

# SUSTAINABILITY SECTION

**Enriching People's Lives,  
Enriching Society**

## **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





We use technology developed with Toray Industries to recycle down and feathers extracted from customers' secondhand UNIQLO items. This is the first step in our quest to transform items lovingly worn by our customers into brand-new clothes. Photo: Models wearing recycled down jackets made from 100% recycled down and feathers (¥7,990).



## MATERIAL AREA

# 1 Create New Value Through Products and Services

- ▶ Pursue timeless designs from the planning stage based on our LifeWear concept. Create simple, high-quality, highly functional clothing that can be worn for a lifetime.
- ▶ Reduce environmental impact by showing customers the joy of utilizing clothes for a long time. Develop circular products recycled from donated secondhand items, and repair/refashion clothes at RE.UNIQLO STUDIO.
- ▶ Improve clothing functionality and quality, while also aiming to solve social, environmental, and other issues, thereby creating new demand.

## Ultimate Customer Satisfaction

We collect feedback to increase customer satisfaction. In addition, we conduct regular surveys to monitor customer satisfaction around the world and set up customer centers in all markets where we operate UNIQLO stores. We also improve our products and services based on feedback from valued customers collected through our stores, e-commerce operations, and customer centers. The amount of customer feedback we receive is growing year by year thanks to efforts to expand our e-commerce app membership base. UNIQLO received approximately 35.3 million comments globally in FY2022, which we used to design products and services that will make our customers feel truly satisfied. On our UNIQLO UPDATE website, we introduce products that have been updated or improved based on customer feedback. We also identify the causes of customer dissatisfaction and urgently work to prevent similar issues.

Customer and store feedback  
(FY 2022)

Approx.

**35.3** million comments

From customers:

Approx. **27.8** million

From stores:

Approx. **7.5** million



On our UNIQLO UPDATE website, we tell people about specific feedback (requests, complaints, etc.) received—for example, via our customer center—and what we did to improve products based on that feedback.



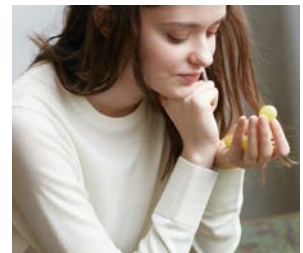
UNIQLO UPDATE

<https://www.uniqlo.com/us/en/contents/feature/update/283/>

### Extra Fine Merino

“ I’m worried it will lose its shape after washing. I wish it was more durable. ”

The new double-ribbed collar looks casual and maintains its shape after washing. Improved hem and cuff ribbing means customers can feel comfortable putting it in the washing machine.



### Front-opening Innerwear

“ I want to see more comfortable front-opening innerwear in a wider variety of colors. ”

For some people, innerwear can be hard to pull over the head. We’ve developed comfortable innerwear that’s easy to get in and out of.





# RE.UNIQLO



The RE.UNIQLO STUDIO in our UNIQLO Regent Street store (UK)

## RE.UNIQLO STUDIO: Helping People Wear Clothes for Longer

The UNIQLO Regent Street store in London, UK is located in a beautifully renovated historic 19th century building. The RE.UNIQLO STUDIO in the photo was created in September 2022, and retains the Art Deco style of the barbershop which formerly occupied the basement level. Trained UNIQLO staff repair holes or tears in long-loved down, denim, and knitwear items. Small holes are repaired so they don't show, but to large tears we can apply colored cloth to create an individual flourish.

We work with Studio Masachuka, known for its Japanese clothes-making techniques. They have a tailoring service in London that uses traditional Sashiko stitching techniques to modify or customize clothes in amazing ways. Inspired by the repair/refashion support offered by our store in Berlin, Germany, where interest in repairing clothes is high, we have now expanded the initiative to UNIQLO stores worldwide. We opened the Berlin repair studio in August 2021. In 2022, we opened studios in UNIQLO Soho New York store in January, our Singapore Ang Mo Kio store in March, and our Taiwan UNIQLO TAIPEI store in July. In October, we started a trial studio at our Setagaya Chitosedai store in Japan. With a view to global expansion, we intend to open trial studios worldwide. People can experience the joy of giving their well-loved clothes new life, and the pleasure of now having a custom, one-of-a-kind item. For us, this is just another aspect of LifeWear.



Careful repairs enable customers to wear their favorite clothes for longer



Refashioning clothes using traditional Japanese Sashiko sewing techniques

## TOPICS

# Innovation of Fleece Jackets

## Fluffy Fleece Jackets Made From Plastic Bottles

We utilize yarn made from used plastic bottles to make new clothes. This reduces waste and petroleum use by recycling limited resources.

UNIQLO has embarked on a new way of making clothes.

We use thermoplastic polyurethane (TPU) material made from recycled mobile phone parts, etc., for the pull on the men's coil zipper.

\*Photo: Fleece Full-zip Jackets



The recycled fleece certification label is also made from 100% recycled polyester material.

Recycled polyester

**100** %

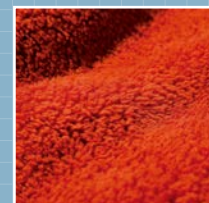
Used for the body fabric

500ml  
PET bottle  
Takes approx.

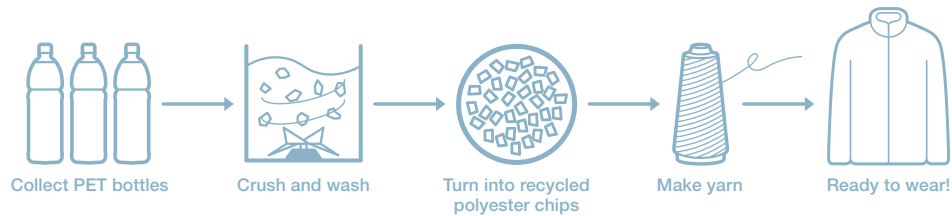
**19** bottles\*

\*Men's L size/Assuming one 500mL PET bottle = 25g  
Calculations from "Weight-reduction Targets and Results for 17 Major Types of Designated PET Bottles," Fiscal 2020 Annual Report (p. 6), The Council for PET Bottle Recycling

Fluffy fleece fabric made from 100% refined recycled polyester offers both a soft feel and vivid color.



