



# FAST RETAILING CSR REPORT 2012

## Fast Retailing: Working With Communities Around the World

Rapid globalization is opening up a world of exciting opportunities. Innovative communication technologies, particularly the Internet, are removing the boundaries that once separated nations and people, and the world is increasingly becoming more interconnected. People throughout the world can now compete globally in a number of different ways. The modern world also offers enormous potential for personal growth, and success largely depends on one's efforts and abilities.

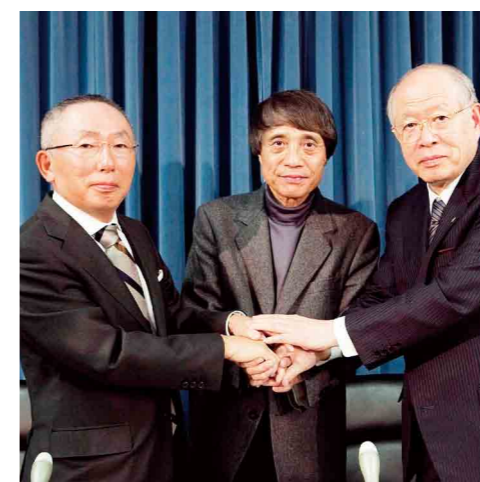
In line with this shift to an increasingly interconnected global economy, a thriving middle class is now emerging in the developing world for the first time in history, even in the world's poorest countries. Several billion people – most of them in rapidly developing nations such as China, India, Brazil and Indonesia – are expected to join the growing ranks of the middle class in the coming years.

The world is merging into a single market, where business is no longer limited by national borders. This new sense of freedom raises questions about what the world expects from companies. The answer is clear: to benefit society.

We must actively express our identity as a company and clearly communicate the purpose of our business, as well as the role we play in every country and region in which we operate. These are the fundamental questions that should underpin a multinational corporation's corporate social responsibility (CSR) program. And this is why it is of the utmost importance for a company to be accepted by society in every country where we conduct business.

CSR and business are inseparable, just like the two wheels of a bicycle. Any company that does not fulfill its responsibility to society cannot continue its business, but a business cannot conduct CSR activities if it is unable to generate profits. Furthermore, CSR activities are meaningless unless they are sustainable, so they must be grounded in the company's core business, while still remaining unique to the company.

At Fast Retailing (FR) we are striving to improve people's lives by changing society for the better, through the value of clothing. This is why we are pursuing a CSR strategy that is in line with our core business philosophy: "Changing clothes. Changing conventional wisdom. Change the world." As a global company in an increasingly borderless world, it is our duty and our mission to fulfill these aims.



**Tadashi Yanai**  
Chairman, President and CEO  
Fast Retailing Co., Ltd.

## An Innovative Global Partnership: FR and the United Nations High Commissioner for Refugees

There are approximately 43 million people throughout the world today who have been forcibly displaced due to armed conflicts, political persecution and various human rights violations. The tragedy of the Great East Japan Earthquake and the subsequent tsunami on March 11, 2011 also reminded us that we live in a world in which natural disasters often end up forcibly displacing large numbers of people.

One of the most difficult challenges the world currently faces is determining how to prevent violent conflicts and disasters, while responding to the needs of victims and mitigating the impact of human displacement. The United Nations High Commissioner For Refugees (UNHCR), which oversees the protection of refugees, works with a wide range of donors and partners, including civil society organizations and private-sector entities, to provide humanitarian assistance to forcibly displaced people.

Japan is playing a key role in supporting refugees across the world through its emphasis on human security and peacebuilding. Japanese NGOs (Non-Governmental Organizations) work as UNHCR partners in a range of field operations. And I am very pleased that Fast Retailing Co. Ltd. (FR) and the UNHCR finalized a Global Partnership Agreement in 2011. It is the first such agreement with a Japanese company and I believe that it serves as an innovative CSR model.

Since 2006, more than 3 million articles of clothing have been distributed through the All-Product Recycling Initiative to refugees in 15 countries. The provision of quality clothing to refugees is a fundamental but easily overlooked concern. Clothing allows children to go to school and enables girls and women to seek work opportunities and interact in the larger community without being harassed.

The All-Product Recycling Initiative also helps to raise people's awareness for refugees, as it gives FR customers around the world the opportunity to learn about their particular needs. It also provides customers the chance to make a difference in the lives of individual refugees through clothing donations. I am pleased that this program is being expanded to FR Group stores, particularly UNIQLO locations in other countries, making this a global partnership in the truest sense.

In addition, this partnership gives FR staff members an opportunity to directly work with the UNHCR. In 2011, the first FR employees joined the UNHCR's operations in the Damak refugee camp in Nepal, which was providing shelter to some 90,000 refugees for a 5-month period. Today FR staff continue to distribute clothing and share expertise in setting up income-generating projects. At the same time, in Japan qualified refugees have the opportunity to work as interns and receive job training at UNIQLO stores.

I hope our unique partnership with FR will continue to expand globally and serve as a creative bridge between the business world, refugees and the UNHCR, because one refugee without adequate clothing is one too many. Do 1 thing.

A Message  
from  
Our Global  
Partner



**António Guterres**  
United Nations  
High Commissioner for Refugees

António Guterres became the 10th UNHCR in June 2005, and is now serving his second term. He is the former prime minister of Portugal (1995-2002). He is also the former president of the Socialist International and former president of the European Council. Mr. Guterres founded the Portuguese Refugee Council and was born in Lisbon, Portugal.

## Solid Global Partnerships, High Production Standards

FR is determined to make the world a better place by connecting the aims of its CSR program to its supply chain, employees and production partners, as well as the communities throughout the world in which it does business

In 2008, the FR Group established the FR Way, its corporate philosophy, based on the following statement: "Changing clothes. Changing conventional wisdom. Change the world." In other words, FR's goal is to enrich people's lives and benefit society globally by providing truly great clothing.

The FR Way provides a critical framework through which the Group can uphold its promises to society. These commitments mean FR must focus on the interests of its customers, business partners, employees, shareholders and investors, as well as the communities in which it conducts business.

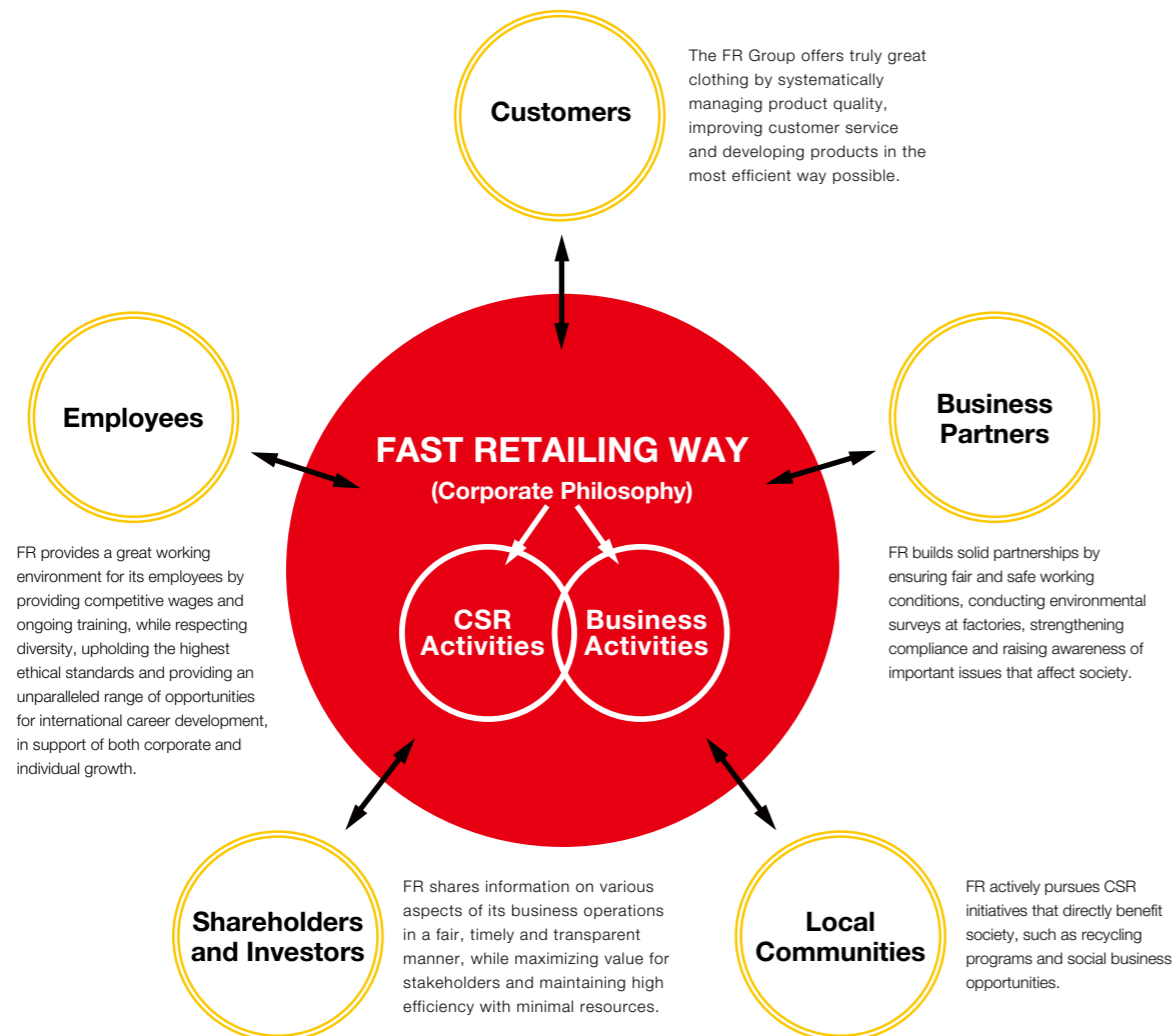
FR fulfills these responsibilities by emphasizing the quality of its apparel and maximizing efficiencies across its supply chain. The Group is establishing long-term production partnerships throughout Asia to ensure safe, comfortable factory environments, while upholding the world's strictest labor standards, ensuring the fair payment of wages and minimizing the environmental impact of all manufacturing operations.

The FR Group also invests in people who work at its retail operations throughout the world by providing staff training and ongoing career support. By so doing, all individuals throughout

the FR Group can grow while building a global company that truly cares about the world.

FR actively engages with the communities in which it does business by recycling clothing, working with the refugee agency of the United Nations to donate apparel to people in need and protecting the environment in cooperation with NGOs. The Group also develops talent through its innovative management training program and helps individuals gain business skills while earning their own incomes through a range of social business initiatives.

FR also shares information on various aspects of its international operations to ensure transparency and maximize value for investors and other key stakeholders. The Group upholds its commitment to society by basing all of its decisions and actions on the FR Way, and refuses to compromise on these aims or its emphasis on compliance. FR is building efficient management systems, backed by an appropriate system of checks and balances, to establish fair corporate governance practices and an active dialogue with stakeholders, in line with its adherence to the strictest ethical standards in global business.



## FR Way (Corporate Philosophy)

<b>Corporate Statement</b>	Changing clothes. Changing conventional wisdom. Change the world.
<b>Group Mission</b>	<ul style="list-style-type: none"> <li>To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes</li> <li>To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society</li> </ul>
<b>Values</b>	<ul style="list-style-type: none"> <li>Approaching issues from the customer perspective</li> <li>Embracing innovation and challenge</li> <li>Respecting and supporting individuals to foster both corporate and personal growth</li> <li>Committing to ethical standards and correctness</li> </ul>
<b>Principles</b>	<p>Inspired by the FR Group mission and our values, we will:</p> <ul style="list-style-type: none"> <li>Do everything possible for our customers</li> <li>Pursue excellence and aim for the highest possible level of achievement</li> <li>Achieve strong results through the promotion of diversity and teamwork</li> <li>Move speedily and decisively in everything we do</li> <li>Conduct business in a very real way based on the current marketplace, products and facts</li> <li>Act as global citizens with ethics and integrity</li> </ul>

## FR CSR Statement

### Making the world a better place

FR seeks to enrich the lives of people around the world by pursuing the most innovative ways to do business in the retail apparel industry. The Group consistently works to make the world a better place and strives to conduct business in an ethical manner.

## UNIQLO Clothing: FR's Core Business

The FR Group's corporate mission is to enable people all over the world to experience the joy, happiness and satisfaction of wearing truly great clothing. UNIQLO, FR's core apparel business, aims to create clothing that is truly "MADE FOR ALL." UNIQLO defines its clothing as follows:

Uniqlo is the **elements** of style.

Uniqlo is a **toolbox** for living.

Uniqlo is clothes that suit **your values**.

Uniqlo is how the **future** dresses.

Uniqlo is **beauty** in hyperpracticality.

Uniqlo is clothing in the **absolute**.

