Fast Retailing’s overriding aim is to make the world a better place through clothes. The Fast Retailing sustainability statement concentrates on “unlocking the power of clothing.” We have determined six material areas in which to focus our core sustainability efforts, and are now working tirelessly to achieve our goals in those areas.
Our Six Key Areas of Focus (Material Areas)

1. Create New Value Through Products and Services
2. Respect Human Rights in Our Supply Chain
3. Respect the Environment
4. Strengthen Communities
5. Support Employee Fulfillment
6. Corporate Governance
ENVIRONMENT

Alleviate Environmental Impact Across the Supply Chain

• Commissioning independent environmental investigations at partner garment factories and fabric suppliers. Working with partner factories to reduce environmental impact of manufacturing processes.
• Committed in February 2019 to formulate science based targets (SBT) within two years to reduce greenhouse gas emissions in accordance with the Paris Agreement.
• Striving to prevent water contamination and reduce water and energy consumption in materials procurement and manufacturing.
• Targeting reductions in major fabric mills’ water consumption by 15% and energy consumption by 10%.
• Aiming to eliminate the emission of hazardous chemicals in production.
• Gradually eliminating plastic in in-store shopping bags and product packaging.

Conserving Energy in Stores, Reducing Greenhouse Gases

To reduce climate change and impacts on biodiversity, Fast Retailing seeks to fully understand and reduce greenhouse gas emissions across all operational processes from product manufacturing through disposal. Our aim is to reduce greenhouse gas emissions at UNIQLO Japan stores by 10% per unit area by the end of FY2020 (compared to FY2013 levels). The introduction of LED lighting had already cut emissions by approximately 19% by FY2018. At the end of FY2019, 92.2% of UNIQLO Japan stores had switched to LED lighting.

In October 2019, our UNIQLO Kawagoe Store received an Industry Pioneer award from the U.S. NGO Green Building Council for its pace-setting initiatives to reduce environmental impacts. The store was the first retail outlet in Japan to receive the Council’s Gold Level Leadership in Energy and Environmental Design (LEED) certification in the Building Operations & Maintenance (O+M) category.
Leading the Apparel Industry’s ESG Response

As a leading player in the global apparel industry, Fast Retailing resolutely engages with ESG challenges. Since 2018, the Board, led by CEO Tadashi Yanai, has been firmly focused on pursuing effective ESG initiatives. In FY2019, we made great progress on environmental initiatives. In September, UNIQLO and GU took significant steps toward reducing single-use plastics by stopping the distribution of plastic shopping bags to customers at all stores worldwide and starting to reduce the amount of plastic used in product packaging.

While Fast Retailing doesn’t own any factories, it does proactively encourage environmentally conscious activities at primary and secondary partner factories. I believe Fast Retailing is capable of changing conventional wisdom in the apparel industry by advancing its ongoing environmental initiatives in earnest. I intend to continue offering advice and support in my position as an external director to ensure Fast Retailing keeps moving firmly in the direction of helping to make the world a better place.

Takashi Nawa
External Director

Eliminating Plastic Shopping Bags

The Fast Retailing Group decided to stop issuing plastic shopping bags to customers in its stores worldwide, switching these plastic shopping bags to paper bags, and starting to sell reusable eco-friendly cotton bags.

Eliminating Plastic Product Packaging Using Alternative Materials

We stopped using plastic packaging for some products, such as UNIQLO room shoes, beginning in the 2019 fall/winter season.
Work Closely with Business Partners, Employees, and Local Communities

- We aim to create new value by helping solve social and environmental issues through clothes, pursuing revolutionary environmentally conscious production processes, and ethical materials procurement.
- We respect human rights across our supply chain and create safe, fair working environments.
- As a global company, we seek to contribute to local communities and ensure co-existence and mutual prosperity.
- We seek to ensure that all employees can play an active role through their work.
- We seek to expand employment opportunities for people with disabilities, and for refugees.