### Clothes made from recycled polyester



## Highlight #1

### Creating a 100% Recycled Fabric Material

UNIQLO's 2022 Fluffy Fleece Full-zip Jacket is the result of an amazing evolution. We are now able to make the main fabric from 100% recycled plastic bottles. Making recycled polyester involves crushing, washing, and dissolving used bottles to create pure white chips. These are then dissolved and spun into fine yarn for weaving fabric, which is sewn to make the fleece jacket. We performed numerous tests to achieve fleece's renowned comfort even when using recycled materials. To ensure traceability, we scoured the world for partners with a clear production framework. In the end, the project's largest volume of raw materials was provided by the Shengfeng Group from Suzhou near Shanghai, with advanced equipment and reliable companies under its corporate umbrella. This enabled us to guarantee a transparent production backdrop.



Thread twisting process in an automated factory



Rolls of recycled polyester yarn

## Highlight #2

### Developing Zippers Made From Recycled Materials

Developing zippers for our fleece items also proved to be a challenge. Existing zipper products made from recycled materials were scarce, so we needed to negotiate with manufacturers. In the end, with the exception of a few small parts, we created zippers made almost entirely from recycled materials for our Men's Fleece Full-zip Jacket and our Men's and Women's Fluffy Fleece Full-zip Jacket.

UNIQLO has worked tirelessly to improve its

fleece jackets since they were first introduced in 1994. Now, in 2022, we have managed to create a fleece jacket made almost entirely from recycled materials. The one element we still could not fully recycle was the thread used to stitch pieces together, but even now we are striving to develop a recycled thread that is strong enough to create durable garments. The fleece jacket is one of UNIQLO's iconic products, and we will keep refining it to satisfy the demands of future generations.



## MATERIAL AREA

## 2 Respect Human Rights in Our Supply Chain

- ▶ Pursue traceability in the supply chain to ensure our products are manufactured in ethical environments. We believe that respecting human rights and ensuring the health, safety, and security of all workers in our supply chain is our most important responsibility.
- ▶ Ask all partner factories to comply with our Code of Conduct for Production Partners, which we have been using to monitor working environments since 2004. Plan to extend scope to also cover spinning mills.

### Pursuing Traceability and Improving Transparency

Fast Retailing pursues traceability across our supply chain. We confirm working environments right back to the raw materials procurement stage, either through audits by our own employees or third-party organizations, or through third-party certifications. We have already compiled a supply chain plan for each product that covers the necessary materials, spinning mills, and materials and garment factories, and built a system to confirm the successful implementation of those plans. In Fall Winter 2022, we established a mechanism for managing system information together with partner factories. At the same time, we created and launched a third-party traceability verification program. With help from our garment and material factories, UNIQLO has fully traced each product back to the spinning factory stage, and all cotton products back to the country of origin. From spring 2023, we plan to sign a Code of Conduct for Production Partners with spinning mills and to regularly audit working environments and traceability. We intend to start by targeting a portion of UNIQLO products, but from now on our aim is to expand the initiative to cover all products and Group brands.

We are working to establish full traceability and promote information disclosure so customers have constant access to the information they need to be able to select products properly.

#### Information Disclosure Roadmap

##### 2023 Targets

Display sewing location for all products online. Work toward disclosing the countries where all materials are produced.

##### 2025 Targets

Disclose all information for nearly all products to help customers make the right choices.

##### 2030 Targets

Reduce social and environmental impacts and improve society.

#### Supply Chain Process



Raw materials



Spinning factories



Materials factories



Garment factories



Distribution



Stores/offices

## Better Monitoring, Better Workplaces

Fast Retailing formulated a Code of Conduct for Production Partners in 2004 and started checking if garment factories, materials producers and so on were complying. Since 2020, we have gradually adopted the Social & Labor Convergence Program assessment framework for the apparel industry. The program reduces the burdensome need for multiple audits by different bodies and enables factories to concentrate on making improvements. Factories conduct their own evaluations of human rights violations, working environments, and management systems, which are then verified by third-party organizations. Fast Retailing has a zero tolerance policy for serious human rights violations. The most serious violations, such as child labor and forced labor result in a G5 assessment. Any G5 abuses are reported to our Business Ethics Committee, which discusses reconsidering our business relationship, and agrees on corrective and preventative measures with the offending factory. Nine factories received a G5 assessment in our FY2022 monitoring. That number was higher than in FY2021\* because we tightened our zero tolerance standards to include items such as insufficient emergency exits, lack of fire alarms, and discriminatory hiring conditions. All nine factories agreed to make improvements and adopt preventative measures in future. Improvements have already been implemented in three factories.

We started publishing a list of production partners on our website in 2017 to increase transparency. In March 2022, we expanded that list to include all garment and materials factories with which we consistently do business, and any sub-contractors. We plan to also disclose a list of spinning mills in the future.



Employees working at UNIQLO partner factories



### Disclosure of Production Partners List

<https://www.fastretailing.com/eng/sustainability/labor/list.html>

### Working Environment Monitoring Results (Evaluation of Partner Factories)

Grade	Description	FR Group (UNIQLO)	
		FY2021	FY2022
G1	Zero notable violations	46 (25)	22 (6)
G2	Comparatively low-risk issues were observed (e.g. masks, gloves, and other protective equipment are not being properly used, occupational safety training is not being given to all employees)	210 (137)	90 (40)
G3	Issues that could potentially infringe human rights were observed (e.g. obstruction of evaluation routes, failure to conduct regular evacuation drills, inadequate recording of employee arrival and departure times)	261 (101)	347 (200)
G4	Human rights infringements and significant Code of Conduct violations were observed (e.g. insufficient overtime pay, long working hours, inadequate employment contracts)	65 (28)	78 (41)
G5	Extremely serious violations of the Code of Conduct were observed, such as child labor, forced labor, payment below the minimum wage, and other serious human rights violations, as well as inadequate fire and other emergency procedures such as the locking of emergency exits	0 (0)	9 (4)
Number of factories monitored		582 (291)	546 (291)

\*Previous methods and standards for FY2021 evaluations differed slightly from our current standards. Those results were not reevaluated using the new criteria.



