The Fast Retailing CSR Vision: Making the World a Better Place

Stakeholders and Priority Issues

Customers
Providing every customer with truly great clothing
- Thoroughly control product quality and safety
- Enhance customer service
- Develop truly great clothing with new and unique value

Shareholders and Investors
Timely, appropriate, fair and prompt disclosure of information
- Highly efficient management to realize high returns for shareholders, maximizing corporate value with minimal resources

Business Partners
Building partnerships toward the highest possible level of achievement
- Enhance monitoring of working conditions at partner factories
- Conduct environmental surveys at partner factories
- Raise awareness about corporate ethical standards in business and ensure compliance

Local Communities
Growing in unity with the local community
- Implement social contribution activities directly linked to the manufacture and retail of clothing
- Promote the All-Product Recycling Initiative
- Advance our social business in Bangladesh

Compliance
Promote compliance that nurtures high ethical standards

Employees
Respecting and supporting individuals to foster both corporate and individual growth
- Continuously improve job satisfaction (promotion of diversity, work-life balance, career development, etc.)
- Conduct training to enhance ethical standards

Environment
Environmentally friendly management

Fast Retailing Group
The Fast Retailing Way
Making the World a Better Place (CSR Statement)

Corporate Governance
Fast Retailing’s approach to corporate social responsibility (CSR) is one of steering the world in a better direction through clothing. The time has passed when companies could fulfill their social responsibility merely by returning to society a portion of their profits and engaging in volunteer activities. We find it more meaningful to conduct CSR activities within our core business, namely the production and sale of clothing.

As one of the world’s top fashion retailers, selling nearly 600 million items of clothing each year, Fast Retailing is fulfilling its responsibility in a number of areas. In manufacturing, we require that our partner factories comply with all laws relating to the work environment and ensure respect for human rights. Furthermore, beyond product quality, we also strive to ensure safety in manufacturing and to promote environmental protection activities. We contribute to society through our All-Product Recycling Initiative, under which we accept pre-owned UNIQLO and g.u. apparel for recycling and distribution to refugees and internally displaced persons worldwide.

In September 2010, we started a social business in Bangladesh. The business relies on an entirely local business cycle—spanning design and production to end sale—and creates new jobs. Clothing prices are capped at one dollar to ensure they are affordable to the local population. Through this process we are helping to address some of the nation’s most intractable social problems, such as poverty, sanitation, health and education.

As Fast Retailing continues to emerge as a global company, we will need to employ more people all over the world, and we will need to train and educate our global personnel. We strive to respect and support each of our employees as individuals to foster both corporate and individual growth. We also aim to continuously improve employee satisfaction through the promotion of diversity, work and life balance, career development and other important considerations.

Fast Retailing’s CSR Committee serves as a mechanism to implement our CSR vision and activities. The committee brings an objective perspective to clarifying and confirming the Company’s CSR priorities, and promotes concrete CSR activities that are derived from the heart of our core business—the world of clothes.
Social Business Launched in Bangladesh with Grameen Bank

In July 2010, Fast Retailing and the Grameen Bank agreed to set up a joint venture to pursue a social business in Bangladesh. A social business is not about offering short-lived, volunteer support. Rather, a social business makes a long-term commitment, as a business, to tackle and alleviate difficult social issues.

Bangladesh is one of the poorest nations in the world. With this social business we have established a framework where the entire process—from clothing design and manufacture to retail—can be conducted locally, and the price of clothes is capped at one dollar to ensure they are affordable to the local population.

In September 2010, the Grameen Ladies sales force began selling these clothes under the project. Grameen Ladies, women pursuing greater independence through loans from the Grameen Bank, say they will send their children to school with the money they make selling clothes. In this way, at Fast Retailing we are working to support and nurture independence through these activities, which have the potential to open the door to new, more promising futures for the children of Bangladesh.

The Grameen Bank and Fast Retailing have agreed to establish a joint venture for the purpose of pursuing social business in Bangladesh.

Grameen Bank is Bangladesh’s largest microcredit institution, founded in 1983 by Professor Muhammad Yunus. The bank extends collateral-free loans to the unemployed and the poor. The bank’s total loans amount to approximately 70 billion yen. The bank has eight million borrowers, 97% of whom are women.

The Grameen Bank, along with founder and managing director Professor Muhammad Yunus, were jointly awarded the Nobel Peace Prize in 2006 for their efforts to create economic and social development from below.

Social Business

Social Business Mechanism

1. Product planning
   - Product design based on suggestions from Grameen Ladies.

2. Materials procurement
   - Fabric procured cheaply from partner factories in Bangladesh.

3. Production at local factories
   - Clothes produced in factories that agree to support our social business aims and UNIQLO standards of product quality.

4. Grameen Ladies sales
   - Grameen Ladies sell products using their homes as a base of operations or through door-to-door sales in rural areas.

5. Buy and wear
   - Sellers encourage purchases by promoting quality.

6. Profits are reinvested
   - Aim to manufacture and sell 100,000 units in the first year, rising to one million units in the third year.

