

All-Product Recycling Initiative
Monitoring of Labor Conditions
Environmental Protection

Corporate Social
Responsibility
(CSR)

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

All-Product Recycling Initiative

Collecting secondhand clothing
for distribution to
refugee camps worldwide.

Social Business

Establishing and operating a
social business in Bangladesh.

Employing People with Disabilities

Actively hiring people
with disabilities in UNIQLO
and g.u. stores worldwide.

Monitoring of Labor Conditions

Consistently monitoring
working conditions
at partner factories.

Environmental Protection

Consistently monitoring
our environmental impact.

The guiding principle of Fast Retailing's CSR (Corporate Social Responsibility) Vision is to make the world a better place through the planning, producing and selling of clothing, one of life's basic necessities. We find it meaningful to conduct CSR activities within the framework of our core business, namely the production and sale of clothing.

Fast Retailing is committed to making a long-term social contribution in the five areas listed above.

Maximizing the Value of Clothes: 3 Million Items Sought 3 Million Items Found

Fast Retailing's first recycling initiative, the Fleece Recycling Campaign, was launched in October 2001. In September 2006, this campaign was expanded to create the All-Product Recycling Initiative. To date, we have collected 18.3 million items of clothing donated by customers.

In March 2012, Fast Retailing delivered its largest-ever clothing donation to any one country: one million items to Kenya. Kenya, a country which actively welcomes refugees from its neighbors, currently has approximately 6.3 million evacuees living in refugee camps in towns including Kakuma and Dadaab. After this one million item donation, Fast Retailing was approached by the United Nations High Commissioner for Refugees (UNHCR) who wanted to gather three million items of clothing for distribution to refugees worldwide. We immediately got to work, launching a global donation drive called "Three Million Items Sought" on June 1, 2012. The response from UNIQLO and g.u. customers worldwide was overwhelming. By October 7, 2012, we had collected 3,043,114 items. We would like to thank everyone who donated clothing to this campaign.

Clothes not only protect against the heat and the cold, but also against injury and infection. Clothes enable children to go to school and motivate women to participate in their local community. Fast Retailing will continue to work tirelessly to find clothing for all those around the world who need it.



**18.3 Million
Items
Collected**

(as of October 2012)



Two smiling women in a refugee camp in Kenya wearing clothes donated through the recycling initiative

Focused Seminars and Personal Visits to Partner Factories Generating Concrete Solutions



In 2004, Fast Retailing introduced its Code of Conduct for Production Partners based on recommendations from the International Labour Organization. Twice a year we use external institutions to inspect labor conditions, primarily at partner factories that have pledged to uphold the Code. These visits are designed to detect any unlawful child or forced labor, enhance safety in the workplace and restrict overtime. In fiscal 2012, we monitored 229 partner factories.

Fast Retailing's CSR personnel often visit partner factories directly. In China, we have begun holding seminars on specific topics, as well as seminars for Group companies where we can probe into issues and find practical solutions.

■ Monitoring Results as of August 31, 2012

Grade	Description	Fiscal 2011		Fiscal 2012	
		FR Group	UNIQLO	FR Group	UNIQLO
A	No violations	6	(6)	9	(8)
B	One or more minor violations	66	(56)	87	(59)
C	One or more major violations	91	(63)	69	(51)
D	One or more severe violations	25	(19)	56	(34)
E	Highly unethical, serious offense (subject to immediate review of contract)	0	(0)	8	(7)
Number of factories monitored		188	(144)	229	(159)

Note: The number of D grades increased in fiscal 2012, as a result of an increase in partnerships with new factories. We hold seminars and implement strict guidelines to ensure improvements are made at offending factories. In response to the increase in E grades, FR is working to instill both the Code and FR's overall high standards through preventive measures that include notifications, seminars, discussions and factory visits.

■ Examples in Fiscal 2012

Grade E: Child Labor (China)

A female worker told a visiting CSR employee that she used her elder sister's ID card in order to join the company (children under 16 are not allowed to work in China). Later, we discovered that when this card was checked, the family resemblance was so strong that no one noticed. We dismissed the child worker after paying her full wages through her 16th birthday, and then checked all the personnel files. As a result of this serious negligence, we reduced our orders to this factory.

Grade E: False Reporting (China)

During a regular inspection, discrepancies were noted between employee interviews and the records on file regarding hours worked. Clock-in times and salary slips showed four hours worked on Saturdays for four employees who said that they actually worked eight hours. Our CSR team visited and discovered that the personnel manager had falsified the records to meet our standards and kept handwritten notes of additional overtime to be paid separately. We took this very seriously and ended all relations with the factory.

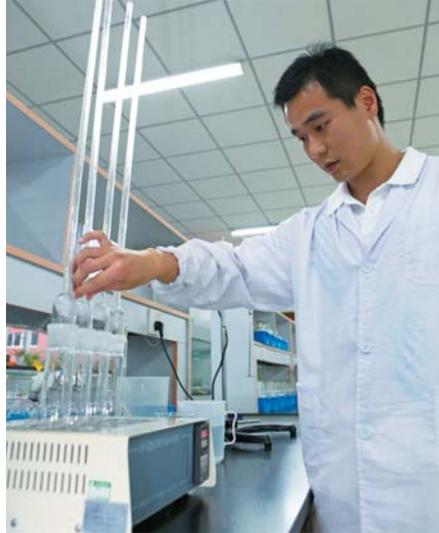
Improvements: Ensuring One Day Off per Week (Thailand)

After a delay in new hires forced some engineers to work on their holidays, we realized they were working 13 consecutive days with no breaks. The factory pledged that all employees would have one day off per week, and we subsequently monitored this commitment.

