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

Corporate Social Responsibility

- **All-Product Recycling Initiative**
  - Collecting secondhand clothing for distribution to refugee camps worldwide

- **Monitoring of Labor Conditions**
  - Consistently monitoring working conditions at partner factories

- **Environmental Protection**
  - Consistently monitoring our environmental impact

- **Social Business**
  - Establishing and operating a social business in Bangladesh

- **Employing People with Disabilities**
  - Actively hiring people with disabilities in UNIQLO and GU stores worldwide
Maximizing the Value of Clothes: Reuse in the Places of Greatest Need

Fast Retailing has a global partnership with the United Nations High Commissioner for Refugees (UNHCR) and works closely with NGOs worldwide to deliver clothing donated through its All-Product Recycling Initiative to people in refugee camps, so many of whom are in dire need of basic necessities.

By the end of September 2013, we had collected close to 29 million used garments from customers, and made donations to 46 countries and regions. In January and December of 2013, Fast Retailing employees visited the Zaatari refugee camp in Jordan, delivering emergency clothing aid for Syrian refugees who didn’t have enough winter garments.

The Syrian crisis, now in its fourth year, has created over two million refugees, including one million children. The over 110,000 refugees living in the Zaatari camp at the end of November 2013 had little to protect themselves against frigid winter temperatures. We delivered fleece and HEATTECH winter items to the many people taking refuge there.

Clothes protect against not only heat and cold, but also injury and infection. Clothes enable children to go to school and make it easier for women to get involved in the community. Fast Retailing works tirelessly to find clothing for all those around the world who need it.

**29.0 Million Items Collected**
From 10 countries and regions

**11.3 Million Items Donated**
To 46 countries and regions

(as of September 2013)
In 2004, Fast Retailing introduced its Code of Conduct for Production Partners. Twice a year we employ external institutions to inspect labor conditions, primarily at partner factories that have pledged to uphold the Code. These visits are designed to detect unlawful child or forced labor, enhance safety in the workplace and restrict unauthorized overtime work. In fiscal 2013, we monitored 294 partner factories. Our CSR department visits partner factories requiring improvements to offer practical advice on how to accurately verify wage calculations, record working hours, etc. Before establishing a working relationship with a potential partner factory, we conduct pre-monitoring to ensure it meets certain standards.

Grade E: Child Labor (China)
One incidence of child labor came to light through an interview conducted by external inspectors (children under 16 are not allowed to work in China). A worker had entered the factory on the recommendation of relatives, but the factory could not produce a personnel file or ID card. The worker asked us to contact the parents, but they could not remember the child’s exact age and had lost the relevant identity papers. We allowed the worker one month to produce an official ID, but no documents were submitted, and so we terminated all relations with this factory.

Grade E: False Reporting (China)
During a regular inspection, we discovered inaccuracies in records of working hours. Documents showed maximum monthly overtime as 36 hours, while salary slips showed as many as 105 hours worked. In addition, we noted discrepancies in the factory’s records for the working hours and holidays of three employees. During a subsequent visit, our CSR team discovered the factory had also submitted false records during previous inspections. The extent of the false reporting was extremely severe, and we therefore terminated all business with the factory.

Improvements: Fire Prevention and Safety Management (Bangladesh)
A regular inspection revealed a storeroom with too few fire exits, and a warehouse storing chemical substances whose doors opened in the opposite direction from the one indicated on the suggested evacuation route. Our CSR team requested improvements, and later confirmed that they had been implemented as directed.

### Incidents Addressed in Fiscal 2013

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Fiscal 2012</th>
<th>Fiscal 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>No violations</td>
<td>9 (8)</td>
<td>11 (10)</td>
</tr>
<tr>
<td>B</td>
<td>One or more minor violations</td>
<td>87 (59)</td>
<td>134 (55)</td>
</tr>
<tr>
<td>C</td>
<td>One or more major violations</td>
<td>69 (51)</td>
<td>97 (45)</td>
</tr>
<tr>
<td>D</td>
<td>One or more severe violations</td>
<td>56 (34)</td>
<td>48 (19)</td>
</tr>
<tr>
<td>E</td>
<td>Highly unethical, serious offense (immediate review of contract)</td>
<td>8 (7)</td>
<td>4 (1)</td>
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Note: In fiscal 2013, we successfully decreased the number of D and E grades by offering firmer guidance to potential partner factories right after pre-monitoring, and through direct discussion and debate with existing partner factories. We continue to ensure that partner factories adhere to acceptable standards while helping them to strengthen their internal management systems.
In 2010, Fast Retailing created its own Environmental Guidebook for Fabric Producers. In addition to sewing factories, we began to inspect fabric manufacturers, whose dyeing processes tend to have a harmful impact on the environment. As detailed in the table below, we set and carefully monitor standards for: management and disposal of waste products; measurement and disposal of asbestos, PCB, discharged water and other effluents; and health and safety of the workforce. Our CSR team provides feedback to the partner factories. If necessary, they offer advice and confirm that improvements have been made.