**UNIQLO MADE FOR ALL**



## How FR Creates Truly Great Clothing

The FR Group works closely with its partner factories to achieve the world's highest clothing production standards. Their efforts include minimizing product defects and maximizing efficiency through strict inspections. FR ensures that its partner factories provide safe, proper working environments, while upholding ethical standards through regular auditing and maintaining a dialogue with its international partners.



## FR's partnerships in emerging markets are nearing a turning point as it expands its retail and production operations, particularly in China

As the FR Group rapidly globalizes its manufacturing and retail operations, the cooperative framework it has established with its international production partners is evolving. China's labor market is rapidly changing as its economy matures, presenting a shifting set of CSR challenges for FR to address through workplace monitoring, on-site technical guidance and efficient production planning. FR is deepening its presence in emerging markets – in 2011, the Group opened a new Shanghai Production Office, for example – and is increasingly focusing on long-term initiatives that directly benefit society, rather than solely conducting profit-oriented business activities.

### Strong Partner Relationships: FR's Greatest Assets



Shenzhou International Group Holdings Ltd., a major FR Group production partner, is based in the port city of Ningbo, in China's Zhejiang Province. The company is just one of about 70 factories throughout Asia that produce clothing for UNIQLO, as the FR Group also maintains production relationships with facilities in countries such as Vietnam and Bangladesh. FR truly cares about its production partners, which is why it works with fewer factories than many other globally focused specialty store retailers of private label apparel, or SPAs\*.

"FR places a lot of importance on its production partners," says Jianrong Ma, the chairman and executive director of Shenzhou International. "The people at FR are always thinking about how they can grow with us over the long term."

Ma adds that he appreciates how FR staff work with his factories on site to identify potential problems in advance. "They work hard to tackle issues with us at the factories, to produce higher-quality products more efficiently, and I respect that."



The FR Group believes that its partnerships should be long-term, cooperative relationships based on trust. For example, UNIQLO sends teams of textile experts, known as *takumi* in Japanese, to directly work with its production partners in support of these aims. These industry veterans typically have a wealth of experience in either dyeing or sewing. The *takumi* team provides on-site technical guidance, assists with process and labor management and improves the development of human resources by teaching local workers the most innovative sewing and dyeing techniques. The ongoing efforts of FR and its partners to raise overall technical expertise at production sites, while also improving management efficiency and enhancing product competitiveness, are all aimed at ensuring the world's highest standards in clothing production.

\* SPAs are companies that are involved in every aspect of their business operations, from material procurement, product planning, development and manufacturing to distribution, sales and inventory management.



**Jianrong Ma**  
Chairman and Executive Director  
Shenzhou International Group  
Holdings Ltd.



**Dennis S. W. Wong**  
Executive Director  
Crystal Group Co., Ltd.

### China's Changing Labor Environment



Living standards are dramatically improving for many people in both urban and rural China. FR's production operations throughout the country provide safe, reliable employment at competitive wages. FR actively responds to the changing needs of individual workers in China's rapidly maturing labor market, in close cooperation with the management teams at each partner factory.

The FR Group is pleased to play a role in creating valuable employment opportunities in support of China's ongoing social and economic development. FR believes that companies must take responsibility for responding to the changing environment through close dialogue with its production partners.

"The way people view the idea of work has completely changed over the past 10 years," says Dennis S. W. Wong, executive director of Hong Kong-based Crystal Group Co., Ltd. "As employees' lives improve, they want more personal time."

Chinese workers are increasingly demanding better working conditions. FR avoids subjecting staff at its partner factories to excessive overtime hours by reassigning output to other factories when workloads become unmanageable, deliberately placing orders during off-peak production periods and

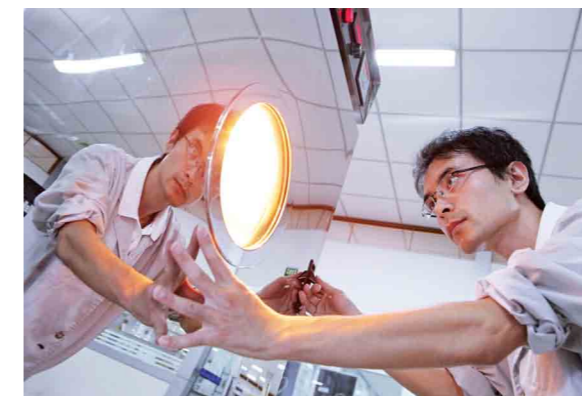


extending production deadlines as necessary. By ensuring optimal production efficiency, the FR Group actively improves the day-to-day lives of the workers who produce its world-class apparel.

Success boils down to close cooperation, Wong says. "We cannot respond to tighter delivery deadlines by simply adding overtime shifts," he says. "So we ask FR to do things for us such as staying consistent on deadlines and volumes, while planning orders more effectively. We want to actively respond to social demands through further cooperation with FR, which is why our factory managers need to increase production efficiency and create products with high added value."

The lifestyles of individuals who work for FR's production partners in countries such as China are changing, as people place growing importance on the quality of their lives, rather than just their incomes. In short, awareness of labor issues is growing quickly. "It's difficult to make our staff work overtime or on holidays," Ma says. "If you push people, they'll just leave the job. This is why the efforts of management are key. We need to constantly raise employee skill levels through training, while sticking to our production plans as strictly as possible."

The FR Group will continue to strengthen its production operations in China. For that purpose, FR is closely cooperating with its partners to establish comfortable working environments for factory staff, such as by ensuring that order times and volumes are always consistent. FR is also globalizing its operations and ramping up production volumes by building manufacturing bases outside of China, in collaboration with its major Chinese production partners. The FR Group has already launched production in Vietnam, Cambodia and Bangladesh.



## FR's global production operations expanded significantly in 2011 with the establishment of its new Shanghai Production Office in September

### Centralized Production and R&D: Improving the Efficiency of Fast Retailing's SPA Business Model



The transfer of the rest of FR's production and R&D (research and development) operations from Tokyo to Shanghai is contributing to greater efficiency across all aspects of its SPA business model, via closer on-site cooperation with its production partners throughout East and Southeast Asia. By concentrating its production and R&D activities in Shanghai, the FR Group has firmly laid the foundations for innovation and will also further reinforce the FR Group's oversight of its production partners.

In line with these developments, FR continued to maximize the efficiency of its SPA business model in 2011, particularly in how it obtains materials, develops products, plans orders and manages inventory. Now that FR's manufacturing operations and R&D activities are centralized in Shanghai, the company can continually refine its products while ensuring greater efficiency. Closer geographical proximity to its China-based production partners allows FR to actively reduce waste and make faster, better-informed decisions during the product planning stage, as its production and R&D staff can now regularly collaborate on site with partner factories to directly discuss matters such as designs, materials and production methods.

UNIQLO, the FR Group's core brand, is based on an SPA model spanning every aspect of its business operations, from planning to manufacturing and sales. Now, with the Shanghai production and R&D hub firmly established, the FR Group can continue to leverage the advantages of its SPA structure in 2012 and beyond, by flexibly adjusting production volumes in real time, based on sales.

#### UNIQLO's R&D Process

UNIQLO has an R&D Department that oversees the development of new products by continuously researching the world's latest styles, market trends and materials to produce innovative



design concepts. Its designers and pattern makers create multiple design samples to match with their initial concepts. This information is then shared with merchandisers, who coordinate and plan products, designs and materials\* with the core design concepts for each season. The merchandisers determine commodity composition each season, while continuously adjusting production volumes as necessary.

UNIQLO's Production Department, meanwhile, manages output according to decisions made by the merchandisers. However, the department also works closely with the R&D team before production starts by cooperating to ensure that finished samples are of the highest quality. After the production process begins, the Production Department manages delivery times and ensures quality, while supporting the development of human resources in partner factories through close communication. UNIQLO currently has production offices in Shanghai and Shenzhen (China), Ho Chi Minh City (Vietnam) and Dhaka (Bangladesh), staffed by 250 employees, including the company's *takumi* textile specialists. FR staff visit partner factories on a weekly basis to help resolve different issues on site with management and staff.

\* UNIQLO carefully considers animal welfare in sourcing materials and does not use down harvested from live birds, for example. The company is aware of the controversy over the mulesing method of collecting wool, in which strips of flesh are removed from the sheep, primarily to prevent *myiasis* infections involving parasitic fly larvae. UNIQLO continues to discuss this issue with its business partners, production groups and the general public in pursuit of better solutions to ensure an ethical sourcing of all of its materials.

**Shigeru Ikeda**  
Team Leader  
Shanghai Office, Shenzhen Branch  
UNIQLO Merchandising Headquarters  
Production Department



### Product Development and Manufacturing

FR started to shift its production and R&D departments from Tokyo to Shanghai in November 2010. This transfer was completed in September 2011. As a result, FR can now more efficiently handle material procurement, oversee designs, manage ordering and lead the production process, because it is closer to the factories of its production partners.

"Products have characteristics, such as dignity and integrity, that cannot be expressed by numbers or specifications. These qualities only arise through face-to-face discussions with the products and materials on hand," says Shigeru Ikeda, team leader of the Shanghai Merchandising Headquarters Production Department in Shenzhen. "We have established a structure under which all staff involved in manufacturing come together in Shanghai to create products with FR's local production partners. No other SPA, including the major international brands, has managed to do this, and I am confident that it will help to dramatically improve the competitiveness of our products."

FR's partners in China welcomed the move, because both sides will be able to improve the efficiency, quality and speed of production.



**Yukihiko Nitta**  
Group Officer, CSR  
Fast Retailing Co., Ltd.



**Norihiko Horio**  
Vietnam/Cambodia Office Director  
UNIQLO Production Department



**Kei Okutani**  
Bangladesh Office Director  
UNIQLO Production Department

### Safe Working Environments in Vietnam, Cambodia

Vietnam and Cambodia are key elements in the FR Group's "China plus one" strategy, under which the company is actively expanding its production operations into other emerging markets, which is creating new, safe factory jobs beyond China's borders. Consumer spending in these countries continues to grow in line with sharp increases in foreign investment, as well as rising incomes. Vietnam and Cambodia are becoming increasingly important to the FR Group with each passing year, and the company has been focusing on expanding its production operations in both countries. FR has ensured that its Vietnamese and Cambodian production partners are highly aware of the value and importance of the company's CSR initiatives, including its efforts to provide better working environments. Its partners in these countries are working on a wide range of initiatives, such as introducing air conditioning and air-circulation systems in factories, in order to create working environments that are comfortable for everyone.

### FR's CSR Framework

In 2011, the FR Group continued to strengthen its CSR framework by sending more of its staff to work directly with its production partners. CSR Department staff also now have more opportunities to visit FR's partner factories, further strengthening the FR Group's CSR program by establishing more communication channels through which to identify problems and jointly uncover solutions to the various problems that factories face.

"It's important that our production partners understand that their CSR efforts benefit them," said Yukihiko Nitta, the FR Group officer in charge of CSR. "They increase the appeal of factories for workers, which helps us to recruit outstanding personnel and ensure stable employment."

FR monitors factories according to a set of clearly defined policies, but the aim of strict monitoring is not simply to identify problems. "The CSR Department does not simply analyze current conditions," said Naomi Tanaka, a supervisor in the CSR Department. "Its role is to work with our partners to resolve the problems they're dealing with on site, in order to ensure mutual growth by implementing the solutions we identify."

### Production Potential, Economic Expansion

Bangladesh holds enormous potential, as it is home to approximately 150 million people, many of them young. The apparel sector, which accounts for 80% of Bangladesh's exports, is the country's main industry, and one that employs a high number of skilled individuals. Bangladesh is also an extremely important country for the FR Group, which continues to establish partnerships with local factories that understand and value its standards. The company needs partners who can steadily improve quality and jointly develop new products.

Bangladesh has given the FR Group a warm welcome, but it is changing rapidly. This is why the country provides an ideal platform on which FR can continue to pursue its business and CSR goals, through innovative, long-term initiatives that directly help to make the world a better place.

## FR's production partnerships are profoundly changing as the development of its global operations accelerates

### Regular Inspections of Factories

UNIQLO, the FR Group's core brand, works with third-party entities to accurately monitor factory environments. The company follows the world's strictest safety standards, particularly the rules in countries and regions such as the U.S. and the European Union. It has incorporated these rules into the UNIQLO Global Quality and Safety Standards, which its business partners must follow. In 2004, the FR Group also established its Code of Conduct (CoC) for Production Partners. Since that time, FR has monitored its partner factories through third-party entities. In 2008, FR revamped its factory-monitoring criteria and fully implemented its new guidelines from 2009.

The CoC includes a wide range of environmental protection guidelines. In 2010, FR established rules for the textile factories

it works with that are similar to the environmental standards it uses for sewing factories. The Group now monitors these facilities, which produce fabrics and materials, through third-party entities to stay on top of issues such as the management of wastewater, waste and chemicals.