## MATERIAL AREA

## 3

## Respect the Environment

- ▶ Steadily reduce greenhouse gas (GHG) emissions in all areas—materials development, supply chains, stores, and offices—to achieve our FY2030 targets.
- ▶ Reduce per-unit water usage by 10% at end of 2025 compared to 2020 levels at each of the major garment and materials factories accounting for 80% of the water used to make our products.
- ▶ We were recognized in the CDP A List for climate change and water security for our advanced initiatives and transparency.

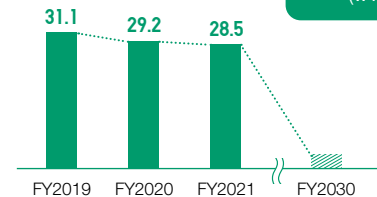
## Steadily Reducing GHG Emissions

To help Fast Retailing achieve net zero GHG emissions by 2050, we are currently on track to reduce emissions at our stores and main offices by 90%, and emissions from the manufacturing of raw materials, fabric, and garments for UNIQLO and GU products by 20% by FY2030 (compared with FY2019 levels).

## SCOPE 1, 2

## Building Greener Stores

We aim to source 100% zero-emissions renewable electricity at our stores and main offices by FY2030. Indeed, we are already using 100% renewable energy in Europe, North America, Vietnam, Indonesia, and Thailand. Our roadside stores, primarily in Japan, are also working to conserve energy by reducing electricity usage. We will design stores that are extremely energy-efficient to help reduce power consumption by approximately 40%.

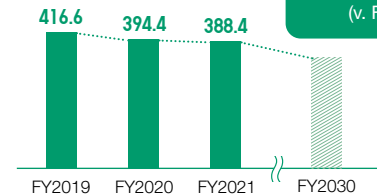
CO<sub>2</sub> Emissions in Company-operated Facilities(Unit: 10,000 t-CO<sub>2</sub>)

Scope 2: Calculated on a market base

## SCOPE 3

## Reducing Emissions in Our Supply Chain

We will leverage our long-standing partnerships to promote measures that will conserve energy, phase out coal, and introduce renewable energy at major partner factories, which account for approximately 90% of UNIQLO and GU production volume. We have also expanded our range of products made from recycled polyester and recycled nylon. By FY2030, we aim to replace approximately 50% of all current materials with low-GHG recycled materials. In 2022, we made this switch for roughly 5% of all materials and 16% of polyester materials.

CO<sub>2</sub> Emissions in the Supply Chain(Unit: 10,000 t-CO<sub>2</sub>)

Scope 3: Emissions related to the manufacture of raw materials, fabric, and garments for UNIQLO and GU products

## Conducting Biodiversity Risk Assessments

We started conducting biodiversity risk assessments in 2021 using International Union for Conservation of Nature (IUCN) guidelines. We investigated the impacts (land use change, pollution, invasive species) on major ecosystems of each process in our value chain. The results showed a high risk of ecosystem impact due to land use change and pollution during the production of cotton, land use change during rayon production, and pollution from the use and disposal of products regardless of what material(s) they were made of. We are already implementing measures to reduce the raw materials' impact for many items deemed high risk. Specifically, we are working to reduce the emission of hazardous chemicals from products and production processes to zero by the end of 2030, and had already achieved a 99.9% compliance rate by the end of 2021. We intend to strengthen these initiatives and also formulate and implement various other biodiversity strategies.

## Impact of Key Performance Systems on Each Process in the Value Chain

Process	Raw material types	Impacts		
		Land use change	Pollution	Invasive species
Raw material production	Cotton	Large	Medium	Small
	Linen	Medium	Medium	Small
	Wool	Medium	Medium	Small
	Cashmere	Large	Medium	Medium
	Leather	Medium	Medium	Small
	Down, feather	Medium	Medium	Small
	Rayon	Large	Medium	Medium
Fabric and garment production and processing		Medium	Large	N/A
Logistics		Medium	Medium	Medium
Product use and disposal		Medium	Large	N/A
TOTAL		Large	Large	Medium

Impact: Large Medium Small

## Solving Water Resource Issues

We use Aqeduct, a World Resources Institute water risk assessment tool, to regularly assess the impact of our business on water resources throughout the value chain. We implement our Water Action Plan to ensure healthy local water environments by preventing and mitigating pollution as well as understanding and reducing water usage. We are setting targets for each supplier and working to reduce per-unit water usage by 10% by the end of 2025 (compared to 2020 levels) at the major garment and materials factories accounting for 80% of the water used to make our products. We are also working with factories to introduce water-saving technologies. For example, our Blue Cycle technology uses nanobubble and ozone cleaning to greatly reduce the water used to wash jeans, whether to create a damaged look or to add the finishing touches. All Group brands now use Blue Cycle when producing jeans.

2025 per-unit water usage for each factory

**10%** reduction\*  
(v. 2020)

### Water Usage

#### Supply Chain

Item	Unit	2020	2021
UNIQLO & GU garment factories	10,000 m <sup>3</sup>	1,085	1,092
UNIQLO materials factories		3,006	2,929

Some data is estimated

\*Targets involve reduction of per-unit water consumption at each plant, not total water consumption.



BLUE CYCLE JEANS

(Top) Using lasers for vintage processing is less arduous for workers than traditional, manual methods. (Bottom) Reducing water consumption with washing machines that use nanobubbles and ozone gas.

## TOPICS

# Views From Partner Factories

Fast Retailing works with our production partners to uphold human rights, improve working environments, and protect the global environment across our supply chain. We asked some of our production partners to share their perspectives.

## MAINLAND CHINA



## Shenzhou International Group Holdings Ltd.

### Shoulder to Shoulder Through the Years

The year 2022 marked our 25th year of business with UNIQLO, which has enabled us to broaden our international horizons and compete in the global market. The thing that impresses me most is how Fast Retailing has always stood shoulder to shoulder with us as a partner.

We have faced various challenges, but we have always analyzed and discussed issues together and constructed a path to overcome them. Fast Retailing sets high goals, from Japanese 5S management (sort, set in order, shine, standardize, and sustain) to high-efficiency production and reducing CO<sub>2</sub> emissions, but their staff regularly check to see how projects are progressing, and they always give good advice on how to overcome problems, however hard they might be. I am grateful for the constant support they provide our factory and their determination to grow together with us.