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Grameen Ladies who sell Grameen UNIQLO products in rural areas.
Maximizing the Value of Apparel Through Clothing Donations to Displaced People Worldwide

UNIQLO’s All-Product Recycling Initiative began in 2001 with the Fleece Recycling Program. This was expanded in 2006 to cover all UNIQLO products collected from customers. Today we accept clothing year-round. Another Group company, g.u., also began accepting clothing items in October 2010.

Between 80% and 90% of the clothing collected is suitable for reuse as donations distributed to camps for refugees and internally displaced persons, or as clothing disaster aid relief for asylum seekers and victims of natural disasters. So far, we have donated clothing to refugee camps in Nepal, Uganda, Tanzania, Ethiopia, Georgia and Pakistan. We have also donated clothing as disaster relief to people in 17 countries hit by natural disasters, including cyclones. In 2010, we made our first donation to displaced persons in Kazakhstan.

The number of items recycled is growing annually and we have collected approximately 7.7 million articles to date. There are an estimated 36 million displaced persons worldwide. Our ultimate aim is to deliver relief clothing to every one of them.

We also want to expand our activities beyond displaced persons, to help needy people in some of the world’s poorest countries. In such places, infant deaths occur due to a lack of clean cloth in which to wrap them immediately after birth. Children die from infectious diseases partly because they don’t have any clean clothes. We plan to provide clothing relief to help such people.

We are also encouraging social activities in schools. In fiscal 2010, we developed a High School Product Recycling Initiative and implemented it at six metropolitan high schools in conjunction with the Tokyo Metropolitan Board for Education. For example, our employees volunteered to help with an extracurricular class on the topic at the Tokyo Metropolitan Chihaya High School. This inspired the students from the school to collect 1,296 articles of clothing at the school’s cultural festival for reuse and recycling. These types of activities have won much praise. They are considered highly significant because they provide an opportunity for students to experience firsthand the true spirit of serving others while also heightening young people’s understanding of business and international society.
Fast Retailing donated clothing aid to refugees in the Republic of Kazakhstan, home to about 4,000 refugees, for the first time in August 2010. Most countries we have distributed clothing aid to have had giant but temporary influxes of people seeking refuge from wars or natural disasters. In Kazakhstan, the majority of refugees have come fleeing political or religious persecution.

Many of these refugees fled their homelands with little more than the clothes on their backs. With Kazakhstan temperatures falling below minus 20 degrees Celsius come winter, warm clothing is a must. Preparations for winter were already underway when I visited to donate clothing in August. That is why we delivered mainly winter items such as fleece jackets and other outerwear.

The larger a refugee’s family, the more donated items the individual can take home. The transformation on the faces of recipients—who would approach looking solemn and leave with their arms full of clothes, smiling broadly—made me feel incredibly glad that we came. The recipients, most of whom had never heard of UNIQLO, were clearly pleased and impressed with our clothing donations and told us that no other company had ever donated so many clothes. After my experience at the Kazakhstan camp, I am even more determined to continue providing clothing support to those who need it.

Since 2004, Fast Retailing has adopted a Code of Conduct (CoC) for production partners and used external auditing institutions to monitor labor conditions, primarily at partner factories that have signed a pledge to abide by the CoC.

Child and forced labor are of course forbidden, but other abuses, such as submitting workers to extremely long overtime and continued periods of work do sometimes occur. In some cases, these problems may arise in part due to the behavior of Fast Retailing as we place orders. When problems are discovered, rather than simply penalizing the partner factory, we seek to establish a framework for partner factories to voluntarily resolve the issue and reconfirm the inherent benefits of good working conditions.

We monitor factories twice a year. In fiscal 2010, four factories were assigned a Grade E, two for the false reporting of working hours or wages and two for instances of child labor. When we learned of the instances of child labor, we immediately reported survey findings to the factories and demanded improvements. One month later, CSR representatives visited the factories to confirm that improvements had been made and that child labor was no longer taking place. After subsequently discussing this issue in the Business Ethics Committee, Fast Retailing decided to reduce the volume of orders given to the offending factories.

### Monitoring Results at the end of August 2010

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Number of factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR</td>
<td>Total</td>
<td>UNIQLO</td>
</tr>
<tr>
<td>A</td>
<td>No violations</td>
<td>10</td>
</tr>
<tr>
<td>B</td>
<td>One or more minor violations</td>
<td>53</td>
</tr>
<tr>
<td>C</td>
<td>One or more major violations</td>
<td>68</td>
</tr>
<tr>
<td>D</td>
<td>One or more severe violations</td>
<td>39</td>
</tr>
<tr>
<td>E</td>
<td>Highly unethical, serious offense subject to immediate review of contract</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>174</strong></td>
</tr>
</tbody>
</table>

**Grade E case**

**False Reporting**

Monitoring activities in November 2009 at one factory turned up discrepancies between salary slips and records of hours worked. Subsequently, a CSR representative visited the factory, which admitted to submitting fabricated records that did not accurately reflect the actual hours worked by employees. Fast Retailing demanded that accurate records of working hours be submitted, insisted that workers be compensated for the difference in work hours and subsequently reduced its business with the factory.