Due to the larger number of fabric manufacturers inspected, compliance rates were generally lower in fiscal 2013 (73 partner factories inspected) than in fiscal 2012 (60 factories inspected). We have since increased our practical guidance to encourage 100% compliance by fiscal 2016. We have also expanded our monitoring in fiscal 2013 to gain a more accurate picture of energy and water usage.

Most fabric producers are large and manufacture materials for many different customers. Nevertheless, as a global apparel manufacturer, Fast Retailing aims to play a leading role in training and cooperating with partner factories to establish aggressive environmental standards.

<table>
<thead>
<tr>
<th>Category</th>
<th>Compliance</th>
<th>Required Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Management</td>
<td>85%</td>
<td>• Appointing Environmental Officers • Training on environmental management</td>
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<tr>
<td></td>
<td></td>
<td>• Environmental management planning</td>
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<tr>
<td>Chemicals Management</td>
<td>29%</td>
<td>• Creating detailed lists of chemicals used</td>
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<td></td>
<td></td>
<td>• Safe storage of chemicals (e.g. installing containers to prevent leakage, labeling,</td>
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<tr>
<td></td>
<td></td>
<td>appointing Chemicals Management Officers, compiling and sharing of safety information)</td>
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<tr>
<td>Waste Materials Management &amp; Disposal</td>
<td>30%</td>
<td>• Delivering waste materials to certified contractors</td>
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<tr>
<td></td>
<td></td>
<td>• Separate treatment (e.g. of chemical and other waste), labeling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Safe storage of waste materials</td>
</tr>
<tr>
<td>Asbestos &amp; PCB</td>
<td>100%</td>
<td>• Appropriate confirmation and management of asbestos and PCB</td>
</tr>
<tr>
<td>Measurement &amp; Management of Effluents</td>
<td>74%</td>
<td>• Obtaining emissions permits and other licenses from the authorities</td>
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<tr>
<td>(Discharged Water, etc.)</td>
<td></td>
<td>• Measuring effluents from facilities and complying with legal standards</td>
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<tr>
<td>Worker Health &amp; Safety</td>
<td>36%</td>
<td>• Wearing protective clothing (masks, earplugs, gloves, etc.)</td>
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<tr>
<td></td>
<td></td>
<td>• Ensuring existence of emergency exits and fire safety equipment</td>
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<td></td>
<td></td>
<td>• Conducting health checks for occupational diseases</td>
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UNIQLO and Novak Djokovic’s Clothes for Smiles Fund Puts Projects into Action

UNIQLO and our Global Brand Ambassador Novak Djokovic initiated the Clothes for Smiles Project in October 2012 to help create a better society for disadvantaged children worldwide. We received more than 700 suggestions from 46 countries for projects to inspire and give hope to children. From these, we selected eight projects.

The 1 billion yen (U.S.$10 million) Clothes for Smiles fund was sourced from fall/winter 2012 sales of HEATTECH and Ultra Light Down, and divided equally into two programs. The first, as previously mentioned, solicits and implements ideas that will help disadvantaged children. The second supports United Nations Children’s Fund (UNICEF) initiatives to improve education for children, through a global alliance with UNIQLO.
Novak Djokovic


Clothes for Smiles

Our Eight Projects

Education Everywhere
Athletes and professionals visit children all over the world, teaching a range of topics and broadening horizons.

Social Inclusion through Shopping
Enabling Serbian children from insular environments to enjoy social activities at a simulated UNIQLO store.

E-Education
Helping children in developing countries expand their horizons through DVD-based lessons.

WAKU WORK CENTER
Helps young people in the Philippines achieve their goals through vocational training and career development.

Girls Soccer
Uses soccer to encourage self-confidence, independence, and teamwork among young women in Bangladesh, Ghana and Zimbabwe.

UNIQLO DREAM WALL
Allowing children from the disaster area in Tohoku, Japan to dream up limitless ways to play.

Libraries for Asia
Where children can learn to write, learn, play and dream.

Children’s Hospice
Hospice care facilities in Japan for gravely ill children and their families.