Generating corporate profits is extremely important, but fulfilling our social responsibilities is even more important. Minimizing negative impacts on society is essential for long-term corporate development. Providing good working and living environments for employees is another of our social responsibilities. We have set up bright, airy dormitories and cafeterias in different parts of our factories, improved hardware while also enhancing our strong communication channels with employees, ensured safe production, and held regular training on fundamentals and corporate culture. We conduct annual employee satisfaction surveys regarding these efforts. In 2020, we started using solar power generation across the board to promote local production and consumption of clean energy.



Chairman of The Board  
**Ma Jian Rong**



Achieved 30% solar power utilization



Reverse osmosis (RO) water treatment system for reusing water



## MAINLAND CHINA

### **Chenfeng Group Co., Ltd.**

#### **Cooperating on Future Plans to Grow Together**

We started working with UNIQLO in 1992, 30 years ago. The relationship started in my father's day and he always tells me that we will never find a more reliable partner. I think the company's values, which treasure long-term partnerships, help to generate sustainability. We want to grow together with UNIQLO, and to do so we have introduced various training and sustainability programs. We repeatedly discuss UNIQLO's GHG targets and are determined to reduce GHG emissions by 30% by 2030 and achieve carbon neutrality by 2050. We have completed a fabric factory that was certified as our first carbon-zero pilot factory. We interact with UNIQLO's Sustainability Department as part of our daily work, constantly sharing details of our progress and holding discussions of future plans as they arise.



President  
**Jiahao Yin**



Introduced solar power generation at all production plants

## BANGLADESH

### **Universal Jeans Ltd.**

#### **Cooperating on Careful Water Use for Jeans Production**

In 2007, I met directly with President Yanai, and he talked about where the apparel industry was headed and how to make an impact in the supply chain. That's when we decided to work together to achieve our shared vision. Through collaboration with Fast Retailing's Jeans Innovation Center on the manufacture of UNIQLO jeans, we have received a wealth of guidance. By using less water during the production process and then reusing any wastewater after production, we have been able to reduce water usage by approximately 45%. We are located in a tropical region where rainfall is high, so factories here use rainwater and are careful to protect their water resources. I empathize strongly with UNIQLO's determination to pursue and implement sustainability initiatives. We want to continue to evolve and advance our business together.



Managing Director  
**Syed Mohammed Tanvir**



This jeans factory greatly reduced water usage

## 4

## Strengthen Communities

- ▶ Continue to donate clothes and deliver self-reliance programs to refugees and other people around the world who find themselves in difficult situations. Proactively employ refugees and aim to provide 200 employment opportunities each year by FY2025.
- ▶ Started our PEACE FOR ALL charity T-shirt project fueled by a common desire for peace. All profits (equivalent to 20% of the retail price) are donated to international organizations providing humanitarian support.
- ▶ Empower children and the young leaders of tomorrow through educational support and social engagement programs.

## PEACE FOR ALL



### A Charity Project to Promote Peace: Making a Better World Through Clothes

UNIQLO launched our PEACE FOR ALL charity T-shirt project in June 2022. In the project, leading figures who share our sincere wish for world peace and who want to take action send us designs and messages that we print on T-shirts. All profits from the T-shirt sales (20% of the retail price) are donated to international organizations offering humanitarian support to people impacted by poverty, discrimination, violence, conflict, and war. By the end of FY2022 (August 31, 2022), The donation of funds was ¥145,314,300 through our PEACE FOR ALL charity project. To coincide with the launch of this PEACE FOR ALL project, we also conducted fundraising activities at UNIQLO stores that collected donations of ¥2,879,303. These funds have since been donated to designated humanitarian organizations. We will continue to promote our PEACE FOR ALL project in order to achieve a better world in which people can live safely.

This T-shirt design sports a message from world-renowned architect Tadao Ando. He said, "We need to accept that we all live together on one planet. I participated because I felt the project was an opportunity for each of us to consider how we can help create a peaceful world."



## Supporting Refugees Worldwide

Since 2006, Fast Retailing has been providing clothing aid to refugees and displaced persons worldwide in partnership with UNHCR, the UN Refugee Agency.

In 2011, we signed a global partnership with UNHCR to help solve global refugee problems in a more comprehensive way. Today, we distribute clothes donated through our RE.UNIQLO all-product recycling and reuse activities to refugee camps; provide emergency aid; run self-reliance programs for refugees (vocational training, etc.); employ refugees at Fast Retailing, primarily in UNIQLO stores; build awareness of refugee issues; and dispatch employees to UNHCR. We have donated approximately 50.5 million items of secondhand clothing (from 2006 to end August 2022). At the end of April 2022, 124 refugees were employed in countries including Japan, France, Germany, and the United States.

In 2021, we donated \$800,000 to UNHCR to provide winter relief supplies to Afghanistan in the form of items such as blankets and solar lanterns. In 2022, we donated approximately 100,000 new HEATTECH blankets and HEATTECH innerwear items to UNHCR as emergency humanitarian aid for Ukraine and the surrounding regions. We also donated \$10 million to fund urgent support for health and safety. This money was used to set up evacuation centers, distribute relief supplies, and provide psychological care for children.

