latest reforms designed to create a sustainable digital consumer retailing company are certainly also designed to help change the world.

All our staff are keen to continue pressing ahead with this reforms in pursuit of our larger mission to make the world a better place for our customers and the broader society.

That completes my presentation. Thank you for your attention.