

Building a Sustainable Society

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 pursue core sustainability efforts in six material areas, and are now working tirelessly to achieve our goals in each of them.

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



SUSTAINABIL



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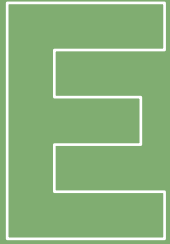
ENVIRONMENT

S

SOCIAL

G

GOVERNANCE



Reducing Environmental Impacts Across the Supply Chain

Material Area 1

Material Area 3

- ▶ We commission environmental evaluations of major garment factory and fabric mill partners based on the Sustainable Apparel Coalition's Higg Index and help improve wastewater management and the handling of waste materials on-site.
- ▶ We have committed to the targets in the Paris Agreement for reducing greenhouse gas emissions by 2050 and are currently working to reduce greenhouse gas emissions at our stores and in the broader supply chain.
- ▶ We strive to prevent water contamination and reduce water and energy consumption in raw material procurement and manufacturing processes. We have set targets for major fabric mill partners to reduce water consumption by 15% and energy consumption by 10%.
- ▶ We aim to eliminate hazardous chemical emissions in all our products and production processes.
- ▶ We are reducing environmental impacts by cutting down on product packaging and shopping bags, and switching to environmentally conscious materials.



RECYCLE
REUSE
REDUCE

LAUNCHING **RE.UNIQLO**

Clothes that can improve the future. In our new RE.UNIQLO initiative, our customers donate clothes they no longer need, and we create value by giving them a new lease on life. Since 2006, we have been donating used garments (REUSE) to refugees and displaced persons through our All-Product Recycling Initiative. Now we are promoting a cyclical program that transforms collected clothing into new garments (RECYCLE). Our recycled down jacket is our first product that transforms worn UNIQLO garments into new UNIQLO clothing, a move that will help reduce unnecessary waste and cut CO₂ emissions and resource use (REDUCE). Through this initiative, UNIQLO is determined to help create a sustainable society.



1

Down Recycling Helps Circulate Valuable Resources



◀ Recycled Down Jacket



Automating the separation of down feathers and fabric for recycled down jackets serves to improve working environments.

We collect down garments that customers no longer wear, and recycle them into completely new down products. Since September 2019, we have collected approximately 620,000 down garments through our recycling campaign in Japan, which was expanded to 22 other markets in September 2020.

In the past, the separation of down feathers and fabric for recycling was usually done by hand, but UNIQLO started using a fully automated down separation system newly developed by Toray Industries. Not only is the system capable of handling 50 times the amount of down compared to conventional methods, but it also reduces the burden on workers, as airborne feathers and down particles can be hard on the lungs. Down feathers extracted using the separation system are cleaned and then reused as materials for new down products. Our recycled down jacket made with 100% recycled feathers went on sale in the 2020 Fall Winter season.



2

All-Product Recycling Initiative: Donating Clothes to Refugees and Displaced Persons

Since 2006, UNIQLO's All-Product Recycling Initiative has accepted clothes that customers no longer wear for delivery to refugees and displaced persons worldwide through the Office of the United Nations High Commissioner for Refugees (UNHCR). In 2010, GU joined the initiative which now spans 23 markets. By the end of August 2020, we had donated 41.11 million items of clothing to people in 75 countries and regions.

Approximately 20% of the donated clothing is no longer wearable, and is transformed into recycled paper and plastic fuel (RPF), an alternative to coal and other fossil fuels used in special boilers operated by major paper manufacturers. Some is also turned into automobile soundproofing material that helps reduce the noise of gasoline engines and the high-frequency waves emitted by electric cars.



Refugee camp in Malawi





Forging Deep-rooted Community Links to Solve Social Issues

Material Area 1

Material Area 2

Material Area 4

Material Area 5

- ▶ We are providing global support to prevent the spread of COVID-19.
- ▶ We collect clothing that customers no longer wear and deliver it to refugees, displaced persons, and other people in need.
- ▶ We respect human rights across our supply chain and create safe, fair working environments.
- ▶ We seek to create working environments that empower employees by protecting their health, safety, and human rights and respecting diversity.
- ▶ We seek to expand employment opportunities for people with disabilities, and for refugees.