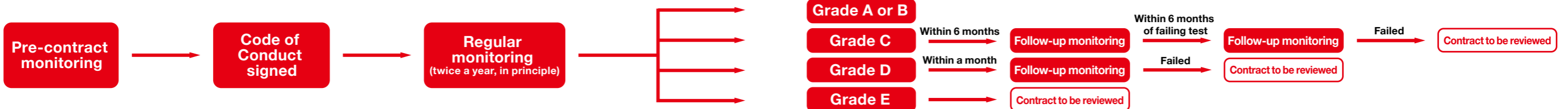
Based on these inspections, FR employees directly provide factories with the guidance they need. If a factory fails to meet the company's standards, FR employees and external entities work together to conduct follow-up inspections. It is not solely up to the factories to respond to the results of these inspections. Rather, FR employees investigate the problems at each production site and then develop and implement measures for improvement with the factories in question.

### Advance Monitoring, Self Evaluations

FR conducts pre-contract monitoring at all potential production partner facilities, to determine whether it can start doing business together beforehand. The company's rules state that it can only form business relationships with factories that meet its standards. As the FR Group continues to clarify and refine its standards, it relies on pre-contract monitoring to streamline the partnership process, while allowing it to easily identify new production partners and promote mutual growth.

FR has developed a checklist so its partner factories can


independently pursue its CSR goals by self-evaluating their working conditions. In 2010, FR started distributing the checklist to its partner factories. This checklist, which articulates the most important aspects of the company's CSR platform, is helping FR to ensure safe, appropriate working conditions by encouraging its production partners to take action on their own. This initiative highlights an important element of FR's approach, under which it conducts factory inspections not to solely point out problems, but to clarify its future direction and create better products.




**Pre-Contract Monitoring**  
Pre-contract monitoring is conducted to determine whether FR can establish a business relationship with a given factory. The procedures and criteria for these evaluations are essentially the same as those used for regular monitoring, with additional emphasis on particularly important matters of concern, such as violations of child labor laws.



**Regular Inspections**  
FR employees and external auditors monitor working conditions on site at FR's partner factories. This usually starts with a first, initial meeting, followed by factory inspections and tours of related facilities such as cafeterias and dormitories. FR also interviews factory workers and ensures that all required documentation is in order. Monitoring concludes with a wrap-up meeting, during which the auditors confirm their findings with factory representatives and solicit feedback on important areas that require improvement.



**Factory Grading System**  
FR evaluates factories according to a five-tier system, from A to E (for more details, please see page 34). For highly unethical or serious offenses, such as the use of child labor and/or falsified reporting, factories are given E grades and FR immediately reviews its contracts with the facilities in question. The FR Group also takes a firm approach with factories that receive C or D grades, by providing guidance on how to improve. FR then conducts follow-up evaluations to ensure results, and if the company finds that key problems have not been resolved, it immediately reviews its contract with the factories in question.

When the FR Group identifies serious violations of its standards, it sends CSR Department staff members on fact-finding missions and reviews the contract of the partner company in question. FR only makes final decisions after considering the business conditions at the facility under review and the local employment situation. FR then works with the company in question to prevent problems from recurring and reassess the partnership contract. If the partner factory makes the necessary improvements, the FR Group then considers whether to continue the working relationship according to the original contract.

### Workplace Monitoring Results, 2011

In fiscal 2011, the FR Group monitored working conditions at 188 factories, up from 174 factories in fiscal 2010.

- Six factories received A grades, 66 received B grades, 91 received C grades and 25 were given D grades. The percentage of factories with D grades fell from 23% to 13% over the course of one year, due to improvements made to inadequate emergency exits and other violations.
- Among factories given C or D grades, some had violations that could be improved immediately, while other factories had the breach of FR standards that required more serious action. Examples of such problems included excessive overtime hours, too many consecutive working days and poor attendance records. At the latter type of factory, there was also a recurrence of the same violations that had been dealt with in the previous fiscal year.

As a way to further improve the working conditions at factories, the FR Group will implement the following actions:

- Thoroughly implement pre-contract monitoring and self-evaluation practices.
- Repeatedly inform its production partners about FR's standards to ensure proper understanding of them.
- Identify issues specific to each factory and encourage the facilities in question to resolve outstanding issues at an early stage.
- Identify underlying causes for problems at factories, including issues related to the planning of orders and delivery times set by FR, and work to resolve them.
- Develop and implement measures that will contribute to fundamental improvements at factories.

### Example of Improvements

- Consecutive working days, extending over periods as long as 14 or 20 days  
→ FR employees visited the factory in question and explained the importance of effectively managing working hours. FR regularly monitored the factory to ensure that it established a proper management system to prevent excessive working hours. Improvements were confirmed in follow-up monitoring.

- Misconceptions regarding the method of calculating the pay for piece work workers  
→ FR employees visited the factory in question and confirmed the correct methods to calculate hourly wages and overtime pay for piece work workers. FR then asked the factory to submit pay statements on an ongoing basis in an effort to track improvements. Improvements were confirmed in follow-up monitoring.

In FY 2011, there were 4 E-graded factories in total, at all of which FR confirmed that improvements were made. No factory received an E grade at the end of the fiscal year (August 31, 2011). For more details, please see page 34.

### Serious E-Grade Violations Identified via Regular Monitoring

- False reporting  
The FR Group's initial monitoring discovered discrepancies among production records, employee interviews and working time records. FR employees visited the factory and confirmed the facts that workers had been working on Saturdays and working overtime on weekdays. However, the factory had altered the record of working hours to hide the fact that workers had exceeded the maximum permissible overtime hours allowed (36 hours monthly). FR viewed it as false reporting and gave the factory an E grade. The Group subsequently scaled back its order to the factory.

- Past instances of child labor  
The FR Group discovered that four people under the age of 16 were employed at one factory in 2009 (they were 16 years old or older on the day of the visit). The factory's operations manager was responsible for verifying the ages of new employees, but the factory lacked a system to double-check the ages of its workers. The factory also had problems related to the management of documents. Within a month, FR employees visited the factory and confirmed that improvements had been made. Nevertheless, the FR Group gave an E grade to this factory due to material deficiencies with its management system. The Group subsequently scaled back its order to the factory.



 **The People Behind the Business**

## Global Professional Development, Equal Opportunity

FR recruits people of varying abilities across a range of languages and cultures, while providing a mutually respectful environment in which everyone has an equal opportunity at career development. True to its Japanese roots, FR develops globally competent managers while providing an attractive working environment.



## The People Behind the Business

FR's rapid expansion is opening up exciting new opportunities for people throughout the world to develop their careers and achieve their goals

Fast Retailing is creating a foundation that will appeal to talented individuals from around the world. The company hires people year round, with the promise of equal opportunity and fair evaluations that reflect each individual's efforts and abilities. FR offers unparalleled opportunities for career advancement across all its operations, exemplified by its intensive training program for prospective managers.

### Attractive Workplaces, Talented Personnel



**Jun Yokohama**  
Executive Vice President in Charge of Human Resources  
Fast Retailing Co., Ltd.

mottos, "Believe In Yourself," underscores how the company encourages its employees to have high hopes.

At the same time, embracing individual goals and values alone is not enough for personnel growth. The company needs to provide the remuneration that employees deserve, while offering a comfortable working environment, comprehensive training and challenging opportunities. These elements constitute a platform that attracts competent people. To this end, the company strives to provide workplaces in which individuals can maximize their potential.

"I don't think FR has made enough of an effort yet to communicate its approach to the wider public," says Jun Yokohama, the FR Group's Executive Vice President, Human Resources. "The company probably needs to say more about who we are and what we plan to do, to attract the best people available. At the same time, FR management in Japan needs to clearly understand what is happening throughout the world, which is why it is dramatically increasing the number of non-Japanese employees at its headquarters in Tokyo. We are trying to create an environment in which employees around the world actively communicate with each other, and the decision to make English the company's official language was based on this goal. FR will continue to create an environment in which every employee in every part of the world feels truly respected."

FR fosters corporate and personal growth by respecting individuals and creating environments that help its personnel become globally competent workers. The company values the dreams and beliefs of individual employees and encourages them to set clear goals, as it believes that doing so is pivotal to motivating its staff to pursue higher ground. One of FR's

### Equality at UNIQLO Stores Worldwide

"I came to Japan in September 2010 after joining UNIQLO Singapore. For the first 2 months, I studied Japanese 12 hours a day. Upon completing my language course, however, I discovered that the greatest barrier I still faced was the language, particularly after starting on-the-job training at the company's first Ginza Store. I especially found honorifics in the Japanese language to be difficult, and I didn't know how to overcome this problem. At the time, the store manager, who was also my trainer, thoroughly supported me. She would write down the pronunciation and meaning of difficult Japanese words in English for me. Thanks to her, I've learned over time to speak Japanese, which has enabled me to work more effectively. My goals now are to become a store manager in half a year and play a leading role as one of the company's best store managers in five years. My store manager has offered encouragement by saying, 'do your best to accomplish what we have done in only half the time.' I feel that they have high hopes for me, which is a big part of believing that I can take on new challenges. When President Yanai first visited UNIQLO in Singapore, he said that 'we will bring the same standards and services to UNIQLO stores across the world.' I apply all of my efforts with this in mind."



**Kenniese Wang** (right)  
UNIQLO Ginza Store

### Zen-in Keiei: Globally Standardized Business Methods

"I joined the company in 1995. After holding store manager and regional manager positions, among other roles, I worked in the U.K. for three years and then in the U.S. for two. Through these experiences I learned that our business is the same around the world. But we do business in countries with varying cultures and values, so it is very important to understand different countries and people. Of course, this does not mean we should change how we do our jobs. The issues we face in our business are fundamentally the same across all countries, so if we can share the way that UNIQLO does business with all of our staff members throughout the world, I'm sure that positive results will follow. In Paris, a trendsetting fashion capital, sales at our Opera Store are at the top of UNIQLO's worldwide store rankings. I believe that the reason for this success lies in the store's complete adoption of UNIQLO's *Zen-in Keiei* philosophy, under which every employee adopts the mindset of a business manager, regardless of his or her position."



**Hidenobu Sanada**  
COO of UNIQLO France and  
COO of UNIQLO U.K.

### Going Global with UNIQLO

"After working part-time at a UNIQLO store in London while I was in university, I graduated and joined UNIQLO UK. In the nine years since getting that job, I've worked under the principle that I should do my best in whatever I do. I've had a wide range of experiences and I've learned a lot about store operations. I've also learned how important staff members are to the store and about self-management. I've grown a lot and have developed my communication skills. My dream is to work as a CEO in another country or region, and FR provides such opportunities. Of course, there are still many things I must learn, so I'm working to gain the 100% self-confidence I need to accomplish my goals."



**Harinder Bains**  
Area Manager  
UNIQLO U.K.



**Wei Zhu**  
Assistant Store Manager  
UNIQLO Shanghai  
West Nanjing Road Store

### Personal Development, Freedom of Choice

"West Nanjing Road is like a magnet for Shanghai's most fashion-conscious people. The world's major brands have opened stores here and the competition between them is intense, so running a store in this area can be very exciting. I joined the company in 2003. After working as a large-scale store manager and then as an area manager, I was assigned to the team responsible for launching the UNIQLO store on West Nanjing Road in 2010.

UNIQLO is a company that emphasizes individual choice. It offers its employees equal opportunity to take on any type of job – all you have to do

is express the desire and display the required abilities. My next goal is to become a store manager of a flagship store in Japan, UNIQLO's birthplace. I also hope to one day manage a store in an emerging market, such as Brazil or India. I was grateful to be chosen to study at the FR Management and Innovation Center (FRMIC), where the human resource development center simultaneously promotes training to cultivate future business managers and corporate reform. I'm determined to further explore the role of management through my daily tasks."

**The People Behind the Business**

**FR, as part of its focus on diversity and community engagement, offers job opportunities to people with disabilities at its stores in Japan**

FR hires people with disabilities to promote greater understanding and acceptance of diversity, while creating a working environment in which all people have the chance to excel, regardless of their abilities. UNIQLO, the FR Group's core brand, has been pursuing a goal of hiring at least one person with a disability per store since 2001.

**All Employees Are Valued Team Members, Including Those with Disabilities**



**Toshiyuki Ueki**  
Director, General Administration and Employee Satisfaction Department  
Fast Retailing Co., Ltd.

We place the utmost importance on recognizing that every employee is an indispensable part of our team, regardless of whether or not they have a disability. Some tasks might be difficult for people with disabilities, but there are many different jobs across FR's retail operations that need to be done. Our UNIQLO stores provide environments in which people with disabilities can find rewarding jobs that suit their skills and capabilities. And, all of our store managers and staff are enthusiastic when it comes to supporting their disabled coworkers.

Challenges arise, but the company actively overcomes them together by working closely with special-needs employment agencies and other organizations, to provide rewarding employment opportunities. Staff members with disabilities also work with qualified job coaches to find positions that match their skills and abilities.