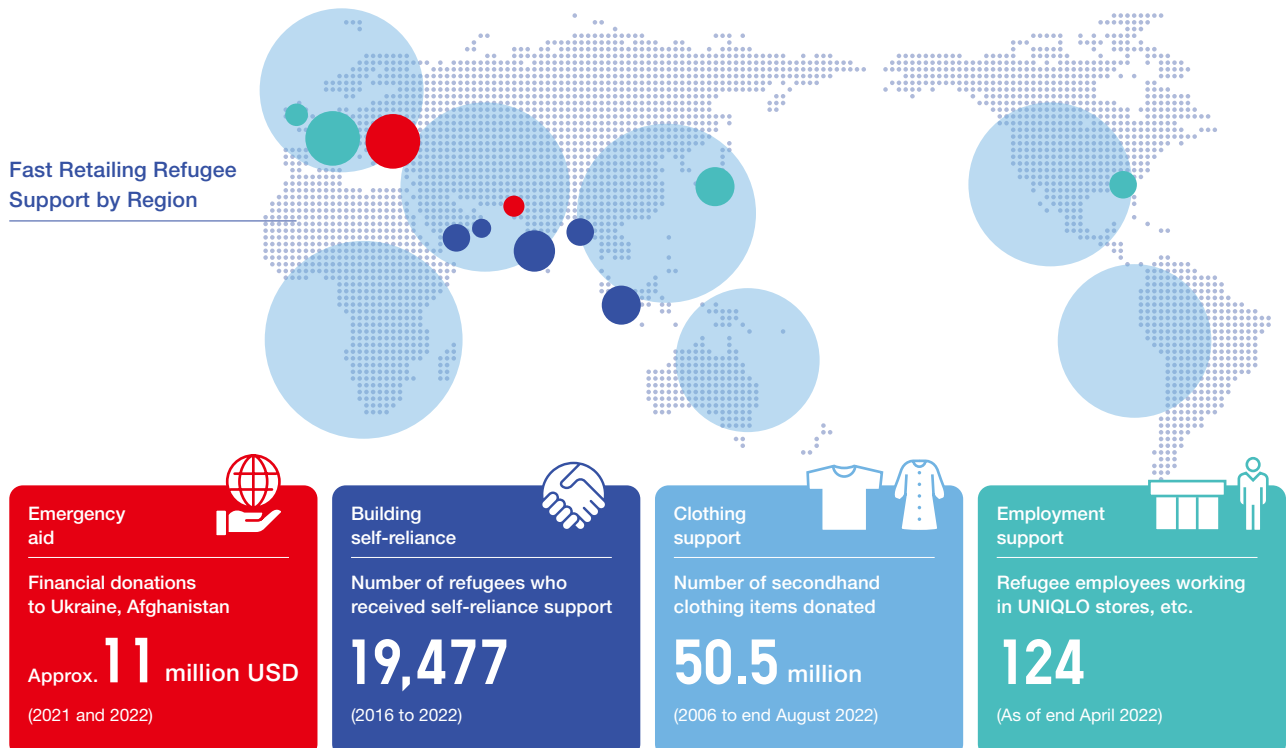


A refugee camp in Malawi



We hire refugees, mainly as store employees

### Fast Retailing Refugee Support by Region





## MATERIAL AREA

# 5 Support Employee Fulfillment

- ▶ Promote diversity and inclusion, focusing on gender equality; ethnicity and nationality; full participation of staff with disabilities; and improved LGBTQ+ understanding.
- ▶ Boost percentage of female managers to 50% by FY2030.
- ▶ Provide skills development and other educational programs. Develop employees with the skills to play an active role on the global stage.
- ▶ Create working environments worthy of our aim to become the world's safest and healthiest company.

## Diversity and Inclusion

Fast Retailing employs approximately 110,000 people worldwide. We implement measures tailored to individual markets so all employees can build their careers as they select the workstyle best suited to their particular stage of life. In Japan we promote career sessions and mentorship programs to empower women, with female managers acting as role models. In the United States, where child care costs are high and spots at day care can be scarce, we introduced a monthly child care allowance of up to 1,000 USD for full-time employees beginning in fall 2021. Women occupied 43.7% of Fast Retailing Group management positions at the end of FY2022. We aim to increase that to 50% by the end of FY2030 by strengthening initiatives in Japan in particular, where gender equality/empowering women is a major issue.

Global employees  
(as of August 2021)

**113,689** employees

Percentage of female employees across the Fast Retailing Group  
(at end of August 2022)

**68.7** %

Percentage of female managers\*

FY2022 **43.7** %

↓  
FY2030 **50.0** %



\*Management positions refer to block leaders and area managers in the sales department; store managers of a certain grade and above; and head office executive officers, directors, and managers.



## Learning About Corporate Culture and Principles From Senior Management

One of Fast Retailing's important values is to respect individuals and promote corporate and individual growth. The Fast Retailing Management and Innovation Center (FR-MIC) is an in-house human resource training organization that develops programs globally for everyone from our retail staff and store managers to management candidates. The object is to build Fast Retailing's future. Our FR Conventions, which are held twice a year, are attended by roughly 8,000 store managers and head office employees from around the world, both in person and online. We also hold local conventions in individual markets to foster a deeper sense of corporate unity.

Furthermore, we have created "direct sessions" that give individual employees the opportunity to learn directly from managers about Fast Retailing's values, including our commerce, management, and work philosophy, so that they can fully embrace and implement Fast Retailing's business standards. We use "Notes on Becoming a Manager" and "FR: In Spirit and Action" written by founder Tadashi Yanai to deepen understanding and to help employees embody the mindset, approach, and behavior expected of a Fast Retailing team member.



A direct session in progress



"Notes on Becoming a Manager" by Tadashi Yanai

### Message From Our Sweden and Denmark COO

#### A Company That Supports Vision and Drive

I joined the company in 2014 and six months later, I was the manager of a floor at the UNIQLO Paris Opera global flagship store. After I had become manager of the entire store, I started to learn a lot about store openings, and then became manager of the first store opened in Sweden in 2018.

I was subsequently appointed COO of Sweden then, two years ago, I was appointed COO of Denmark too.

The catalyst for all this was when I stood up at the 2016 FR Convention

and said I wanted to be COO of Northern Europe. I developed a clear goal as soon as I joined the company. The current COO in France helped me create a career plan and goals to achieve my target and my work as an area manager and my experience with new store openings proved a great help.

Fast Retailing is keen to support people who express a strong desire to contribute.

Going forward, I want to develop UNIQLO into the most popular brand for customers in Scandinavia.



**Nicolina Johnston**  
COO, UNIQLO Sweden and Denmark

## MATERIAL AREA

## 6

# Ensure Proper Corporate Governance

- ▶ Appoint a majority of external directors to the Board of Directors to strengthen its independence and surveillance capabilities.
- ▶ Promote swift, open debate and decision-making in individual committees that support the Board.
- ▶ Improved transparency and independence of the Nomination and Remuneration Advisory Committee.