100% Compliance at Fabric Manufacturing Plants by 2015



Fabric producers use large amounts of energy, water and chemicals in the dyeing process.



Enforcing proper legal management of effluents



Frequent checks for appropriate effluent disposal

In 2010, Fast Retailing created its own Environmental Guidebook for Fabric Producers. It began inspecting not only sewing factories, but also fabric manufacturers, whose dyeing processes tend to have a harmful impact on the environment. We set and carefully monitor the appropriate standards for: management and disposal of waste products; measurement and disposal of asbestos, PCB, discharged water and other effluents; and the health and safety of the workforce.

From June 2010 through March 2011, external specialists conducted initial inspections of fabric manufacturers, and follow-up inspections at 17 factories. We have subsequently

worked with the external inspectors to introduce training programs at two factories with persistent problems, and we have also held group seminars at six other factories in order to share information and ensure that any issue is satisfactorily resolved.

Most fabric producers are large and manufacture materials for many different customers. Nevertheless, as a major player in the apparel industry, Fast Retailing is determined to take a leading role in training and cooperating with partner factories in order to establish aggressive environmental standards. Our ultimate aim is to ensure 100% compliance with the Fast Retailing Environmental Guidebook for Fabric Producers by 2015.

■ Compliance with FR Environmental Guidebook for Fabric Producers (as of August 2012)

Category	Compliance	Required Improvements
Environmental Management	88%	<ul style="list-style-type: none"> ● Appointing Environmental Officers ● Training on environmental management ● Environmental management planning
Chemicals Management	48%	<ul style="list-style-type: none"> ● Creating detailed lists of chemicals used ● Safe storage of chemicals (e.g. installing containers to prevent leakage, labeling, appointing Chemicals Management Officers, compiling and sharing of safety information)
Waste Materials Management & Disposal	45%	<ul style="list-style-type: none"> ● Delivering waste materials to certified contractors ● Separate treatment (e.g. of chemical and other waste), labeling ● Safe storage of waste materials
Asbestos & PCB	100%	<ul style="list-style-type: none"> ● Appropriate confirmation and management of asbestos and PCB
Measurement & Management of Effluents (Discharged Water, etc.)	87%	<ul style="list-style-type: none"> ● Obtaining emissions permits and other licenses from the authorities ● Measuring effluents from facilities and complying with legal standards
Worker Health & Safety	50%	<ul style="list-style-type: none"> ● Wearing protective clothing (masks, earplugs, gloves, etc.) ● Ensuring existence of emergency exits and fire safety equipment ● Conducting health checks for occupational diseases

Note: Data from 60 fabric manufacturers



“This has been a great year for me. Thank you to everyone who supported me.”

Novak Djokovic

The Clothes for Smiles U.S. \$10 Million Fund for Children Gets Underway

UNIQLO appointed tennis star Novak Djokovic as Global Brand Ambassador in May 2012, and together we are striving to make the world a better place. The first result of our partnership is the successful launch of the Clothes for Smiles project.

The aim of this initiative is to establish a U.S. \$10 million fund and use it to bring smiles to children all over the world, nurturing their dreams and giving them the tools to build a better and brighter future. Clothes for Smiles comprises two programs. One program accepts ideas submitted online from around the world on how to give children a better tomorrow. The second provides support to initiatives aimed

at improving children's education through a global alliance agreement between the United Nations Children's Fund (UNICEF) and Fast Retailing.

The \$10 million fund has been established using part of the revenue from sales of HEATTECH and Ultra Light Down items during the 2012 fall/winter season. Customers can support this project by continuing to purchase items in these two ranges.

You can find out more about the Clothes for Smiles project at <http://www.uniqlo.com/smiles/>

UNIQLO-sponsored Star Athletes Excite the World

On October 7, 2012, two professional tennis players sponsored by UNIQLO, Novak Djokovic and Kei Nishikori, won convincing victories at two different tournaments. Djokovic took the men's singles title at the China Open, and Nishikori won the men's singles title at the Rakuten Japan Open Tennis Championships. Djokovic was ranked number one on the ATP World Tour in 2012, for two years in a row.

Shingo Kunieda defended his 2008 Beijing Paralympic title, winning the wheelchair tennis men's singles tournament at the 2012 London Paralympic Games. He became the first player to win consecutive gold medals in the men's singles.

UNIQLO designs and develops exclusive tennis wear to suit each of these players' individual styles.



“I’m really pleased to be the first Japanese person to win such a historic tournament.”

Kei Nishikori

“I’m so happy to have won the gold medal as a representative of Japan, and as an ambassador for UNIQLO.”

Shingo Kunieda