In 2001, FR decided to start offering opportunities to individuals with disabilities at every UNIQLO store in Japan. We have a long-standing commitment to those who have been overlooked by society – almost each and every store in Japan has a staff member with a disability, and the company is actively expanding this initiative to its stores in other countries, starting with South Korea. In doing so, the company hopes to become an indispensable part of communities around the world.

**Different Challenges, Fresh Perspectives**

"I may be hearing impaired, but I feel that people with disabilities can offer a unique perspective on the world. I hope to apply my unique viewpoint and accomplish great things for the company and myself. I feel I can develop as an individual here because everyone at the Chigasaki LUSCA Store, where I work, is very supportive and ready to offer advice. Everyone at our store has multiple responsibilities, and I feel I have a vital role here. My tasks include fittings, alterations, customer service and more. Some things are more challenging than others, particularly assigning daily responsibilities to other employees, but through the challenges and opportunities I face, I make exciting new discoveries every day."



**Tomohiro Shiota**  
UNIQLO Chigasaki LUSCA Store

Tomohiro Shiota is a member of Japan's deaf national soccer team, which finished fourth in the 2010 Asian Games. He is set to play with his team at the 2012 World Deaf Football Championship.

**Supportive Staff**

"I never feel the need to worry here. Even when there are a lot of items to unpack and display, everyone is understanding and keen to teach or help me. My most satisfying job is doing alterations. I can apply what I learned at vocational school. I am happy when I am praised for the neat alterations I make. I hope to do my best, while never missing a day."



**Yuki Ogata**  
UNIQLO Tokyo Dome City LaQua Store

Yuki Ogata represented Japan in 2011 at the Abilympics, an international jobs skill competition for people with disabilities, in Seoul, South Korea. He won a silver medal in the "Dress Making—Basic Course" category.



**Shoko Maeda**  
UNIQLO Iwakuni Store

**Rewarding Work**

"Life for me is more fulfilling since I started working here. I get to work with friendly people and with clothing, which is something I love. It was difficult at first. I was unable to share my disability and fit in. At times, I would tearfully ask my store manager or the support center staff for advice. Their advice was very helpful, so I was able to make progress. I could actually feel the distance between myself and other people start to become smaller. Best of all, I am finding it easier to converse with people. I enjoy being with my coworkers and now feel comfortable enough to answer personal questions."

**Independent Goals**



**Mitsuhsa Nishihara**  
UNIQLO JR Shin-Osaka Store

"I want to become independent and eventually hire many other people with disabilities, so we can work together and provide mutual support. Some jobs are difficult for me, but I try really hard to contribute in my own way. One way is to announce the day's special items and attract passersby to the store. It's great when people respond by coming into the store or greeting me. I try to be the best I can."

**Special Needs in South Korea**




**Ji Yeon Lee (left) and Ji Hyeon Yoon**  
UNIQLO Myeongdong Central Store, South Korea

UNIQLO expanded its efforts to employ people with disabilities by introducing this initiative at its stores in South Korea in October 2010. Many challenges remain, but the company is determined to expand this initiative into other markets. As of December 2011, 39 individuals with disabilities were working at UNIQLO stores throughout the country. As it does in Japan, UNIQLO works closely with accredited support organizations in South Korea to hire employees with disabilities.

"I didn't know UNIQLO before joining the company, but I've come to realize that tasks such as sorting and hanging clothes are perfect for me and also a lot of fun," said Ji Yeon Lee, from the Myeongdong Central Store in Seoul.

"I like working in a clothing store," said Ji Hyeon Yoon, another employee with a disability at the same store. "I really want to serve customers on the shop floor some day with the other staff members."

 Collaborating with Communities

## Society, Positive Change and the Power of Clothing

Great clothing can offer new value and change communities for the better throughout the world. The FR Group is committed to actively supporting people in need and addressing a wide range of social issues through clothing.



## The Potential of Grameen UNIQLO's Social Business

Part of the FR Group's corporate philosophy is "...to grow and develop in unity with society," which is why the company is working with organizations throughout the world to provide active support and new opportunities to economically disadvantaged people. One of these initiatives was the establishment of a social business, Grameen UNIQLO, in Bangladesh. FR encountered more challenges than anticipated in the first year, but the company also discovered this initiative's vast potential.

### A Challenging Year in Bangladesh



#### Social Issues, Key Strengths

In September 2010, FR formed a partnership with Grameen Bank Group to launch a social business in Bangladesh, based on the FR belief that companies should provide value that directly benefits society. In the Grameen UNIQLO social business cycle, female sales associates, known as the "Grameen Ladies," have the opportunity to independently earn their own incomes by selling clothing in impoverished communities throughout rural Bangladesh. Local workers employed by Grameen UNIQLO's partner factories produce the clothing, and all profits are reinvested to support further social business initiatives. The FR Group's strength is its superior production efficiency that allows it to create high-quality clothing. The company manufactures products tailored to local needs and tastes, at prices even the most economically disadvantaged individuals can afford.

The number of Grameen Ladies registered with the Grameen UNIQLO social business increased throughout 2011, in line with the initiative's steady sales growth, from an initial team of



30 women to more than 100. Throughout the year, Grameen UNIQLO staff regularly visited rural communities across Bangladesh to teach the Grameen Ladies how to effectively sell the clothing and manage their independent businesses.

"It was hard at first to manage the expenses and the products, but now I know how to do it," said one saleslady, echoing the sentiments of her fellow Grameen Ladies. "My income is rising and I'm enjoying my work," she added.

#### Localized Product Lineup

In the spring of 2011, Grameen UNIQLO expanded its offering to include printed T-shirts, polo shirts and other collared shirts, in addition to its initial line of undergarments and plain T-shirts. The social business also started selling traditional attire such as *saris*, and in response to customer demand, feminine hygiene products. Moving forward, Grameen UNIQLO will continue to assess the needs of customers and introduce new apparel based on surveys of the local market.

### Production Progress, Sales Setbacks

Grameen UNIQLO's production operations in Bangladesh continued to develop throughout 2011. Grameen UNIQLO staff members, for example, visited a number of small and mid-sized sewing factories throughout the country to explain the initiative's purpose and objectives, in a bid to find new, reliable production partners.

However, the social business is still trying to overcome a number of hurdles that it did not initially anticipate. For example, Grameen UNIQLO is producing clothing on such a small scale that it has been unable to further lower its local retail prices, which has made it difficult to increase sales. The social business has yet to resolve this issue. The overall product lineup is still incomplete and as a result, Grameen UNIQLO failed to achieve its initial sales target in 2011. Some Grameen Ladies gave up selling Grameen UNIQLO clothing because their sales income was lower than expected.

### Future Challenges, Enormous Potential

FR is actively building the foundations for a thriving social business in Bangladesh, in close cooperation with its partners. Of course, everything hinges on producing great clothing. The social business will continue to offer products manufactured by reliable local factories in order to expand its customer base and create more jobs. Grameen UNIQLO is thoroughly committed to establishing and improving all aspects of this social business cycle, from production to sales, as quickly as possible.



#### Grameen UNIQLO's Main Products



Grameen UNIQLO's lineup also includes polo shirts and other collared shirts for men, and traditional garments for women, such as the *sari* and *shalwar kameez*. The company has also expanded its children's products to include items such as printed T-shirts, in response to strong demand. Children's clothing today accounts for 20% of the sales generated by this social business.

#### Grameen UNIQLO's Philosophy



In October 2011, UNIQLO stores throughout the world sold Grameen UNIQLO T-shirts and tote bags to raise global awareness of its social business in Bangladesh. These items were also promoted at the time of the opening of UNIQLO's global flagship store on Fifth Avenue in New York City on October 14, 2011. All proceeds from the sale of these items are today being used to support the growth of the UNIQLO Grameen social business.



#### Grameen UNIQLO

Company Name: Grameen UNIQLO Ltd.  
Established: August 2011  
Paid-in Capital: \$100,000 (Approximately 9 million yen)  
Executive Structure: Four executives assigned from FR, one director from the Grameen Healthcare Trust

<http://www.grameenuniqlo.com/>

**UNIQLO collects apparel from customers and redistributes it to people in need throughout the world via its All-Product Recycling Initiative**

The company launched the All-Product Recycling Initiative in several new countries in 2011. So far, over 11 million articles of clothing have been collected through this undertaking. UNIQLO and the FR Group distribute the clothing collected through this initiative to people in need throughout the world.

**FR and the UNHCR**



**All-Product Recycling Initiative Launches in South Korea, U.S., U.K., France and Singapore**

In March 2011, FR launched the All-Product Recycling Initiative at all stores in South Korea (as of the end of October 2011). The amount of recyclable clothing collected throughout the country rose steadily as more socially conscious customers learned about this initiative through in-store announcements and other events. The All-Product Recycling Initiative was then launched at UNIQLO stores in the U.K., U.S. and France in September, as well as Singapore in December. The company aims to eventually collect used clothing in every country in which it conducts business.

The All-Product Recycling Initiative started back in 2001 as the 'Fleece Recycling Program.' The program has since expanded to include all items sold at UNIQLO stores, in addition to apparel sold in Japan by its sister brand, g.u.

**FR's Global Partnership with the UNHCR**

The FR Group signed a formal global partnership agreement with the UNHCR in February 2011 to address the needs of refugees and displaced people. In line with these aims, the Group directly worked with the UNHCR and a number of international NGOs throughout the year to donate approximately 4.2 million articles of clothing to refugee camps and other collection points. These operations spanned 22 countries, including Nepal, Zambia and Botswana.

According to the UNHCR's annual report, released in June 2011, there are approximately 42 million refugees and displaced people throughout the world, so the amount of clothing the All-Product Recycling Initiative has provided is still far from sufficient. To reach an even greater number of individuals in need, the FR Group will communicate this initiative to more customers to increase clothing donations. In addition, the Group will be involved in a range of other activities, such as sending FR employees to volunteer as UNHCR interns and offering more internship opportunities to refugees at UNIQLO stores in Japan.



**Clothing Aid for Mothers and Infants in Zambia**

In 2011, UNIQLO started a program to support expectant and nursing mothers in cooperation with the Japanese Organization for International Cooperation in Family Planning (JOICFP), an official partner of the All-Product Recycling Initiative. JOICFP is a charity established in 1968 to study family planning and maternal health in developing nations. It facilitates international cooperation on maternal, prenatal and pediatric health issues throughout Asia, Africa and Latin America.

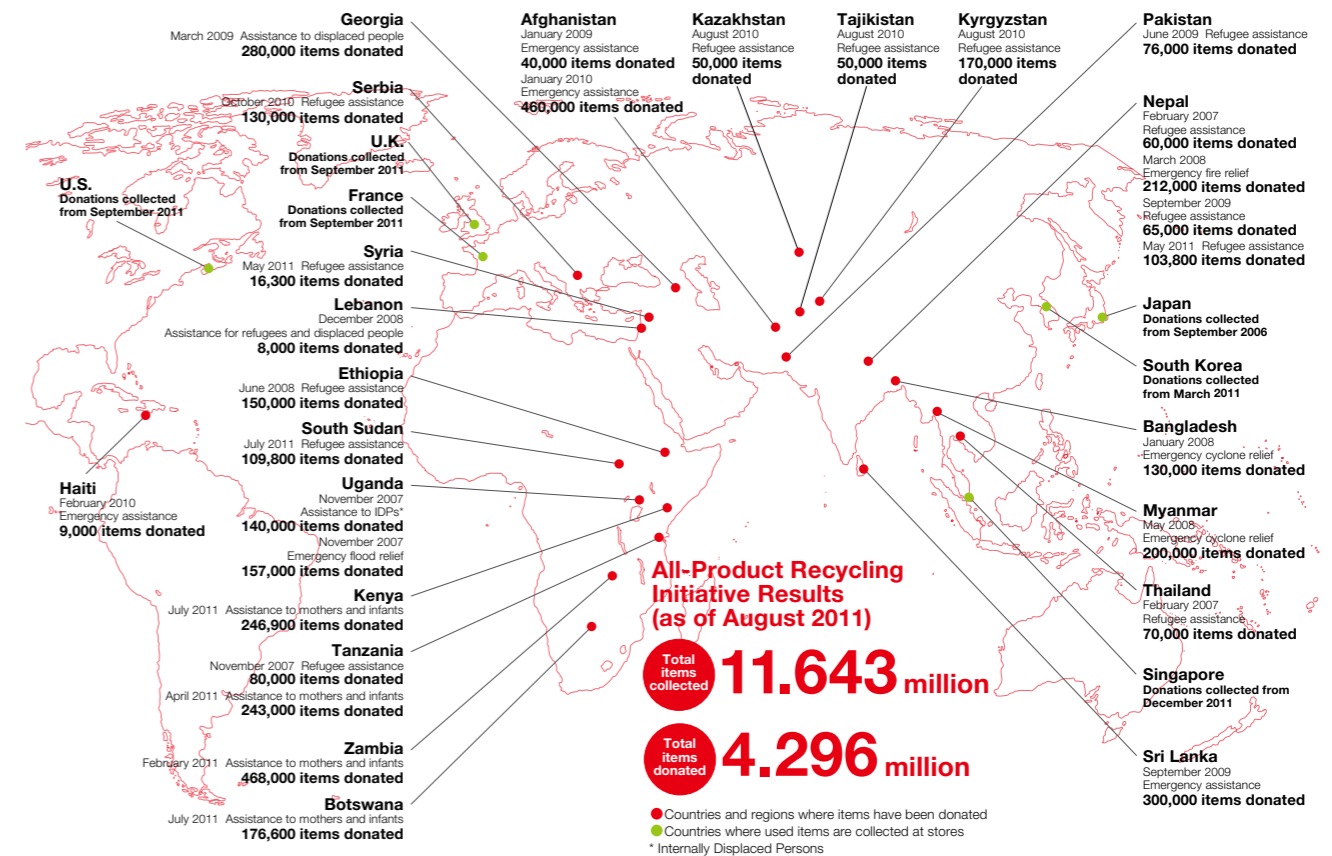
In February, donated clothing was distributed to mothers and their infants in Zambia for the first time. One of the major causes of infant mortality in developing African nations is malaria, so FR and JOICFP are trying to significantly reduce the risk of malaria for newborn infants in rural Zambia by providing thick wool caps, sweaters and socks, which offer critical protection from mosquito bites.