## Board of Directors

Having a majority of external directors on the Board strengthens supervision of decision-making by the CEO and other executive officers. Our external directors offer diverse, high-level expertise as former senior managers of global companies and leading specialists in fields such as M&A, financial management, diversity, and ESG. They offer objective opinions that are reflected in important decisions. In FY2022, the Board discussed various topics including the approval of the fiscal year budget and financial results, our Global Brands strategy, the structure of the Nomination and Remuneration Advisory Committee, and the company's transition to the Tokyo Stock Exchange's new Prime Market segment. The Board met 13 times in FY2022, with 100% attendance by all directors and auditors. Fast Retailing conducts an annual survey of all directors and statutory auditors regarding the effectiveness of the Board. In FY2022, the survey highlighted issues regarding the way information is provided to external directors and the diversity of Board membership. The survey results were shared with all directors and auditors in a Board meeting held to consider improvements to the highlighted issues.

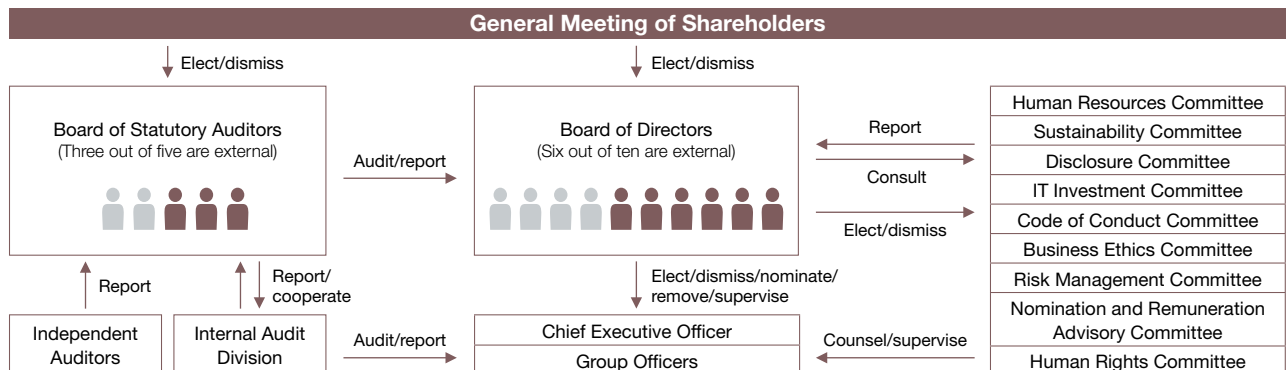
## Board of Auditors

The Board of Auditors, which supervises the execution of directors' duties, has three external statutory auditors with certified accounting or legal backgrounds and two full-time corporate auditors. The Board of Auditors balances the need for strong independence and strong information-gathering. It ensures transparent auditing, and members voice expert and objective opinions. The Board of Auditors met 14 times in FY2022 with 100% attendance.

## Internal Control

We aim to establish internal control systems wherever we operate by promoting full compliance, strengthening 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.

### Corporate Governance at Fast Retailing (As of November 25, 2022)





## Human Rights Committee

The committee advises and supervises the company so that it complies with the Fast Retailing Group human rights policy and conducts all business appropriately. It investigates human rights violations reported by stakeholders through hotlines, and provides advice and recommendations on remedial measures. It also provides advice and recommendations to individual business divisions on education and awareness-building activities, and the implementation of human rights due diligence.

In FY2022, the committee advised on and supervised action plans for future human rights initiatives, based on the results of working environment monitoring at production partners and factory hotline submissions.

## Sustainability Committee

The Sustainability Committee discusses how corporate activity and policy relate to environmental protection, respect for human rights, social responsibility, compliance, diversity, and other sustainability considerations. The content of discussions is shared with sales, marketing, production, purchasing, human resources, and other relevant departments.

In FY2022, the committee discussed global trends in the recycling of resources and information disclosure along with our social contributions and our efforts to engage customer participation in sustainability. It also offered guidance on the direction of subsequent activities.



A Human Rights Committee meeting in progress

## Nomination and Remuneration Advisory Committee

The discretionary Nomination and Remuneration Advisory Committee discusses important items relating to corporate governance (requirements and nomination policy for director and statutory auditor candidates, director remuneration policy, requirements of the chief executive officer, smooth succession planning, etc.) and advises the Board of Directors.

In March 2022, we changed the committee's composition to enhance transparency and independence. The committee is chaired by an external director and includes all independent external directors and some independent statutory auditors. We believe it is important to pass on Fast Retailing's corporate philosophy and spirit as key sources of corporate growth, and so President and CEO Tadashi Yanai also serves on the committee.

Composition of Committees (November 25, 2022)

● = 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		●							
External Directors	Koji Yanai		Chairperson							
	Nobumichi Hattori							●	●	
	Masaaki Shintaku	●			Observer				Chairperson	
	Naotake Ono								●	
	Kathy Matsui		●						●	●
	Joji Kurumado								●	
Standing Statutory Auditors	Yutaka Kyoya	●							●	
	Masaaki Shinjo	●		Observer	Observer		●			
	Masumi Mizusawa		●	Observer		●		Observer		●
External Statutory Auditors	Keiko Kaneko	●				●				●
	Takao Kashitani						●		●	
	Masakatsu Mori						Observer			
Group Officers and Other External Professionals		3	7	3	5	5	9	9	0	8

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

## Transparent Governance Discussion

DISCUSSION

## Implementing Highly Transparent Governance

Fast Retailing has enhanced the independence and supervisory functions of the Board of Directors and the Board of Auditors by making a majority of directors and statutory auditors external. We asked three of these external directors and external auditors about the kinds of governance discussions we are having.



External Statutory Auditor  
**Keiko Kaneko**



External Director  
**Masaaki Shintaku**



External Director  
**Kathy Matsui (Kathy Mitsuko Koll)**

**Many people ask about the selection guidelines for external directors: length of service, necessary skills, and so on. What are your views on this?**

**Kaneko:** I was most impressed at my first Board meeting by the free and open discussion that Company President and Chairman of the Board

Mr. Yanai encouraged. He said he wanted to hear everyone's opinion.

I have noticed that long-standing members sometimes make statements that reveal a deep understanding of how things were in the past. They may also use their detailed knowledge to speak about Fast Retailing's current growth stage; they know when business is slower and

what we need to be looking out for when that happens. Everyone has their own expertise and sense of pride as a manager or specialist, and you can't assume that external directors will sympathize more with management just because they have served for longer. Moreover, I think our firm grasp of the details and the background has allowed us to have deeper discussions, and that's a great advantage.