All-Product Recycling Initiative: 36.57 Million Items Donated

Under our All-Product Recycling Initiative, UNIQLO and GU stores in 22 markets worldwide accept clothes that customers no longer wear for delivery to people in need. The clothing is then sorted, with the wearable items (approximately 80%) being delivered through the Office of the United Nations High Commissioner for Refugees (UNHCR) and other organizations to refugees, displaced persons, and other people in need. By the end of August 2019, we had donated a total of 36.57 million items. The remaining 20% of the clothing is shredded. After any metal is removed, it is compressed together with paper and plastics for reuse as recycled paper and plastic fuel (RPF). RPF is an alternative to coal and fossil fuels, used in special boilers operated by major paper manufacturers.
Employees Participate in Social Responsibility Worldwide

Fast Retailing employees go to refugee camps and disaster zones to deliver secondhand clothing donated by customers through our All-Product Recycling Initiative. UNIQLO and GU employees also conduct a Power of Clothing outreach program to teach schoolkids about refugee issues. For example, in FY2019, UNIQLO and GU store managers visited 442 local schools across Japan to teach children about the All-Product Recycling Initiative. The children get to hear what life is like for refugees and how donated clothing can make a difference. By setting up their own clothing drives, the children experience the joy of doing something to help others around the world, and deepen their understanding of international issues.

Monitoring Improves Working Environments Across the Supply Chain

Based on our Code of Conduct for Production Partners, Fast Retailing asks independent organizations to conduct regular inspections of human rights violations, working environments, and environmental safety at our partner sewing factories and main fabric suppliers. Each factory is informed of the inspection result. If required, Fast Retailing members visit factories and work with factory staff to implement appropriate improvement measures.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>FR Group (UNIQLO)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>FY2016</td>
</tr>
<tr>
<td>A</td>
<td>No specific violations</td>
<td>55 (25)</td>
</tr>
<tr>
<td>B</td>
<td>Relatively minor violations</td>
<td>239 (125)</td>
</tr>
<tr>
<td>C</td>
<td>Risk of human rights or worker safety and health violations (e.g. inadequate provision of masks, gloves, and other protective gear)</td>
<td>160 (65)</td>
</tr>
<tr>
<td>D</td>
<td>Significant violation of human rights, safety and health, remuneration or welfare benefits (e.g. inadequate emergency exit locking, wage calculations, etc.)</td>
<td>44 (14)</td>
</tr>
<tr>
<td>E</td>
<td>Serious human rights violations (child or forced labor) or extremely serious safety and health violations</td>
<td>13 (6)</td>
</tr>
<tr>
<td></td>
<td>Number of factories monitored</td>
<td>511 (235)</td>
</tr>
</tbody>
</table>

In FY2019, we requested D-grade factories displaying significant code violations to make improvements within three months, conducted follow-up monitoring, and reduced volumes at factories that had not instigated sufficient improvements. In our Business Ethics Committee, we discussed factory management and employment conditions at E-grade partner factories, and reduced production orders.
**GOVERNANCE**

Enhance Swift and Transparent Management

- Appoint mainly external directors to heighten the Board of Directors’ independence and strengthen its surveillance ability.
- Promote swift, open debate and decision-making in individual committees that support the Board.
- In August 2019, established a Nomination and Remuneration Advisory Committee to debate important governance-related issues.

**Board of Directors, Board of Auditors**

Having a majority of external directors on the Board strengthens supervision of decision-making by our CEO and other executive officers. Our external directors boast diverse superior expertise as former senior managers of global companies or as leading specialists in fields such as M&A and financial management. They offer objective opinions that are reflected in important management decisions. In FY2019, the Board discussed various topics including the fiscal year budget, approval of corporate results, UNIQLO USA business, and the Ariake Project. The Board met 13 times in FY2019. The attendance rate was 99.1% for directors and 100% for auditors. External statutory auditors with certified accounting or legal backgrounds constitute half the Board of Auditors. The auditors ensure transparent auditing and participate in specialist and objective debates. The Board of Auditors met 12 times in FY2019 (100% attendance).

**Internal Control**

We aim to establish internal control systems wherever we operate by promoting full compliance, building risk management frameworks, protecting confidential information, and pursuing thorough internal auditing. We seek to nurture a deep understanding of and respect for our Fast Retailing Group Code of Conduct by requiring all employees to take an annual online refresher course. We have also set up internal hotlines to enable anyone to report or discuss potential compliance violations.

At the same time, our Risk Management Committee works to strengthen our business-related risk management systems by debating various topics including how to counter information security risks, how to contain natural disaster or geopolitical risks, and how to establish the most effective global risk management frameworks.