The FR Group is today working with a wide range of international institutions and NGOs to support the clothing needs of disadvantaged and displaced people throughout the world. As a key pillar of the FR Group's CSR program, the FR Group is highly involved in every stage of the All-Product Recycling Initiative, from collection to distribution. The company works closely with its partners and often sends its staff to distribute the recycled clothing in person, while thoroughly assessing local conditions and needs to provide the most practical, effective support possible.

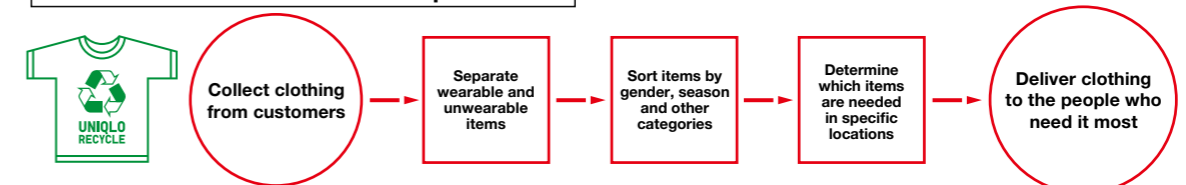


**Global Clothing Donations**

Please refer to page 40 for more information on the clothing collected under the All-Product Recycling Initiative, in addition to other data, up to the end of August 2011.



**FR Connects Customers with People in Need**



**FR's Cash, Clothing Donations in Japan and Somalia**

In 2011, the FR Group responded to the Great East Japan Earthquake by donating money and 1.15 million articles of clothing as emergency relief (valued at approximately 1.06 billion yen). Employees from various FR Group companies helped to distribute some of this clothing to communities devastated by the earthquake and tsunami. These employees assessed the situation in each place they visited – including the rate of recovery, weather conditions and the local people's needs – to promptly provide the most appropriate articles of clothing, rather than simply supplying apparel in bulk without any additional forethought. FR then provided continuous support, namely sending essential items such as T-shirts and

undergarments (for more details, please see page 39). The Horn of Africa, meanwhile, suffered its worst drought in 60 years in 2011, triggering widespread famine in Somalia. The FR Group responded by offering US\$1 million in financial aid through the UNHCR, in addition to a US\$1 million donation from FR Group Chairman, President and CEO Tadashi Yanai. UNIQLO also provided approximately 1 million articles of clothing to Somali refugees in Kenya under the All-Product Recycling Initiative. Unfortunately, awareness of this humanitarian crisis remains low in Japan, but the FR Group hopes that its support will help to draw attention to this issue.



 Our Environmental Initiatives

**FR is working to reduce its environmental impact across its global operations, in cooperation with relevant stakeholders**

As an SPA, FR oversees every aspect of its business, from planning and production to distribution and sales. FR actively studies its entire supply chain to reduce its environmental impact, partly by recycling the clothing it produces and sells.

**FR's SPA Business Model and the Environment**

The FR Group cannot completely eliminate the environmental footprint of its business. However, the company believes that it is extremely important to do everything it can to minimize its impact to the greatest extent possible, while ensuring that these ongoing efforts contribute to the quality of its products. With this in mind, FR's core brand, UNIQLO, has implemented the UNIQLO Global Quality and Safety Standards, in accordance with the strictest guidelines in the countries in which it operates. FR also requires its partner factories to follow these standards.

In 2004, FR started monitoring its production partners, with a particular focus on issues such as working conditions at sewing factories including environmental assessment,

after establishing its CoC for Production Partners. In 2010, FR devised new environmental standards for factories that produce materials and started monitoring these facilities to ensure compliance.

Continuity is key to ensuring the effectiveness of FR's efforts to reduce its environmental impact, which is why it will maintain its focus on inter-departmental projects throughout the company. FR will also continue to communicate with other companies in the clothing industry, as well as NGOs, while bolstering its management criteria and improving its ongoing monitoring efforts.

**Factory Monitoring and Environmental Compliance**

**Independently Developed Standards**

Every enterprise should focus on finding ways to reduce their environmental impact. The FR Group prioritizes this by actively working on environmental initiatives with its production partners. Its CoC for Production Partners clearly states the rules of conduct that FR requires its partner sewing factories to follow, and the company monitors these sites in accordance with the environmental provisions in the code. While FR's past environmental efforts have focused on the sewing stage of its SPA supply chain, it knows that the processes that have the greatest impact on the environment are related to the production of materials. These issues, which arise before the sewing stage, include spinning and dyeing. These energy-intensive processes require the use of considerable amounts of water and chemicals.

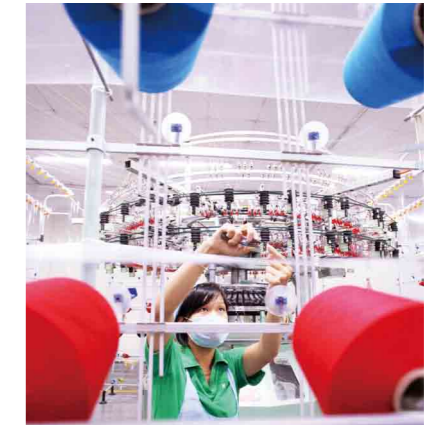
In 2010, FR established Environmental Guidelines for Fabric Production for factories that produce materials. FR refers to these guidelines when it monitors the pollution control and measurement, waste and chemical substances management, as well as employee health and safety.

**Partner Factory Inspections**

From June 2010 through March 2011, the FR Group monitored 75 material suppliers in its network of production partners. It demanded immediate action when it identified violations, before sending FR employees to these facilities to confirm that the required improvements were actually being implemented. FR also had an external entity follow up on its initial inspections at four companies where serious problems were identified.

For example, FR encountered problems such as plants that were discharging wastewater from boilers to rainwater ditches, excessive noise made by production equipment and emissions from generators, FR ensured that the factories in question addressed these issues immediately and confirmed that they had resolved them.

Textile production plants are usually large facilities that manufacture high volumes of products for a range of corporate clients, rather than just the FR Group. The environmental impact from these facilities can therefore only be reduced if the entire global apparel industry works together. FR will continue to address environmental issues at factories that produce materials by strictly setting standards across the industry, in cooperation with other companies.



Textile plants and other facilities that produce materials consume large amounts of energy, water and chemicals, particularly throughout the spinning and dyeing processes.



FR checks wastewater from factories on an as-needed basis to ensure that it is properly treated before it is discharged into the environment.



Partner factories treat and measure wastewater in accordance with local laws. FR expects these facilities to promptly submit their wastewater treatment records upon request.



 Our Environmental Initiatives

**FR's clothing and product development methods are underpinned by its determination to create innovative, environmentally beneficial materials**

**MADE FOR ALL: A Global Focus on Green Initiatives**

FR aims to benefit people all over the world as a clothing business. FR firmly believes that it can change society for the better through the power of clothing. This includes its customers, the staff at its partner factories, FR Group employees and all the people who live in the world. Its core brand, UNIQLO, strives to achieve these aims by ensuring that its clothing is "MADE FOR ALL."

The FR Group addresses environmental issues at every stage of its business. It actively minimizes its environmental impact in the way it plans, produces, sells and recycles clothing, while producing clothing in safe factories that are comfortable for workers. FR recognizes that its responsibilities extend to everything it does, from the production of materials to its retail operations, in addition to after-sales recycling.

FR believes that consumer goods must be sold according to the principles of fairness, and they must be effectively recycled. These factors contribute to the value of the products made by the companies under the FR Group. And FR is confident that this "MADE FOR ALL" value will continue to win over customers throughout the world.

**The Power of HEATTECH: Innovative Materials and the Environment**

HEATTECH, UNIQLO's popular line of highly functional winter clothing, was created in 2003 through a partnership with Toray Industries, Inc. In August 2011, UNIQLO conducted a nationwide survey in Japan in which 80.8% of the respondents who had worn HEATTECH said that it had changed the way they live. A total of 52.8% of the respondents expressed concerns about staying warm throughout the winter, primarily due to nationwide efforts to save electricity in response to Japan's nuclear energy crisis, which was triggered by the earthquake and tsunami on March 11, 2011.

UNIQLO sold 80 million HEATTECH items worldwide in 2010. If every customer purchased two of these items – assuming an average of four people per family – the number of households in Japan that owned HEATTECH clothing would be in the 10 million range. If all of these households were able to lower their thermostats by 1°C as a result of wearing HEATTECH, it could save 580,000 kW of electricity. This could theoretically reduce CO<sub>2</sub> emissions by 1.04 million metric tons, which is roughly equivalent to the amount absorbed by a forest one-third the size of the city of Tokyo (according to Toray Industries, Inc. research). The FR Group therefore expects HEATTECH to significantly contribute to energy efficiency in Japan throughout the winter.

Total HEATTECH sales since 2003 have surpassed 200 million units. HEATTECH has changed how people live by freeing them from the burden of having to wear multiple layers of winter clothing to stay warm and comfortable, so they can remain active during the coldest months of winter.



**By the Numbers:  
Fiscal 2011 CSR Report**

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# Our Responsibility to Our Customers

Providing truly great clothing to everyone

Our Basic  
Principle

The FR Group's corporate philosophy is to approach issues from the perspective of its customers. The Group takes this into account in all of its sales-related activities, including the development of its products, sales floors, services and marketing. This philosophy is also reflected in the development of FR's organizations, business plans and management strategies.

## Three Promises to Our Customers

UNIQLO Japan upholds "Three Promises" to its customers. The staff review them together every day to ensure that the company maintains an on-site, customers-first approach in everything it does.

UNIQLO will always:

- 1) Keep the sales floor clean
- 2) Keep advertised items in stock
- 3) Accept returns and exchanges within three months of purchase



## Customer Feedback

FY 2010 72,289 cases

FY 2011 73,440 cases

## Customer Feedback, Effective Management

FR's Customer Center responds to inquiries by e-mail, phone and fax all year round. In addition, UNIQLO stores distribute service questionnaires to receive feedback directly from customers. In fiscal 2011, the center received a large number of requests and opinions related to FR's support efforts in areas affected by the March 2011 Great East Japan Earthquake.

The Customer Satisfaction Department compiles comments from customers and reports them in a timely manner to relevant divisions and managers, while responding quickly to customers when required.

## Product Planning Based on Customer Feedback

- BRATOP with HEATTECH Functionality

In response to customer demand, UNIQLO started selling BRATOPs, which feature the functionality of HEATTECH, in the 2001 autumn/winter season.

- SHAPE WEAR for Men

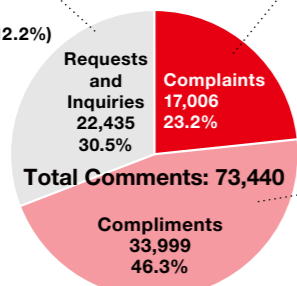
Customer and market demand for highly functional innerwear that is suitable for physical exercise led UNIQLO to develop SHAPE WEAR for men. The body-shaping functionality has been added to the line, reflecting the success of the BODY SHAPER innerwear for women.