**Matsui:** Honestly, everyone spoke much more than I had expected. That really struck me. Any argument from President Yanai would spark a flurry of opposing views. I felt that this exchange in itself was true governance. President Yanai knows he doesn't have all the facts. He acknowledges opposing views, which is very reassuring. I felt that this Board truly does practice good governance.

**Shintaku:** The job of external directors is to provide the decision-makers with a range of information and to express opinions based on their professional perspective and experience. It is valuable for a company like Fast Retailing, which conducts business globally, to hear opinions based on a thorough understanding of how stores operate and what specific business happens within them on a daily basis. In our first year, we can see things with fresh eyes. After two or three years, we become more aware of the fundamental issues that need to be resolved, or the different avenues that may need to be

explored. As I continue to serve as an external director, my understanding deepens and I grow with the company. That enables me to provide meaningful advice. I think that's key.

**Matsui:** Recently, I evaluated the functioning of the Board of Directors, and I didn't write that everything was perfect. When I first joined, I felt we needed a more thorough briefing in advance on organizational structure and details of the company's business.

**Shintaku:** We all complete an annual questionnaire to evaluate the effectiveness of the Board, and we share our opinions on specific items. Considering everyone's responses and comments from this questionnaire helps us determine and develop our next steps.

**Kaneko:** One of the great things about Fast Retailing is that it makes decisions and acts quickly. If we feel something should be done either inside or outside the company, there is a system in place for frankly discussing how to proceed and reaching a speedy conclusion. If the

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## KEIKO KANEKO

External Statutory Auditor  
**Keiko Kaneko**

Appointed External Statutory Auditor of  
Fast Retailing Co., Ltd. in November 2012.  
Partner at Anderson Mori & Tomotsune LPC;  
Statutory Auditor at UNIQLO CO., LTD.; External  
Auditor at The Asahi Shimbun Company;  
External Director at Daifuku Co., Ltd.





executive team is unsure about a particular decision, President Yanai will listen to various opinions in Board of Directors meetings, facilitating a prompt discussion and an effective governance check.

**Shintaku:** Yes, this process is fast compared to other companies.

**Matsui:** It definitely is.

**Interest in the company's succession planning is intense. What can you share with us about the current discussions on that topic?**

**Shintaku:** Our executive system evolves year by year. The number of senior executive officers is increasing rapidly with the promotion of eligible employees. We now have a group that can function as the core of our future management. UNIQLO's traditional system of management by one charismatic leader is already changing. Our global headquarters, individual markets, and brands are fully organized.

Going forward, the current executives will form a team that guides operations. Eventually, someone will become the new leader and the

team can be expected to rally behind that person.

**Matsui:** I started participating in this discussion in November 2021, so my experience is limited, but as Mr. Shintaku said, I feel we are preparing frameworks that can maintain proper sustainable growth for the company going forward. Human resources are everything, and I truly feel that the company is amassing substantial talent at every level.

**Kaneko:** Not every discussion has a direct bearing on future frameworks, but our major agenda items always relate to some extent to the succession issue. Many key agenda items concern human resource systems, organizational restructuring, new departments, and future systems. It is clear to me that people are conscious of next-generation needs when making proposals on these matters.

**Shintaku:** We already have a solid basis for our next framework. We have many experienced directors, and so we are able to have good discussions about issues that people genuinely support. It is more important to talk about how we do something than who does it. Simply put, the best-qualified person at the time should take on the top leadership role.



## MASAAKI SHINTAKU

External Director

**Masaaki Shintaku**

Appointed External Director of Fast Retailing Co., Ltd. in November 2009. Also serves as External Director at NTT DOCOMO, INC. and NTT Communications Corporation. Previously Executive Vice President of Oracle Corp. (US) and Chairman of Oracle Corp. (Japan).

External Director  
**Kathy Matsui**  
(Kathy Mitsuko Koll)

Appointed External Director of Fast Retailing Co., Ltd. in November 2021. Serves as Councilor of the Fast Retailing Foundation. Worked as a partner and then Vice Chairperson at Goldman Sachs Japan Co., Ltd. Coined the term “Womenomics” in 1999. Founded MPower Partners Fund L.P. in May 2021.

## KATHY MATSUI

**The Board of Directors plays an important role in succession planning. What path should Fast Retailing be taking?**

**Kaneko:** The great thing about Fast Retailing is that it doesn't approach things through formal discussions with lots of strict prerequisites. Any discussion of the composition of the Board, for example, should start by considering what human resources and viewpoints are needed to support the company's current status and future growth. Fast Retailing doesn't follow general assumptions about what constitutes a favorable Board composition, but rather considers which human resources and systems are needed for the company's future aims and direction.

**Matsui:** Fast Retailing's growth is shifting overseas. The company is already globalizing its internal systems, but we need to do even more to improve human resources and other functions. I work in ESG. The UNIQLO and Fast Retailing brands, with LifeWear and other strategies for promoting sustainable societies, have great potential, but they will undoubtedly need to overcome numerous hurdles, from regulations to macro-level risks. It is important to have the necessary structure in place, and to be flexible.

**Shintaku:** Employees who are leadership candidates have the opportunity to make presentations to us in Board meetings, expressing their ideas and sharing their opinions.



These opportunities help us simulate potential succession frameworks that include a particular person or team. I think the time will come for us to discuss and determine what the next management framework will look like. When that happens, President Yanai will give his opinion as a major shareholder, and the Board of Directors will receive proposals from the Nomination and Remuneration Advisory Committee. The actual framework will be approved and decided through that process. The human resources involved may well change significantly each time we discuss the topic, because our employee base is growing rapidly and our pool of human resources is deepening accordingly. President Yanai thinks carefully about the path ahead, so I am personally comfortable knowing he will be leading the process. Our role is to monitor whether a candidate is the most appropriate choice, and whether this person can be part of a smooth transition.

## Messages from Our Directors



**Tadashi Yanai**

### Create a More Sustainable Society, Drive Corporate Growth Through LifeWear

Changing clothes. Changing conventional wisdom. Change the world. I strive to realize transparent management based on our corporate statement, and to deliver clothing happiness and joy to people worldwide through LifeWear (ultimate everyday clothing). I want us to grow into an even better company by pursuing the sweeping corporate transformation laid out in our Ariake Project in order to achieve a sustainable society.

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.