**Corporate Governance at Fast Retailing** (As of November 29, 2019)

<table>
<thead>
<tr>
<th>General Meeting of Shareholders</th>
<th>Board of Statutory Auditors (Three out of six are external)</th>
<th>Board of Directors (Five out of nine are external)</th>
<th>Chief Executive Officer</th>
<th>Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elect/dismiss</td>
<td>Audit/report</td>
<td>Elect/dismiss/nominate/remove/supervise</td>
<td>Elect/dismiss</td>
<td>Report</td>
</tr>
<tr>
<td>Report</td>
<td>Report/cooperate</td>
<td>Audit/report</td>
<td>Counsel/supervise</td>
<td>Human Rights Committee</td>
</tr>
</tbody>
</table>

Human Resources Committee
Sustainability Committee
Disclosure Committee
IT Investment Committee
Code of Conduct Committee
Business Ethics Committee
Risk Management Committee
Nomination and Remuneration Advisory Committee

Human Rights Committee
Fast Retailing established its Human Rights Committee in July 2018 to promote initiatives designed to uphold human rights according to the 2018 Fast Retailing Group human rights policy. Chaired by external professional Yoshinori Tomita (former chief judge of the Tokyo High Court), the committee is managed from an objective perspective. The committee met eight times in FY2019.

One proposal considered in the committee meetings was Upholding Human Rights in Marketing. The committee debate addressed the prevention of discriminatory expressions relating to ethnicity, nationality, age, religion, and gender. It also covered the consideration of model working hours and working environments, the impact of marketing on children, and the upholding of the rights of children. The committee is currently compiling appropriate internal marketing guidelines.

Another proposal was Problems with Partner Factory Hotlines and Appropriate Countermeasures. Hotline complaints may include insufficient explanation of changes to remuneration systems, inappropriate treatment of pregnant women, abuse of power, and sexual harassment. If necessary, our Sustainability Department will confirm the facts with the relevant partner factory, and request improvements.

Initiatives to Uphold Human Rights

Nomination and Remuneration Advisory Committee

Strengthening Our Corporate Governance

Composition of Committees (As of November 29, 2019)
Messages from Our Directors

Grow as a Company that Contributes to a Sustainable Society

I seek to drive our Ariake Project forward and promote our transformation into a new digital consumer retail company. True to our corporate statement—“Changing clothes. Changing conventional wisdom. Change the world”—I strive to implement transparent management, contribute to a sustainable society, and pursue growth that delivers the joy of great clothes by providing LifeWear to people worldwide.

Appointed President and CEO in September 1984, and his current position of Chairman, President & CEO in September 2005. Main concurrent positions: Chairman, President & CEO of UNIQLO CO., LTD.; Director & Chairman of G.U. CO., LTD.; Director of LINK THEORY JAPAN CO., LTD.; External Director at Nippon Venture Capital Co., Ltd.

Tadashi Yanai

Emphasize Transparent Management and Healthy Corporate Structure

Tadashi Yanai is an extremely talented business leader and Fast Retailing benefits greatly from his strong sense of ethics. However, as Fast Retailing expands the scale and global reach of its operations, management transparency will become increasingly important. My job is to strictly evaluate the process of realizing business growth within a healthy corporate structure and offer candid advice to aid Fast Retailing’s quest to become the world’s No.1 brand.

Appointed November 2005. Former President of Nichimen Corp.; Chairman of Sojitz Holdings Corp. (currently Sojitz Corp.); External Director at UNITIKA LTD. and at DAIKYO INCORPORATED. Currently serving as Advisor to MAEDA CORP. and to The Association for the Promotion of International Trade, Japan.

Toru Hambayashi

Wide-ranging Advice to Increase Corporate Value

From a management strategy perspective, it is extremely important to objectively judge how capital markets perceive Fast Retailing’s corporate value. My job is to offer suggestions on how to best increase that value. The Board of Directors’ role as a key collective that consistently highlights and considers risk-side factors is growing in significance every year. I am committed to providing appropriate advice from a range of perspectives.

Appointed November 2005. Formerly of Goldman Sachs. Currently a research specialist in M&A and corporate value evaluation. Also serves as Visiting Professor at Waseda Graduate School of Finance, Accounting and Law, and at Keio University Graduate School of Business Administration; External Auditor at Frontier Management Inc.; External Director at Hakuhodo DY Holdings Inc.

Nobumichi Hattori

External Director
Independent Director
Develop a Broad Management Perspective

Good management requires developing a broad perspective through reference to other industries. When I was in senior management, I expected external directors to offer direct opinions based on that kind of perspective. Tadashi Yanai is open to new ideas, so I voice frank opinions to ensure management transparency and appropriate risk management. I intend to continue fulfilling my role as external director in this manner.

Appointed November 2018. Formerly Director, Senior Managing Executive Officer, Deputy President, Head of Marketing, and President & COO of Daiwa House Industry Co., Ltd. Became Special Advisor to Daiwa House in November 2017.