## Fiscal 2011 Customer Feedback Summary

### Requests and Inquiries

- Products (32.9%)
- In-store service (32.7%)
- Promotional/PR activities (12.2%)
- Social contributions (7.9%)
- Online store (4.9%)
- Other (9.4%)



### Complaints

- In-store service (46.7%)
- Products (43.2%)
- Other (10.1%)

### Compliments

- In-store service (95.0%)
- Social contributions (0.5%)
- Products/Other (4.5%)

## Comprehensive Quality and Safety Controls

The FR Group and its core brand, UNIQLO, have selected the strictest safety standards in the countries and regions in which they do business, including Japan, Europe, the U.S. and throughout Asia. FR has incorporated these rules into the UNIQLO Global Quality and Safety Standards. The Quality Establishment Committee, which is led by the officer in charge of production, sets these standards. Leaders within the Production Department leverage the knowledge and experience of *takumi* textile experts to drive the collaborative efforts with partner factories in confirming compliance with these standards for all UNIQLO products.

FR shares the information gathered through this process with related departments, while the Customer Care for Product Quality Team responds to customer inquiries. In addition, FR's overseas production offices in China, Vietnam and Bangladesh receive monthly feedback from Japan based on customer comments and requests compiled by the Customer Satisfaction Department, as well as customer proposals from the Customer Care for Product Quality Team. FR has also published *Case Studies on Abnormal Values*<sup>1</sup> to improve quality and educate employees who handle products.

<sup>1</sup> *Case Studies on Abnormal Values* is a series of proposals to improve specific quality-related problems. FR's overseas production offices share this information to prevent similar problems from recurring.

## Efforts to Reduce and Eliminate the Release of Hazardous Chemicals

The UNIQLO Global Quality and Safety Standards include a list of prohibited chemical substances. A project team consisting of representatives from the Production Department and the CSR Department has been formed to actively work with the FR Group's partners to comply with these standards.

## Voluntary Product Recalls



## Safety and Quality Via Third-Party Inspections

All of the materials that UNIQLO use are subject to safety inspections by third-party inspection organizations.<sup>2</sup> These inspections include sampling tests for dye fastness<sup>3</sup> and residual formalin.<sup>4</sup> UNIQLO conducts pre-production inspections to confirm that safety standards are being followed, and implements pre-shipment examinations (to check for needles, dangerous objects, etc.) of all products before they leave the factories.

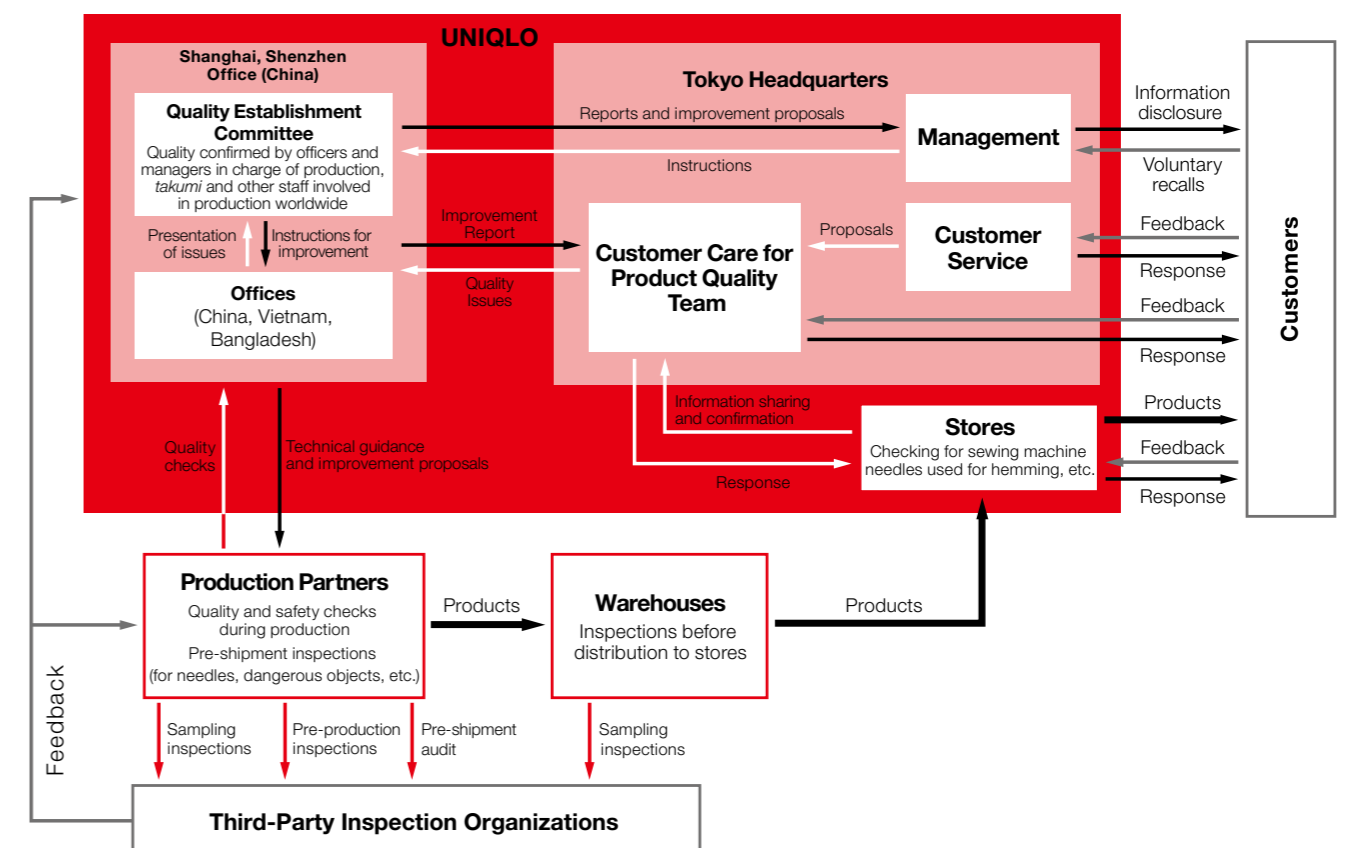
Pre-shipment audits are also conducted in collaboration with third-party inspection organizations to confirm that these inspections are faithfully conducted at FR's partner factories. After products are delivered to the warehouses, they are subject to further inspections before being distributed to stores. They also undergo sampling inspections by third-party inspection organizations to further reinforce FR's quality and safety control system.

<sup>2</sup> The third-party inspection organizations that FR uses are the entities that test the quality of fibers and goods for Japan's Imperial Household Agency or general business transactions, from a fair, neutral and external perspective. The Kaken Test Center in Japan is one such organization.

<sup>3</sup> Dye-fastness tests are durability assessments specifically used for products that have been dyed.

<sup>4</sup> Formalin (formaldehyde) tests are conducted to ensure that articles of clothing do not contain formaldehyde, which is sometimes used in small amounts as an anti-shrink, anti-crease softener when processing natural fibers. Formaldehyde has been specifically linked to incidents of rashes and other allergic reactions among people with particularly sensitive skin.

## UNIQLO's Quality and Safety Control System



# Our Responsibility to Our Partners

FR is committed to establishing ethical, mutually beneficial relationships with its employees and partner factories

Our Basic Principle

FR is committed to maintaining "ethical standards and correctness" in all its corporate activities, from its management and negotiation style to its general way of thinking. The company makes every effort to embrace the rule of law and uphold fairness, while also expecting all of its employees and business partners to act fairly.

## Workplace Monitoring at Partner Factories



## The Importance of Workplace Inspections

UNIQLO works with about 70 different production partners, primarily in Asian countries such as China, Vietnam and Bangladesh. UNIQLO regularly checks whether its products are manufactured under appropriate working conditions in factories that do not employ children or engage in forced labor. The company constantly strives to improve working conditions and disclose information in a transparent manner.

UNIQLO established its CoC for Production Partners in fiscal 2004. Since that time, it has used external organizations to monitor working conditions at major sewing factories, which signed a pledge to uphold its standards.

In fiscal 2010, UNIQLO introduced new evaluation criteria that it first established in 2008 across all of the FR Group companies. UNIQLO did this to monitor working conditions according to the same standards throughout the FR Group, and it has been implementing increasingly strict initiatives, including pre-contract monitoring (for more details, please see pages 8 to 15). The company also conducts environmental monitoring at 75 factories that produce materials (for more details, please see pages 28 to 30).

## Factory Convention

In March 2011, the FR Group held a factory convention so it could share its management policies up to 2020 with executives from its major partner factories. The convention also provided an opportunity to discuss best practices, including improvements to working conditions at partner factories.

## Regular Monitoring of FR Group Companies (As of the End of August 2011)

Grade	Description	Number of Factories	
		FR Group Total (including UNIQLO)	UNIQLO
A	No violations	6	6
B	One or more minor violations	66	56
C	One or more major violations	91	63
D	One or more severe violations	25	19
E	Highly unethical, serious offenses subject to immediate review of contract	0	0

188 factories

## CoC for Production Partners

The FR Group's CoC for Production Partners was formulated by drawing upon the conventions and recommendations of the International Labour Organization under the United Nations. These guidelines cover key production issues, such as prohibiting child labor and limiting overtime work. Partner factories have signed documents stating their intention to comply with the code.

### Key Guidelines

- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of oppression and harassment
- Prohibition of discrimination
- Health and safety
- Freedom to form unions
- Wages and benefits
- Working hours
- Environmental protection
- Preparation of internal regulations
- Monitoring and compliance with the CoC



## Cases Examined by the Business Ethics Committee



## Equal, Friendly Partnerships

In 2004, UNIQLO established a Business Ethics Committee and formulated its Guidelines to Prevent the Abuse of Superior Bargaining Power\*, to ensure equal and friendly relationships with its business partners, raise employee awareness and review corporate activities to eliminate any wrongdoing. The first group-wide projects were initiated in 2009. The group officer of CSR heads the committee, which is comprised of full-time and external auditors, corporate lawyers and representatives of relevant departments. In fiscal 2011, the committee reviewed 57 cases.

The committee conducts hearings with both FR and its business partners to examine all the facts before reaching and presenting a decision.

\* Abuse of Superior Bargaining Power refers to the abuse of a superior position to the disadvantage of another party or parties, including the imposition of unreasonable terms that would not be accepted in an equal partnership(s).

## Survey Responses



## Business Partner Survey

Every quarter, the CSR Department conducts an in-house survey to identify any issues that may have arisen with FR's business partners. Since fiscal 2003, the FR Group has been conducting an annual business partner survey. In fiscal 2011, FR asked its 395 partners to fill out surveys, and a total of 156 companies responded. Because FR places production orders with its partners, it theoretically has an advantage over its partners, which can compromise the fair nature of its contracts with them. To avoid this, FR makes every effort to ensure that its relationships with its partners are sound. While most of the responses obtained from the surveys were positive, FR received some comments related to matters, such as the business etiquette and manners of staff – including personal attire and language – as well as issues regarding transactions, such as orders, delivery times and prices. The FR Group takes these comments seriously and shares them throughout the organization, while checking for any potential problems with the behavior of employees or officers.

## Business Partner Survey: Fiscal 2011 Results

- Implementation: July – September 2011
- Subjects: Major business partners

Surveys Sent from	Partner Companies that Received Surveys	Responses from Partner Companies
FR/UNIQLO (Domestic)	143	62 (43.4%)
FR/UNIQLO (Overseas)	172	50 (29.1%)
g.u.	50	32 (64.0%)
Link Theory Japan	30	12 (40.0%)
<b>Total</b>	<b>395</b>	<b>156 (39.5%)</b>

### Examples of Comments

- "We sometimes feel that your employees can be overbearing during negotiations."  
– Partner factory outside of Japan
- "We are grateful for the consideration you put into responding to our problems."  
– Japan-based partner

# Our Responsibility to Our Employees

FR respects and supports individuals to foster corporate and personal growth



**FR strives to create a comfortable working environment while continuously enhancing employee satisfaction. The company respects individuals and fosters corporate and personal growth by establishing environments that help its personnel to learn how to produce innovative results from a global perspective.**

## Employment of Individuals with Disabilities Throughout Japan (As of June 1, 2011)



(includes entire Group)

## Special Needs, Valuable Jobs

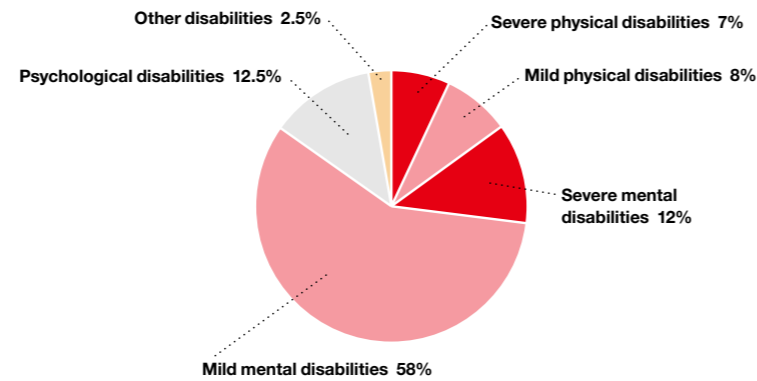
The FR Group's core brand, UNIQLO, has been recruiting people with disabilities in Japan in pursuit of a goal it set in 2001 to hire at least one individual with a disability per store. The store staff support UNIQLO's employees with disabilities to promote overall teamwork. Today more than 96% of its stores have hired at least one person with a disability, while some locations have hired two or more. In addition, UNIQLO's sister brand, g.u., and UNIQLO stores in markets outside of Japan have launched similar employment efforts. In South Korea, 39 individuals with disabilities were employed at UNIQLO stores in 2011 (for more details, please see pages 20 and 21).