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.



An employee at a UNIQLO partner factory in China

■ Partner Factory Monitoring Results

Grade	Description	FR Group (UNIQLO)			
		FY2017	FY2018	FY2019	FY2020
A	No specific violations	67 (31)	61 (33)	40 (21)	52 (27)
B	Relatively minor violations	250 (139)	233 (135)	234 (143)	257 (162)
C	Risk of human rights or worker safety and health violations (e.g. inadequate provision of masks, gloves, and other protective gear)	196 (84)	229 (97)	239 (103)	237 (84)
D	Significant violation concerning human rights, safety and health, remuneration, or welfare benefits (e.g. inadequate emergency exit locking, wage calculations, etc.)	49 (13)	84 (34)	71 (18)	66 (12)
E	Serious human rights violations (child or forced labor) or extremely serious safety and health violations	14 (6)	5 (1)	1 (1)	1 (1)
Number of factories monitored		576 (273)	612 (300)	585 (286)	613 (286)

In FY2020, we requested D-grade factories to make improvements within three months, conducted follow-up monitoring, and reduced volumes at factories that had not made sufficient improvements. In our Business Ethics Committee, we discussed factory management and employment conditions at E-grade partner factories, and reduced production orders.

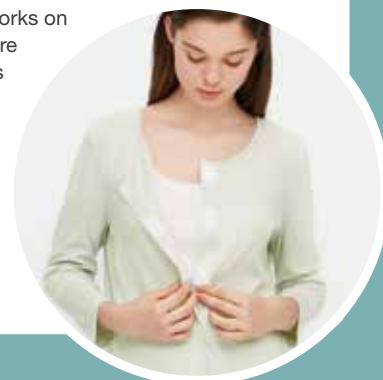
Approaching Target of at Least One Employee With a Disability in Each Store

There are approximately 1.3 billion people with disabilities globally (17% of total population), including 9.5 million in Japan (7% of Japan's population). Fast Retailing has actively recruited people with disabilities since setting a target in 2001 to have at least one employee with a disability in every store. As of June 2020, 4.7% of Fast Retailing staff had a registered disability, which far exceeds the 2.2% legal requirement for companies in Japan. In recent years, we have extended our initiative to hire people with disabilities in operations outside Japan. Deepening understanding among co-workers and customers of the needs of people with disabilities, and nurturing mutual respect, are key parts of Fast Retailing's corporate philosophy and social commitment.

UNIQLO's front-opening innerwear was created after receiving requests from many customers, including those undergoing extended stays in hospitals. Our product development also incorporates guidance received at public venues including a symposium for customers with disabilities. It is important to address the needs of people with disabilities in order to create clothes that everyone can enjoy. We will continue to listen to all our customers and attentively respond to their needs.



Employee with a visual impairment who works on UNIQLO Ginza store clothing alterations



Front-opening innerwear ▶



A return-to-work seminar for female employees currently on family leave



Different Work Styles for Different Life Stages Supporting Everyone's Career Path

We are reforming our human resource systems and implementing training programs so employees can find a work style that suits their particular phase in life, balancing childcare, nursing care, and career progression as needed. For example, we have already facilitated opportunities for female store managers, senior management, and external experts to directly exchange opinions, and for female store managers with young children to meet and exchange ideas. We have also conducted training programs for female management candidates, as well as implicit gender bias training sessions for senior management. At the end of August 2020, 38.4%* of managers across the FR Group were women. We intend to continue expanding various systems to support the career development of all our employees.






*Management grades in the sales department include all block leaders, all area managers, and some store managers. People in leadership positions at headquarters are also included in the figure shown.