Accelerate Corporate Evolution, Contribute to Growth

Fast Retailing is investing in transforming its distribution and IT systems and, having now created a cohesive global corporate Group, is moving onto its next growth scenario as a digital consumer retail company. Fast Retailing is nurturing talented managers to dynamically drive growth as its operations transform, and it enjoys an expanding and diverse workforce ready to take on new challenges. The Board of Directors is working to accelerate company progress and future success.

Appointed November 2009. Previously Executive Vice President of Oracle Corp. (US) and Chairman of Oracle Corp. (Japan). Currently Vice Chairman of Special Olympics Nippon Foundation.

Champion Sustainability and Diversity

I believe consistently contributing to a sustainable society helps improve corporate value. My role is to help Fast Retailing address ESG issues more actively, thereby earning a reputation as a global industry leader in this arena. I always ensure the comments I make to the Board are firmly focused on prizing and upholding diversity as we pursue fully global operations.

Appointed November 2012. Previously a director of McKinsey & Company and External Director at DENSO CORPORATION. Currently works as a visiting professor at Hitotsubashi University Business School and serves as President of Genesys Partners, and as External Director at NEC Capital Solutions Limited and at Ajinomoto Co., Inc.

Masaaki Shintaku
External Director Independent Director

Takashi Nawa
External Director Independent Director

Naotake Ono
External Director Independent Director
A Frontline View Fuels Deep, Practical Debate

As Group Executive Vice President and CFO, my role involves implementing and supervising corporate management policies. I am perfectly positioned to explain what is actually happening within our company to fuel deeper debate about the practical issues in Board meetings. I adhere to the policy of the Board, guide Fast Retailing’s management team, of which I am a member, and ensure appropriate management from the perspective of our customers and other stakeholders.


Create a Platform to Support Sustainable Corporate Growth

As a member of Fast Retailing’s founding family, I seek to bolster global growth from a long-term perspective. I work to create a strong fundamental basis for continued growth by upholding our corporate culture, strengthening our governance, and placing importance on our social contributions. As a senior vice president, my aim is to advance our business transformation, and work together with employees and management to forge our ideal company.

Appointed November 2018. Joined Fast Retailing in September 2009 after working at Goldman Sachs Group, Inc. and Link Theory Holdings (US) Inc. (currently Theory LLC). Currently Chairman of Theory LLC and of UNIQLO USA LLC; CEO of J BRAND HOLDINGS, LLC; Executive Officer at Fast Retailing Co., Ltd.

Compassionate Management, Stronger Governance

I have gained much first-hand experience working in global marketing, PR, and the Ariake Project. My experience on the front lines at Fast Retailing has shown me the ultimate importance of developing business from the customer’s perspective, and valuing all stakeholders including employees and partner companies. As a Director and member of Fast Retailing’s founding family, I want to contribute to continued corporate growth.

Appointed in November 2018. Joined Fast Retailing in September 2012 after working at Mitsubishi Corporation’s food subsidiary Princes Limited, UK. Currently Assistant General Manager, Global Product Development and Merchandising, UNIQLO CO., LTD., and Executive Officer at Fast Retailing Co., Ltd.
Auditors

Keiko Kaneko
Independent Director
External Statutory Auditor

Appointed November 1993. Currently President of Yasumoto CPA Office; Internal Auditor at UNIQLO CO., LTD. and at LINK THEORY JAPAN CO., LTD.; External Statutory Auditor at ASKUL Corp. and at FRONTEO, Inc.

Takaharu Yasumoto
External Statutory Auditor
Independent Director

Appointed November 2012. Partner at Anderson Mori & Tomotsune law firm; Statutory Auditor at UNIQLO CO., LTD.; External Statutory Auditor at The Asahi Shimbun Company and at Daifuku Co., Ltd.

Takao Kashitani
External Statutory Auditor
Independent Director

Appointed November 2018. Director of Brain Group (Kashitani Accounting Office); President of Brain Core Co., Ltd. and of FP Brain Co., Ltd.; External Director at Japan Freight Railway Company.

Akira Tanaka
Standing Statutory Auditor

Appointed November 2006. Served as Deputy President of McDonald’s Co. (Japan), Ltd. (currently McDonald’s Holdings Company (Japan) Ltd.). Formerly Managing Director of Fast Retailing Co., Ltd. Currently Councilor at Special Olympics Nippon Foundation.

Masaaki Shinjo
Standing Statutory Auditor

Appointed November 2012. Joined Fast Retailing in February 1994; served as Director of Auditing and Group Auditing. Also served as Internal Auditor at G.U. CO., LTD., and as Director of Control Store Operations Support at UNIQLO CO., LTD.

Masumi Mizusawa
Standing Statutory Auditor