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Focus on Solutions, Not Explanations

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Hello. I am Tadashi Yanai, Chairman, President and CEO of Fast Retailing.

Today, I would like to talk about Fast Retailing's current approach to business management and our future direction.

As you heard earlier from our CFO Takeshi Okazaki, Fast Retailing is performing strongly. Consumer understanding and appeal for our LifeWear is growing all the time and we have established solid frameworks for generating steadily increasing earnings on a global scale.

However, right now, there are multiple issues hindering the achievement of our goal to become a No.1 global brand.

We must not get carried away by short-term strong performance. And we must not become complacent and simply explain any issues that emerge. Instead, each of us must face them head on, take the initiative, and implement firm action to solve them. I believe that the most important thing we need to do right now is to solve issues rather than simply explain them.

Full-fledged shift to independent store management in Mainland China

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UNIQLO in Mainland China is facing numerous challenges at present. This is because we have not yet successfully developed stores that are absolutely essential and truly appreciated by local communities.

To date, UNIQLO has been able to expand in Mainland China thanks to the high caliber of its staff and managers and the successful leverage of our strengths in chain-store management. However, right now, all stores tend to operate in the same way and be guided by directions from head office.

To put our operation back on a high growth track, we must implement a full-fledged shift towards independent store management whereby each store thinks for itself and pursues its own community-tailored business ideas. Going forward, we will build a firm structure in which managers spearhead the training of store staff and other employees, and stores create the product mixes and store displays that customers truly want.

We went through a similar experience in Japan and resolved that bottleneck by determinedly pursuing independent store management. I am convinced that we can overcome the issues in Mainland China as well.

Immediately establish a distinctive “GU style”

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Our GU casualwear brand harbors the same growth potential as UNIQLO. However, the underlying issue here is that GU has not yet established a firm brand position for itself. We must therefore develop a distinctive “GU style” that pinpoints GU’s brand value for customers.

To date, the strong leadership of our management has helped expand GU’s annual sales to 300 billion yen. To move onto the next stage and expand sales to 1 trillion yen, we plan to restructure the whole operation from the beginning and pursue what the ideal GU brand should be, one that is accepted worldwide.

To achieve that, we have decided to strengthen GU’s management structure.

Every crisis is an opportunity

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There are many issues that need solving, but I firmly believe that working to solve them helps generate even greater growth.

The worst thing any company manager could do would be to fail to recognize a problem that clearly exists, or to avoid tackling problems at all. That is the worst possible business practice.

You can always find a way to solve a problem if you face it head on, assessing the situation quickly and deciding quickly on specific individual measures, while always being driven by a dedicated commitment to consider what is most beneficial to the customer.

Solving problems, one by one, and leveraging positive results to help guide future action is absolutely key. If you do that, you can improve your performance and achieve even higher levels of growth. So, instead of viewing a particular issue as a crisis, see it as an opportunity. Embrace that attitude and continue to tackle new challenges without fear of failure.

Return to Fundamentals, Challenge and Innovate

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Fast Retailing has now entered a new stage with the aim of developing into a truly global brand. Our future path cannot be a simple extension of past practice. We must create world-class products and services by pursuing innovative ideas that no one else has yet devised or attempted. Based on that conviction, we set “Return to Fundamentals, Challenge and Innovate” as the slogan for our annual guiding principle this year.

Ever since our company was founded, we have remained true and dedicated to our 23 Principles of Management, which include a commitment to “meeting the needs of our customers and generating new ones,” “low-cost management,” “higher standards and strict implementation,” “conduct business in a very real way based on the current marketplace, products and facts,” “an independent, self-respecting businessperson,” and “assess the situation quickly, decide quickly, act quickly.”

We should bear these principles in mind as we boldly review past practices, go back to the beginning, determine to start anew, and incorporate new ideas and innovation.

In the best possible position worldwide

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As we mentioned earlier, global support for LifeWear is increasing. The apparel market in Europe and North America alone is said to be worth roughly 120 trillion yen. However, our share of that market is not even one percent.

At the same time, we enjoy strong business performance in Southeast Asia and India. We can expand that business even further by opening stores in the many cities in which we do not yet have a presence and deepening our presence in existing business areas. The economic situation in Mainland China will eventually improve. So, there is huge potential to grow our business in many parts of the world.

Our LifeWear concept of providing ultimate everyday clothes that everyone around the world can enjoy is unique and sets us apart from other brands. Indeed, we are in the best possible position in the global apparel market. I am confident that, if we steadily solve each and every pressing issue, we will be able to achieve even more dramatic growth going forward.

Global One and ZEN-IN KEIEI

This requires the thorough implementation of our Global One and ZEN-IN KEIEI approach to business, in which all employees and managers understand exactly where they are headed, always consider best practice from a global perspective, and take firm action. The next job is to create the products and services that local customers truly want and offer them to everyone all over the world.

Our ultimate goal of Global One and ZEN-IN KEIEI is to ensure that our employees adopt a managerial mindset at all times, to encourage employees around the world to come together as one team, and to implement action based on the best possible method for the whole company.

Independent store management: Creating meaningful local stores

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I talked about this earlier with regard to UNIQLO operations in Mainland China but, going forward, we intend to pursue independent store management more thoroughly in all markets worldwide.

All our stores serve as powerful media for communicating our business commitment, products, and philosophy to customers. Stores convey who we are, what we aim to achieve, and the brand values to which we adhere. At the same time, we strive to ensure that our stores are essential to local customers by developing product mixes that are attentively tailored to suit the lifestyles of individual markets.

Our objective is to create stores that make people feel happy with their purchases and want to come back again — stores that have meaning from the customer's perspective. We intend to implement independent store management that truly benefits customers and to develop as a brand that customers genuinely love.

Make society better through our business

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Fast Retailing's ultimate purpose is to make society better through our business. In fact, everything we do stems from this fundamental starting point.

The most important thing for us to consider is whether our business contributes to the convenience and comfort of customers' lives, and whether the work that we do helps make the world a better place.

To achieve that, we must combine our best capabilities and find concrete solutions to every single issue that we are currently facing. When doing that, we must remember these two things. First, focus on solutions, not explanations. And second, understand that every crisis is an opportunity.

We have all the tools at our fingertips, the times and the conditions are right for us to pursue our goals. All we have to do now is to persist in tackling challenges and challenging ourselves.

I appreciate the support of all our stakeholders and welcome your continued guidance. Thank you.