Supporting the Global Fight Against COVID-19

Donated Masks, Isolation Gowns, UNIQLO Clothing to 26 Countries and Regions

Since March 2020, Fast Retailing has donated masks and isolation gowns to medical institutions and care facilities facing shortages of medical equipment in 26 countries and regions. We have also provided essential wear—such as UNIQLO's highly functional AIRism garments, innerwear, and outerwear—and offered financial support. Our efforts are ongoing, with 1.2 million isolation gowns and 5.76 million masks donated to Japanese medical institutions, 110,000 AIRism, HEATTECH, and down garments donated for use in China's Hubei Province, and 2.0 million masks and approximately 20,000 AIRism garments donated for use in the United States. We are also extending support to other countries with the help of UNIQLO global brand ambassadors, sports groups, and non-profit organizations. We will continue to offer as much vital support as we can to medical institutions, PCR test centers, care facilities, and other groups who provide the infrastructure that underpins our daily lives.

■ Key: COVID-19 Support (As of November 27, 2020)

-  Mask
-  AIRism Mask
-  Isolation Gowns
-  AIRism
-  Essentials



USA

AIRism products to Montefiore Health System, which runs 15 hospitals

North America

 2.2 million  39,850
 24,410



Japan

AIRism items and isolation gowns to Saisei Central Hospital



Germany

UNIQLO outer and innerwear to NGO Berliner Stadtmission

Europe

3.61 million 62,725

25,400 18,950

China



HEATECH and AIRism products to public and medical organizations in Hubei Province

Asia

10.41 million 500,000

1.43 million 420,873

503,563

Hong Kong



AIRism items and DRY T-shirts to Fu Hong Society, a facility for people with disabilities

Oceania

500,000 2,000

Japan



Masks to Nishiyama Dental Clinic

Malaysia



AIRism products to Hospital Haji Ahmad Shah



Managing Swiftly and Transparently

Material Area 6



- ▶ 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.
- ▶ Debate important governance-related issues in the Nomination and Remuneration Advisory Committee.



External Statutory Auditor Interview

Strengthen Governance Through Rigorous, Multifaceted Discussion

Takao Kashitani

External Statutory Auditor

I serve on the Nomination and Remuneration Advisory Committee, which was launched in August 2019. To ensure substantive discussion in committee meetings, it is important to have a clear idea of the path Fast Retailing should be taking five or 10 years from now. When that path is clear, it is possible to judge whether a person is the most appropriate choice for that chosen task, based on individual business acumen and supervisory capabilities.

After more than 30 years in consulting on corporate regeneration, I am deeply conscious of the importance of people. Corporate regeneration involves looking carefully at your business model and pursuing appropriate structural reforms. It is important to develop win-win relationships not only for your business itself, but also for employees and the industry as well. I call

this “new birth” rather than regeneration because it represents an entirely fresh start. Fast Retailing is always embracing new things and transforming itself. People are a vital element of that journey. I believe we can deliberately grow the company in the right way by selecting powerful, talented people based on global standards and Fast Retailing's own exacting criteria.

The committee should also be constantly looking ahead and discussing Fast Retailing's succession planning. Here, it is important to take our time and voice our true opinions. Mr. Yanai is straightforward in his comments, and we statutory auditors and directors freely express what needs to be said. I hope to participate in continued serious discussion to help further strengthen Fast Retailing corporate governance.

Board of Directors, Board of Auditors

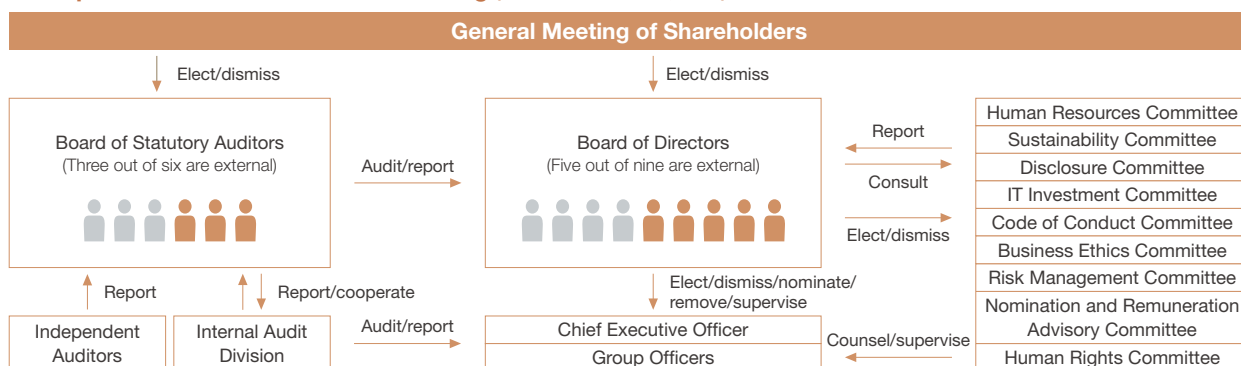
Having a majority of external directors on the Board strengthens supervision of decision-making by our CEO and other executive officers. Our external directors boast diverse superior expertise as former senior managers of global companies or as leading specialists in fields such as M&A and financial management. They offer objective opinions that are reflected in important management decisions. In FY2020, the Board discussed various topics including the fiscal year budget, approval of corporate results and director appointments, and strategy for Global Brands. The Board met 13 times in FY2020. 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 FY2020 (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 so that anyone can report or discuss potential compliance violations or concerns.