**Nobumichi Hattori**

External Director

Independent Director

### Manage Global Risks, Support Best Practices for Increasing Corporate Value

I believe the best way to increase shareholder value is to objectively judge how capital markets perceive Fast Retailing's corporate value. I intend to conduct firm global risk management and offer advice from a broad range of perspectives that will ensure Fast Retailing continues to fulfill the market expectations of a well-respected company that is anticipated to continue its strong growth in the future.

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 Hakuhodo DY Holdings Inc.



**Masaaki Shintaku**

External Director

Independent Director

### Promote Digital Consumer Retailing, Support Further Advancement

We invested efficiently in transforming the IT systems that now support Fast Retailing operations, earning us a strong reputation for the successful utilization of IT. Fast Retailing is transforming into a digital consumer retailing company and accelerating its efforts to analyze data and acquire knowledge. We are attracting more exceptional employees and building frameworks for the next stage of growth. The Board is contributing in every way it can.

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





**Naotake Ono**

External Director

Independent Director

## Emphasize Useful Information From the Front Line

As a senior manager, I believed front-line operations were important, and I still do. By visiting stores, listening to front-line opinions, and getting firsthand experience as an individual consumer, I can discover and propose business improvements. The Board is well balanced and diverse. Everyone exchanges lively opinions and President Yanai is always open to new ideas. I will continue to make proposals that prioritize our on-the-ground operations.

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.



**Kathy Matsui (Kathy Mitsuko Koll)**

External Director

Independent Director

## Leverage Growth-driving Diversity, Create New Role Models

As Fast Retailing's first female external director and first director who is not a Japanese national, I can offer a variety of different ideas. Mr. Yanai is knowledgeable and experienced in ESG matters, so he shares my view that diversity is a driver of growth. I want to work even harder to create organizational frameworks to promote diversity. Nurturing role models who promote "Womenomics" is part of that effort.

Appointed November 2021. Worked as a partner and then Vice Chairperson at Goldman Sachs Japan Co., Ltd. Currently serves as Councilor of the Fast Retailing Foundation and General Partner of MPower Partners Fund L.P.



**Joji Kurumado**

External Director

Independent Director

## Draw Future Scenarios and Promote Innovation

My experience in the construction industry has taught me to take environmental action now without delay. Why? Because buildings are made to last. We must take appropriate action today to balance profit and sustainability across a range of future scenarios. I want to support such innovation as a director here at Fast Retailing.

Appointed November 2022. In January 1982, received Japanese First-class Architect certification. Served as General Design Manager, Executive Officer in Charge of Design, and Managing Executive Officer at TAKENAKA CORPORATION. Currently, Advisor to TAKENAKA CORPORATION and part-time teacher in the Department of Architecture, School of Creative Science and Engineering, WASEDA University.



**Yutaka Kyoya**

External Director

Independent Director

## Maximize Growth Potential by Emphasizing Medium/Long-term Perspectives

I have worked for many years in the food industry, and so the idea of LifeWear as a daily necessity resonates with me. I worked for 12 years in the U.S. and Asia and gained experience as a global manager. I want to use that knowledge both to fulfill my responsibilities as an external director and to emphasize perspectives that could improve the company's medium/long-term corporate value. My overarching mission is to maximize Fast Retailing's growth potential.

Appointed November 2022. Formerly Director at Lawson, Inc., and COO of Foods (Commodity) Division and Executive Vice President & Group CEO of the Mitsubishi Corporation Consumer Industry Group. Currently Representative Director, President, CEO, CSO and CHO of Mitsubishi Shokuhin Co., Ltd.



**Takeshi Okazaki**

For the next stage of its development, the Fast Retailing Group must accelerate globalization and digitalization and invest in human resources and business infrastructure. It is vital to grasp what is happening on the ground and undertake realistic management. As a management supervisor and executive, my aim is fair and proper management that steadily enhances our corporate value.

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**

We must use global talent and resources to make the world a better place and further strengthen our company. I help people understand our corporate philosophy and share our honest belief that individual growth leads to corporate growth and a better future. As a director and member of the founding family, I will strive to meet expectations as our company continues to grow.

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 positions: Chairman, Theory LLC and UNIQLO USA LLC; Group Senior Executive Officer, Fast Retailing Co., Ltd.



**Koji Yanai**

Uncertainty is sweeping through the world. Conflicts are increasing refugee numbers and pushing up resource and raw material prices. The business environment is becoming increasingly competitive. We are working even harder to develop high-quality communication with stakeholders. As a director, I will focus on guiding our company along the correct path, while prizing our people.

Appointed in November 2018. Joined Fast Retailing in September 2012 after working at Mitsubishi Corporation's food subsidiary Princes Limited, UK. Currently Group Senior Executive Officer, Fast Retailing Co., Ltd.

## Auditors



**Keiko Kaneko**

External Statutory Auditor

Independent Director

It is important that the external statutory auditors of a swift, effective company such as Fast Retailing support the company's growth opportunities while also offering risk-mitigating advice from multiple perspectives. I will do my utmost to conduct vigilant reviews and strengthen corporate structure.

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



**Takao Kashitani**

External Statutory Auditor

Independent Director

The harsher the opinion, the more attentively President Yanai listens, so auditors and directors can freely conduct open-minded discussions. With over 30 years' experience as a corporate restructuring consultant, accountant, and tax expert, I can advise on these matters and also offer suggestions on various issues that go beyond my external auditor remit.

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

Fast Retailing's mission is to grow in harmony with society. Is the decision-making process appropriate? Is the company's economic and social value consistently increasing? What risks hinder the realization of the company's business plan? It is my job to look into these matters and strengthen global governance.

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



**Masaaki Shinjo**

Standing Statutory Auditor

Appointed November 2012. Joined Fast Retailing in February 1994 (served as General Manager of Group Auditing, Statutory Auditor at G.U. CO., LTD., General Manager of Sales Support Management Division at UNIQLO CO., LTD.), Auditor at FAST RETAILING (CHINA) TRADING CO., LTD. and at four subsidiary companies.



**Masumi Mizusawa**

Standing Statutory Auditor

Appointed November 2019. Joined Fast Retailing in October 2001 (served as General Manager of Investor Relations, Global Corporate Management and Control). Auditor at LINK THEORY JAPAN CO., LTD.