The FR Group became eligible for the Special Calculation for Group Companies<sup>1</sup> in April 2011, as it has met the requirements for this provision. Individuals with disabilities now account for 6.22% of all FR Group employees<sup>2</sup>.

<sup>1</sup> The Special Calculation for Group Companies for persons with disabilities: Under Japan's Employment Quota System for Persons with disabilities, companies are required to provide employment opportunities to people with disabilities (the minimum legal requirement in Japan is 1.8%). Since April 2009, Japan's Minister of Health, Labour and Welfare has certified group companies that promote the stable employment of individuals with disabilities. Such companies are allowed to calculate employment rates across the entire group, even if they do not have a special subsidiary that is devoted to the employment of people with disabilities.

<sup>2</sup> According to a report on the employment status of people with disabilities released on November 25, 2011 by Japan's Ministry of Health, Labour and Welfare, 366,199 individuals with disabilities were working at private companies – the highest level ever recorded. The employment rate of people with disabilities was 1.65%, and 45.3% of private companies achieved the minimum legal requirement in Japan (for more details, please see the press releases available on the website of Japan's Ministry of Health, Labour and Welfare).

## Employee Disabilities



## UNIQLO Japan Staff who Took Maternity Leave



	Full-time Employees	Others	Total
Maternity leave	176	394	570
Reduced hours for childcare	112	5	117
Nursing care leave	1	5	6
Reduced hours for nursing care	1	0	1

## Work-Life Balance

The FR Group maintains an environment where employees can remain with the company for a long time, as part of its determination to help staff strike the right balance between their jobs and their private lives, while emphasizing ongoing personal and corporate growth. In Japan, for example, maternity leave may be taken at any time up to a child's first birthday. Upon returning to work, employees are permitted to work shorter hours until March of the year in which a child reaches the fourth grade of school. FR also encourages its male employees to take childcare leave.

## FR Group Employment: Countries and Regions



## Global Communication

The FR Group currently has employees in 19 countries and regions, in line with its efforts to globalize its business. It is in the process of making English the official company language, and the company will start using English more widely from March 2012 to facilitate communication throughout the FR Group, while accelerating the speed at which it conducts business globally. In Japan, FR also offers English education programs for its employees.

## Global Management Training

The FR Group established FRMIC in 2010 to train and develop competent, globally minded management candidates. FR hires talented people from around the world, regardless of nationality, as candidates for becoming business managers capable to help lead the company into the future. Through FRMIC, FR plans to train and develop 200 global management personnel. This is a bold and entirely new initiative designed to help FR assess the progress of its management candidates, by providing them with the right opportunities and encouraging them to grow and develop on their own. In fiscal 2011, there were 115 candidates enrolled in this program, up from 100 in fiscal 2010, as some candidates were replaced and new ones joined the FR Group's ranks. FR's offices in cities such as Shanghai, Paris and New York have also launched this initiative.



## FR Employees by Country and Region



## Workplace Accident Prevention

FR is increasing awareness of safety-related issues among its employees, to prevent injuries and accidents on the job or while commuting to work. The most common workplace accidents have involved the sewing machines FR uses for alterations and related tasks at UNIQLO stores. When an accident occurs, employees take countermeasures, such as submitting accident reports, so that the company can make necessary improvements and fully understand the causes of accidents. FR will continue to regularly train its employees to prevent accidents through in-house communication as well as training for store managers.

## Employee Health and Reduced Working Hours

The FR Group has designated four days per week as "no overtime days" at its Headquarters in Japan to reduce excess working hours and increase productivity. The company enlists the support of all employees in this effort. Departments and individuals that frequently engage in overtime work are monitored, and guidance is provided to these departments and individuals. FR has also set aside 16 special-leave days, in addition to normal paid leave for regular employees, and consistently encourages its staff to take days off. It also regularly raises employee awareness of health-related issues by providing consultation services and promoting initiatives such as a monthly company-wide mailing list. FR also provides external consultation services to support mental and emotional health.

## Industrial Accidents



# Community Contributions

Developing in harmony with society

Our Basic  
Principle

FR keeps abreast of international issues and cares about the global environment and urges all employees to "act as global citizens with ethics and integrity" as stated in the corporate philosophy, the FR Way. The company also seeks to grow and develop with communities through its unique corporate initiatives.

More than **100**  
Grameen Ladies are registered  
with Grameen UNIQLO

## FR's Social Business in Bangladesh

In September 2010, FR established UNIQLO Social Business Bangladesh Ltd. in collaboration with the Grameen Bank Group. Based on FR's strength in providing high-quality clothing at low prices, this initiative handles all aspects of this social business, from planning to production and sales. Its aim is to resolve issues related to matters such as poverty, sanitation and education by utilizing innovative business methods. Over the past year, FR has observed the potential that this social business holds, but it also remains aware of the many challenges it has yet to overcome. The company aims to produce and sell 1 million articles of clothing per year, while creating 1,500 jobs over the next 2 years (for more details, please see pages 24 and 25).



## Countries Receiving Recycled Clothing Donations



## Clothing Support Throughout the World

Through the All-Product Recycling Initiative, the FR Group provides clothes to people who truly need them throughout the world. So far, it has provided about 4.2 million articles of clothing to people in countries such as Kazakhstan, Tajikistan, Kyrgyzstan, Serbia, Kenya and Zambia. The true power of clothing offers much more than protection from the heat and cold, it also protects people from illness and injury, while at the same time bringing joy to people and improving their quality of life. In September 2011, the FR Group distributed 1 million articles of clothing to Somali refugees in Kenya (for more details, please see pages 26 and 27).



## Setouchi Olive Foundation

Since 2000, the nonprofit Setouchi Olive Foundation in Japan has been working to restore the fertile natural environment of the islands and coastal areas of Japan's Seto Inland Sea, including Teshima Island, the site of an illegal waste-dumping scandal that came to light in the 1980s. Since 2001, UNIQLO has solicited donations for the Setouchi Olive Foundation at all of its stores in Japan, while its employees have participated in a range of related volunteer activities. Donations have also been solicited at all stores in Japan operated by UNIQLO's sister brand, g.u., since September 2011.



## Customer Donations (to Date)

Total Donations:  
**176,685,895** yen  
(As of the end of August 2011)

## Employee Volunteers

**1,646** people

## FR Volunteer Club

In 2004, the FR Volunteer Club was launched to encourage FR employees to make a meaningful contribution to society. The Club has helped to cover the cost of various activities, in order to make it easier for more FR Group employees to participate. A total of 1,646 employees have participated in the Club's activities to date, including 223 people who took part in a range of volunteer initiatives in 2011.

## UNIQLO Japan Support for Special Olympics Nippon

The Special Olympics (SO) is an international organization that helps individuals with developmental disabilities to train and compete in sporting events. UNIQLO has served as an official SO Nippon partner since 2002, and the company has donated uniforms to staff volunteers and offered support for a range of sporting events. In 2011, UNIQLO provided a total of 400 articles of clothing, including parkas and T-shirts, for the Japanese team that competed in the Special Olympics Summer World Games in Athens.

## FR Staff Volunteers who Distributed Clothing in the Areas Affected by the Great East Japan Earthquake

**177** people

## Clothing Sent to Survivors of the Great East Japan Earthquake

**1,153,000** items

## Number of Trees Planted



## Support for the Great East Japan Earthquake Survivors

The FR Group started delivering clothing relief immediately after the devastating earthquake that struck northeastern Japan on March 11, 2011. To date, FR has donated approximately 1.15 million articles of clothing to people in the affected areas, with a particular focus on essential items such as undergarments (valued at approximately 1.06 billion yen – for more details, please see page 27).

FR also contributed cash donations to organizations such as the Japanese Red Cross Society. These funds included donations from customers (about 270 million yen) and business partners (about 130 million yen), as well as the FR Group itself (200 million yen), FR Group employees worldwide (180 million yen) and FR Group Chairman, President and CEO Tadashi Yanai (1 billion yen).

FR has launched a wide range of other activities, such as a fundraising program in which 100 yen from UNIQLO Japan's sale of specific items over a designated period was donated. These efforts, including the sales of SAVE JAPAN! UT T-shirts featuring messages of encouragement from international celebrities, contributed roughly 100 million yen to earthquake recovery efforts. FR also provided funding and support for the Momo-Kaki Scholarship Foundation\*, which was established to provide scholarships to orphans of the Great East Japan Earthquake.

\* The operating committee for the Momo-Kaki Scholarship Foundation's Momo-Kaki Orphans Fund is chaired by world-renowned architect Tadao Ando, while FR Group Chairman, President and CEO Tadashi Yanai serves as a founding member.



# Our Responsibility to the Environment

FR actively works to reduce its environmental impact



FR complies with environmental laws and keeps abreast of issues facing the international community and the global environment. The company believes that the first thing it can do to minimize its environmental impact is to improve management efficiency. FR actively identifies and eliminates wastefulness throughout its operations, while looking for ways to provide maximum added value with minimum resources.

## Our Approach to the Environment

Based on the environmental policies it established in 2007, the FR Group continues to reduce its environmental impact at every stage of its SPA business model, from planning and production to logistics, sales and waste management. FR also continues to promote its environmental programs – including the All-Product Recycling Initiative, which was established in 2006 – while working with its customers through its core business, to make a lasting contribution to global society.

## UNIQLO's Efforts to Reduce Its Environmental Impact

### A Environmental Considerations and Clothing

UNIQLO believes that clothing made from state-of-the-art materials – including apparel that ensures greater comfort, such as the HEATTECH and Dry lines – can serve as environmentally friendly alternatives.

### B Reducing and Eliminating Hazardous Chemicals

On August 12, 2011, FR announced a new policy to help reduce and eliminate the release of hazardous chemicals throughout the natural life cycle of each of its products (for more details, please refer to the CSR section of our website at [www.fastretailing.com/eng/csr/](http://www.fastretailing.com/eng/csr/)).

### C Energy-Efficient and Resource Saving Distribution

FR is actively working to improve and restructure its distribution channels to significantly boost efficiency. Since 2006, it has also decreased costs related to distribution and packaging materials and saved resources by reducing the weight of its cardboard boxes by 15%.

### D Energy-Efficient and Resource Saving Offices

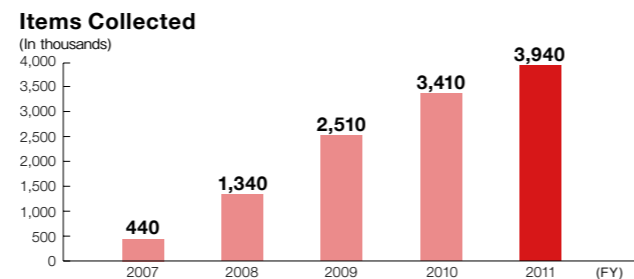
At the FR Group's Tokyo headquarters, staff members are not assigned to specific desks, to minimize waste generated when the office is rearranged according to structure change or any increase in personnel. FR has also urged the staff members to reduce the amount of printing paper it uses by introducing scanner printers.

### E Energy-Efficient and Resource Saving Stores

The FR Group has distributed manuals on energy and resource efficiency to all UNIQLO and g.u. stores throughout Japan, to ensure that measures such as its efforts to reduce power consumption are fully adopted. FR also actively installs air-conditioning controllers to save electricity, in addition to reducing in-store lighting by 60% during, before and after operating hours.

### F All-Product Recycling Initiative

FR has developed an initiative to collect, reuse and recycle products at all UNIQLO and g.u. stores. It has also expanded the collection area for this initiative to include South Korea, the U.K., the U.S., France and Singapore (for more details, please see pages 26 and 27).