At the same time, our Risk Management Committee works to strengthen business-related risk management systems. The committee debate our preparedness and responses with regard to various issues, including the COVID-19 pandemic, the risk of a major natural disaster such as an earthquake impacting Tokyo, and information security risks.

■ Corporate Governance at Fast Retailing (As of November 27, 2020)



■ Composition of Committees (As of November 27, 2020)

● = Committee Member

		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
Internal Directors	Tadashi Yanai	●	●	●	Chairperson				Chairperson	
	Takeshi Okazaki	Observer	●	Chairperson	●			Chairperson		●
	Kazumi Yanai		●							
	Koji Yanai		●							
External Directors	Toru Hambayashi	Chairperson							●	
	Nobumichi Hattori									
	Masaaki Shintaku				Observer					
	Takashi Nawa	●	●					●		●
	Naotake Ono								●	
Standing Statutory Auditors	Akira Tanaka	●	●			●	Observer		●	●
	Masaaki Shinjo			Observer	Observer		●			
	Masumi Mizusawa		●	Observer				Observer		●
External Statutory Auditors	Keiko Kaneko	●				●				●
	Takao Kashitani						●		●	
	Masakatsu Mori						Observer			
Group Officers and Other External Professionals		2	6	3	5	5	9	9	0	6

Note: The head of the Sustainability Department chairs the Sustainability and the Business Ethics committees, the head of the Legal Department chairs the Code of Conduct Committee, and an external expert chairs the Human Rights Committee. External directors and statutory auditors of each company offer opinions based on their individual areas of expertise.

Messages From Our Directors



Tadashi Yanai

Contribute to a Sustainable Society With True LifeWear

I strive to achieve transparent management and contribute to a sustainable society based on our corporate statement: Changing clothes. Changing conventional wisdom. Change the world. The way to continue providing ultimate everyday LifeWear is to press ahead with our sweeping Ariake Project corporate transformation. I will continue to pursue growth for us as a company that delivers the joy and happiness of clothing to people worldwide through LifeWear.

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.



Toru Hambayashi

External Director

Independent Director

Support Growth Based on Strict Evaluations and Sound Frameworks

Tadashi Yanai has a strong sense of morality and is an extremely talented business leader. However, the further Fast Retailing expands its global reach, the more important management transparency becomes. I strictly evaluate this process to ensure we realize corporate growth within a healthy business framework. I will continue to scrutinize internal processes to aid FR in its quest to become the world leader in apparel.

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



Nobumichi Hattori

External Director

Independent Director

A Broad Perspective to Improve Corporate Value

From a management strategy perspective, it is extremely important to objectively judge how capital markets perceive Fast Retailing's corporate value. The role of the Board of Directors as a key collective that evaluates corporate risk and offers advice when necessary is growing in significance every year. It is my job to offer multifaceted suggestions on how best to increase corporate value. I am committed to providing appropriate advice from a broad perspective to contribute to FR growth.