Category	Process	FY 2011 Data			
		Headquarters	Sewing factories	Distribution in Japan	Stores
Energy, Raw Materials, etc.	Energy, Fuel, etc.	Energy consumption: 5,658,031 kilowatt-hours	Energy consumption (calories): 2,040,480 gigajoules	Power consumption (calories): 203,020 gigajoules	Power consumption: 140,618,957 kilowatt-hours
	Materials	Paper consumption: 8,330,000 sheets	Water usage: 5,846,711 tons		Packaging: 4,173 tons
CO <sub>2</sub> and Waste Emissions	CO <sub>2</sub> emissions (electricity and gas)	CO <sub>2</sub> emissions (electricity and gas): 3,575.8 tons of CO <sub>2</sub>	CO <sub>2</sub> emissions (power): 211,229 tons of CO <sub>2</sub>	CO <sub>2</sub> emissions (power): 13,903 tons of CO <sub>2</sub>	CO <sub>2</sub> emissions (power consumption): 78,887 tons of CO <sub>2</sub>
	Waste and Recycling	Combustible waste (paper waste, etc.): 634.9 tons		Incombustible waste (plastic, etc.): 6.9 tons	General waste: 22,339.8 tons
					Products collected through the All-Product Recycling Initiative: 658 tons

Reference  
 • As a general rule, figures represent fiscal 2011 results. • Headquarters-related gas data only apply to the headquarters in Yamaguchi Prefecture, Japan. All other data refer to both the Tokyo and Yamaguchi headquarters. • Consumption of power, LPG, natural gas, heavy oil, light oil, gasoline, coal, coal gas and steam was converted to caloric units. • Packaging includes paper and plastic shopping bags used at UNIQLO Co., Ltd. and g.u. Co., Ltd. • Logistics data is for the period from April 2010 to March 2011. • Data are not included for some UNIQLO stores that operate in buildings as tenant stores.

# Corporate Governance and Compliance

FR emphasizes compliance, corporate governance and other issues relevant to stakeholders

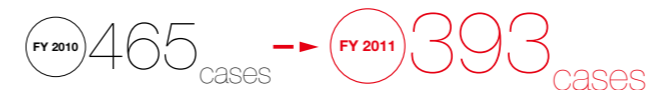


FR has established a CSR framework that emphasizes compliance and awareness of related issues.

## Employees and the Code of Conduct

FR is actively implementing its Code of Conduct (CoC) at all FR Group companies, including UNIQLO. Every employee receives and must understand an explanation of the CoC when they join the FR Group. Staff members are also expected to reaffirm the content of the CoC and sign a pledge every year declaring their intention to follow and fully implement the Code.

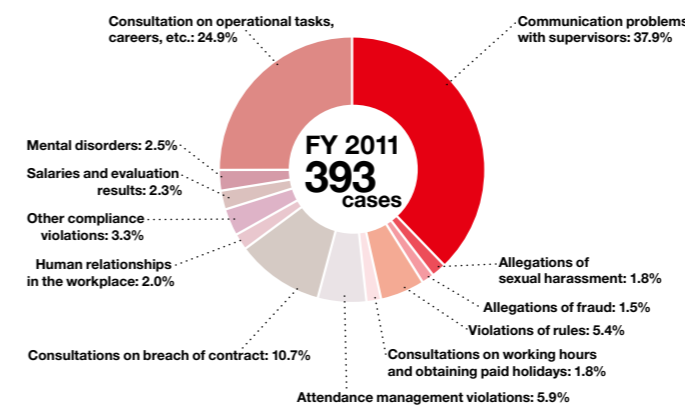
## Hotline Cases



## Workplace Hotline

FR has set up hotlines to help employees anonymously discuss work-related issues. The hotlines also provide a way for staff to report potential CoC violations by telephone, e-mail, letter or other means. Hotline access information is posted on the company intranet and displayed on posters in employee lounges, to encourage staff to freely use this resource. Hotline teams investigate potential violations while protecting the anonymity of the person reporting the alleged incident. Regular CoC Committee meetings are also held so staff can discuss specific actions to be taken. FR also promotes understanding of the CoC through other activities. For instance, the hotline office holds meetings to discuss cases related to communication problems involving supervisors, which occur frequently. FR will continue to prevent such incidents by disclosing compliance violations at all FR Group companies.

## Breakdown of Hotline Cases, Fiscal 2011



Total results for the Japan operations of all FR Group companies, specifically FR, UNIQLO and g.u.

## Internal Controls

FR is committed to the FR Way, which stipulates the corporate philosophy underpinning its businesses, and the CoC, which outlines its fundamental approach to corporate ethics and compliance. The FR Group operates in an ethical, efficient and legitimate manner by providing accurate financial statements, while establishing procedures that facilitate the accurate disclosure of corporate information, including objective internal audits and risk analysis and management, on a regular basis.

## Corporate Governance and Compliance Framework

FR enforces its independence and surveillance capabilities of board meetings to ensure a responsive, transparent management structure. It has implemented measures such as appointing a majority of board members and company auditors from external directors, to heighten corporate governance standards. FR acts in accordance with laws and regulations, and thoroughly governs its behavior in line with prevailing moral and ethical standards. It has developed an internal framework that serves as the foundation of these efforts.

### • FR CSR Committee

The FR CSR Committee discusses issues such as the FR Group's company-wide compliance framework, as well as its social and environmental activities. The group officer of the CSR Department chairs this committee, which consists of senior FR management, operating officers and third-party experts. In fiscal 2011, the committee had held two meetings by the end of September.

### • FR CoC Committee

The FR CoC Committee discusses issues related to the CoC and reviews internal compliance issues through hotline consultations, in order to determine and present concrete proposals for improvement. The manager of the General Administration Division chairs this committee, along with auditors and external attorneys. The committee held 12 meetings in fiscal 2011.

### • FR Business Ethics Committee

The FR Business Ethics Committee raises awareness among employees and reviews corporate activities, with the manager of the CSR Department serving as the chairperson. The committee held 15 meetings in fiscal 2011.

## Protection of Personal Information

As part of its CoC-related training, the FR Group raises awareness by emphasizing the care and sensitivity required when handling personal information. Key measures include the adoption of Personal Information Handling Guidelines, fingerprint authentication to control entry into sensitive locations that house important personal information and the restriction of access to classified information folders. In every store, a manager responsible for personal information handling enforces the rules on how customer information is handled.

# FR Group Overview

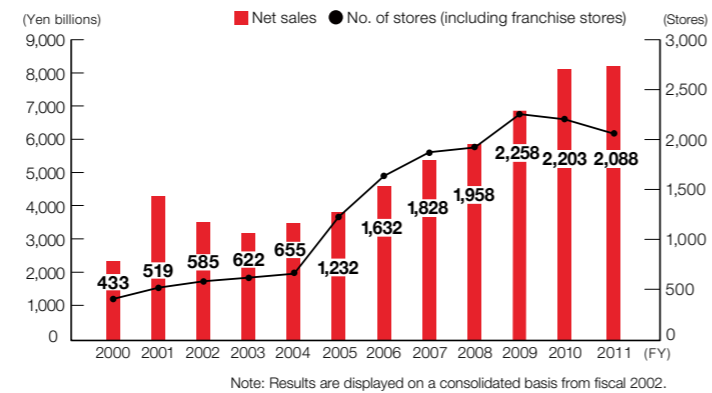
## Fast Retailing Co., Ltd.

FR is an apparel retailer with operations in Japan and other markets throughout the world, with the UNIQLO casual clothing brand as its core business as well as its Theory, Comptoir des Cotonniers, Princesse tam.tam and g.u. brands. The UNIQLO brand today operates 843 stores in Japan and 181 stores outside of Japan. It has established a highly profitable SPA business model spanning all stages of its business operations, from planning through to production and sales.

### Corporate Overview (As of August 31, 2011)

Name: Fast Retailing Co., Ltd.  
 Established: May 1, 1963  
 Head Office: 717-1 Sayama, Yamaguchi, Yamaguchi Prefecture, 754-0894, Japan  
 Tokyo HQ: Midtown Tower, Akasaka 9-7-1, Minato-ku, Tokyo 107-6231, Japan  
 Paid-in Capital: 10,273,950,000 yen  
 Business: Control and management of all Group activities, as owner and holding company  
 Full-Time FR Group Employees: 14,612  
 Consolidated Sales: 820.3 billion yen  
 Consolidated Operating Income: 116.3 billion yen  
 Closing Date: August 31  
 www.fastretailing.com

### FR Group Net Sales and Stores



## UNIQLO in Japan



Fiscal year ended August 31, 2011

Net Sales: 600.1 billion yen  
 Operating Income: 106.2 billion yen  
 Stores: 843 (including franchise stores)

www.uniqlo.com

## UNIQLO International

(Japan, China, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, U.K., U.S., France, Russia)



Fiscal year ended August 31, 2011

Net Sales: 93.7 billion yen  
 Operating Income: 8.9 billion yen  
 Stores: 181

## Global Brands

(Theory, Comptoir des Cotonniers, Princesse tam.tam, g.u.)

Fiscal year ended August 31, 2011

Net Sales: 124.0 billion yen  
 Operating Income: 8.7 billion yen  
 Stores: 1,064 (including franchise stores)

theory

www.theory.com

COMPTOIR DES COTONNIERS

www.comptoirdescotonniers.com

PRINCESSE tam.tam PARIS

www.princessetamtam.com

g.u.

www.gu-japan.com

## FR Group CSR Activities Through the Years

For more information on FR's support for refugees and victims of natural disasters, in addition to its efforts to provide emergency assistance and a range of other initiatives, please see page 27.

2001	March April October	Social Contribution Office opens; FR sets a goal to hire at least one individual with a disability at every UNIQLO store in Japan FR begins supporting Setouchi Olive Foundation, sets up donation boxes at all UNIQLO stores in Japan Fleece Recycling Program begins in Japan
2002	June	FR starts supporting Special Olympics Nippon (Japan)
2004	May September	FR starts monitoring working conditions at partner factories FR creates CoC for employees, establishes CoC Committee
2005	September December	FR receives Japan Ministry of Health and Labor Excellent Enterprise Award for promoting employment of persons with disabilities FR launches CSR Dept., holds first CSR Committee meeting
2006	June September November	FR receives Tokyo Labor Bureau Director's Award for Excellence as a company offering equal opportunities, in recognition of UNIQLO's efforts to promote the careers of women FR expands Fleece Recycling Program, launches UNIQLO's All-Product Recycling Initiative in Japan CSR Dept. publishes first <i>FAST RETAILING CSR Report</i>
2007	February June October	FR staff visit refugee camps in Thailand and Nepal; FR Group starts refugee support initiatives FR receives Award of Merit for Supporting Second Challenges from Japan's Cabinet Office for promoting employment of people with disabilities; FR also receives Medal with Dark Blue Ribbon and certificate of gratitude from Japanese government for relief activities following the Central Java Earthquake in Indonesia FR sets Environmental Policy and Environmental Guidelines
2008	October	FR receives Fifth Asahi Corporate Citizen Award for All-Product Recycling Initiative
2009	March June	Annual number of items collected via All-Product Recycling Initiative in Japan surpasses 1-million mark for first time FR sets and implements new standards for monitoring working conditions at partner factories
2010	March September October	All-Product Recycling Initiative becomes year-round effort FR launches social business to address important issues in Bangladesh by planning, producing and selling clothing g.u. stores start collecting items under All-Product Recycling Initiative
2011	February March September November December	FR signs Global Partnership Agreement with the UNHCR FR starts relief efforts in response to the Great East Japan Earthquake on March 11 FR expands All-Product Recycling Initiative to collect clothing in U.K., U.S. and France; FR pledges relief support for humanitarian crisis in Somalia FR offers flood relief in Thailand FR starts collecting items in Singapore under All-Product Recycling Initiative

### FR's CSR Publications

In addition to this report, FR actively shares information on its website to promote communication with its various stakeholders.

#### Websites

FR CSR  
 www.fastretailing.com  
 UNIQLO CSR  
 www.uniqlo.com  
 Grameen UNIQLO  
 www.grameenuniqlo.com



#### The Power of Clothing

This report focuses on what FR can achieve through clothing, with an emphasis on its CSR activities and various social issues. It can be read online. [www.uniqlo.com/power\\_of\\_clothes](http://www.uniqlo.com/power_of_clothes)



### Editorial Policy

FR's CSR Report 2012 aims to clarify the social responsibilities of the FR Group's business and present them in a way that is easy to understand. Through this report, we aim to respond to the growing expectations, interests and concerns of our stakeholders. The contents of this report are primarily focused on the activities of FR and the FR Group companies, particularly UNIQLO Co., Ltd. and how they contribute to the FR Group's CSR efforts. For more information and news about FR, please refer to our annual report and website.

### Period

September 2010 to August 2011

- Unless otherwise indicated, figures cited in this report pertain to fiscal year results.
- To the extent possible, we have included the most recent information available after the above period for content considered especially important.

### Publication

January 2012, in Japanese (next issue scheduled for January 2013)

### Inquiries

CSR Department Fast Retailing Co., Ltd. FR\_G\_frgcsr@fastretailing.com

Disclaimer: This report provides factual information on Fast Retailing Co., Ltd. and its Group companies, as well as plans and projections valid up to the date of publication. It also includes forecasts based on management policies and strategies. These forecasts are assumptions or judgments based on information available at the time. Actual results and future business activities may diverge from these forecasts due to changes in business conditions. Your understanding on this matter is greatly appreciated.





**FAST RETAILING**

**FAST RETAILING CO., LTD.**  
**[www.fastretailing.com](http://www.fastretailing.com)**