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



Masaaki Shintaku

External Director

Independent Director

Accelerate Corporate Evolution, Contribute to Growth

Fast Retailing is steadily creating a new digital consumer retailing industry by efficiently investing in revolutionary new distribution and IT systems. We are seeing the benefits of FR's determined nurturing of talented managers who can dynamically drive growth in periods of huge operational change, and it reassures me to see more diverse personnel ready to take on new challenges. The Board of Directors works to accelerate FR's progress and future growth.

Appointed November 2009. Previously Executive Vice President of Oracle Corp. (US) and Chairman of Oracle Corp. (Japan). Currently Counselor of Special Olympics Nippon Foundation and External Director of NTT DOCOMO, INC.



Takashi Nawa

External Director

Independent Director

Champion Sustainability and Diversity

My role is to help FR address ESG issues and challenges more actively. The aim is for FR to be known as a global industry leader in this arena. I believe consistently contributing to a sustainable society improves corporate value. In my comments to the Board, I focus on emphasizing diversity. I want to help FR use its ever-expanding global operations as an opportunity to grow as an even better business.

Appointed November 2012. Previously a director of McKinsey & Company and External Director at DENSO CORPORATION. Currently a professor at the Hitotsubashi University Business School of International Corporate Strategy, President of Genesys Partners, and External Director at NEC Capital Solutions Limited, Ajinomoto Co., Inc., and Sompō Holdings, Inc.



Naotake Ono

External Director

Independent Director

Develop a Broad Management Perspective

When I was in senior management, I expected external directors to voice direct opinions from a broad range of perspectives. Seeing the big picture by following other industries as well as your own is vital to good management. Mr. Yanai is open to new ideas, and I voice frank opinions to ensure management transparency and appropriate risk management. This is how I fulfill my role as external director.

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



Takeshi Okazaki

On-the-ground Conditions Drive Deep, Practical Debate

My role as Group Senior Executive Officer and CFO is to execute and supervise corporate management. I believe I can guide increasingly deep and practical debate among the Board members by directly conveying the reality on the ground. My job is to steer FR managers, including myself, toward correct management by following the policies determined by the Board and incorporating the perspectives of our customers and other stakeholders.

Appointed November 2018. Worked at the Long-Term Credit Bank of Japan and as a partner at McKinsey & Company. Joined Fast Retailing in August 2011. Main current positions: Director, UNIQLO CO., LTD and G.U. CO. LTD.; Group Senior Executive Officer & CFO, Fast Retailing Co., Ltd.



Kazumi Yanai

Create a Platform to Support Sustainable Corporate Growth

As a member of the founding family, it is my responsibility to take a long-term perspective and work to bolster Fast Retailing's global growth. I want to help create a strong fundamental basis for continued FR growth by upholding our corporate culture, strengthening our governance, and prioritizing our social contributions. As a senior executive officer, my job is to advance our business transformation, and to work together with employees and management teams to create 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). Main current positions: Chairman, Theory LLC and UNIQLO USA LLC; Chairman J BRAND HOLDINGS, LLC; Group Senior Executive Officer, Fast Retailing Co., Ltd.



Koji Yanai

Compassionate Management, Stronger Governance

I have acquired a good deal of experience working on FR's global marketing, the Ariake Project, human resources, and other areas. As a senior executive officer, I feel the most important lesson in management is to value your people. As a director and member of the founding family, I want to contribute to FR's continued corporate growth and further strengthen our governance systems.

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 Group Senior Executive Officer, Fast Retailing Co., Ltd.

Auditors



Keiko Kaneko

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.



Masakatsu Mori

External Statutory Auditor

Independent Director

Appointed November 2020. Currently serves as Special Advisor to the International University of Japan and External Director at Stanley Electric Company, Ltd., YAMATO HOLDINGS CO., LTD., and Kirin Holdings Company, Limited.



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 General Manager of Group Auditing. Also served as Statutory Auditor at G.U. CO., LTD., and as General Manager of Sales Support Management Division at UNIQLO CO., LTD.



Masumi Mizusawa

Standing Statutory Auditor

Appointed November 2019. Formerly of Yamaichi Securities Co., Ltd. and Kleinwort Benson Securities Research. Joined Fast Retailing in October 2001. Served as General Manager of Investor Relations, Global Corporate Management and Control.