

Feature

Putting sustainability into practice

Part 1

Employee voices



Integrating sustainability into one's work

Making a difference

"Changing clothes. Changing conventional wisdom. Change the world," expresses our commitment to business and sustainability. As our business, operations and supply chain expands globally, our responsibility to address social and environmental issues is greater than ever before. Doing little or nothing only multiplies potential repercussions and business risk — all the more reason why sustainable action must engage all employees at the FR group.

Setting targets for sustainability

A sustainable company must strike a balance between the environment, society and economy. To put this into practice, in 2017 we created a new sustainability statement (see pages 7–8) and grouped key issues into four priority areas (see page 10). Across these areas we have set specific goals such as using more sustainable materials; enhancing labor conditions at partner factories; creating more sustainable manufacturing processes; using more sustainable materials in stores; respecting diversity in the workplace, and more.

Action by all employees

The Fast Retailing Code of Conduct (CoC) acts as the guideline for employee behavior, stressing respect for human rights and diversity, as well as responsibilities regarding regulatory compliance and business ethics. We explain the CoC to all employees worldwide to make sure they fully understand how to act in a professional and sustainable manner. At training sessions, we use examples to show how human rights, work safety and environmental initiatives are integral to employees' daily work and to the growth of our business.

Feature

Putting sustainability
into practice

Part 1

Employee voices

Supply Chain

Aligned with partner factories for more sustainable operations

Guo Zheng

GU
Production Division Leader

Guo oversees all steps of the production process, from contracting partner factories and ordering samples to manufacturing and delivery to stores. "To meet the demands of fashion conscious customers and competitive prices of GU products, I pay close attention to quality, cost, delivery schedules and other details," says Guo. Her mission is not only to maximize value, but also to promote more sustainable manufacturing at partner factories. "That means making better clothing with quality materials, while simultaneously cutting costs, a difficult balancing act," she says. "To succeed, I share all issues with other divisions and propose efficient methods to help partner factories optimize production processes, for example. It may take time, but I'm always looking for new ways to improve the value chain."



Products

"I want to develop eco-conscious jeans for today's needs"

Masaaki Matsubara

Jeans Innovation Center (JIC)
Director

The Jeans Innovation Center opened in November 2016 in Los Angeles, which is often referred to as the jeans capital of the world. Matsubara selected the site and equipment for the center and made other strategic decisions from the very beginning. One of his high-priority projects is developing jeans that can be manufactured sustainably. An example is jeans made with as little water as possible. The UNIQLO brand is committed to more eco-conscious jeans. We also continuously improve the design and comfort of our jeans through subtle adjustments in materials, silhouette and fit.



Stores and Communities

Store design that preserves history for the future

Julie Especel

UNIQLO Europe
Store Design Project Manager

Julie designs UNIQLO stores in Europe, where there are historical streets lined with buildings and structures from another era. She says thinking about sustainability is part of her lifestyle. "I live now between the past and future. I learn the history and culture of a region to consider what I should preserve when designing a store. I think about what kind of space I can create for people to enhance their experience and feelings. This is my way of giving something to future generations and our planet. It's part of my life and approach to sustainability. I want customers to feel excited when they enter a store."



Employees

Providing a memorable shopping experience through excellent service

Sylvester Cargill

UNIQLO USA
Michigan Avenue store

Sylvester focuses on customer service at UNIQLO USA's Chicago flagship store. He joined UNIQLO in 2015 through our hiring program for people with disabilities. Even when the store is busy, Sylvester enthusiastically greets shoppers one by one, and politely assists them with purchases. Naturally, this wins him compliments. Sylvester also shares his expertise with new staff and inspires colleagues with his energy. "We appreciate customers who choose to come to UNIQLO, and we want to express our thanks by quickly responding to their needs," Sylvester says. "The moment shoppers step into our store, I think about what I should do and how to provide the best service. I'm proud of being able to provide a memorable shopping experience."



Feature

Putting sustainability into practice

Part 2

Partners in sustainability



Shared vision in the pursuit of sustainability

Building long-term partnerships

In the 1990s Fast Retailing (FR) contracted a Chinese sewing factory to produce UNIQLO branded apparel. Since then, FR has partnered with more and more factories in China, Southeast Asia, and South Asia. In each partnership we take a long-term view, evaluating technological and manufacturing expertise, while committing to a shared vision of making the world a better place through our business. We expect our partners to apply global best practices in quality control, labor management, worker safety, and environmental impact reduction. Mutually sustainable growth is a key factor in building partnerships.

Sustainability across the supply chain

Since the 1990s, sustainability has become more of a business priority, especially regarding the global environment, human rights, and labor management. This led Fast Retailing in 2004 to establish a Code of Conduct for Production Partners (CoC) covering occupational safety and environmental protection. Besides initiating factory monitoring (see page 26), we also interact with international organizations specializing in social and environmental issues, and cooperate with stakeholders and partner factories to facilitate solutions.

Deepening our bonds with partners

We are entering a new phase in tackling sustainability together with our manufacturing partners. Besides partner factory monitoring, we have begun auditing their suppliers' efforts to save energy and water as well (see page 27), using an environmental impact assessment tool developed by the Sustainable Apparel Coalition (SAC). In the areas of labor welfare, we monitor work hours and workplace safety to maintain good working conditions. With select partner factories, we are encouraging automation and other innovation to improve workplace conditions and elevate productivity. Furthermore, UNIQLO's six regional production departments support partner factory business stability by liaising closely with the factories to forecast orders and production volume more systematically.



Feature

Putting sustainability into practice

Part 2

Partners in sustainability

An exemplary sewing factory

Putting workers first, at a world-class sewing factory

Setting the global quality standard

China's Chenfeng Group headquarters is located on a vast, spacious campus in Jintan District, Changzhou, Jiangsu Province. With 11 factories in China making about 6.5 million pieces monthly, Chenfeng is a world-class clothing manufacturer. Since the partnership began in the 1990s, we have been collaborating with Chenfeng to make clothing that meets the world's highest standards. Chenfeng fosters awareness of social responsibility among its employees and works with us to maintain strict quality control, supported by FR's *takumi* experts (see page 32). Its vital contribution to our growth makes Chenfeng one of the core partners of the Fast Retailing group.



"We are a family"

Chenfeng Chairman Yin Guoxing reflects on his partnership with Fast Retailing that goes back more than 20 years: "Meeting FR was a stroke of luck. They have a clear policy of making sustainability a business goal. We work with them to find where and how to improve working conditions and reduce environmental impact, going beyond quality and design. This means that staff are not seen as a cost, but rather like a family that creates added value, an idea that matches my firm's philosophy of 'we are a family' to the letter. As the apparel industry globalizes further China's sewing factories must transform themselves to stay ahead. We are aligned with Fast Retailing in the belief that the forces of change are actually growth opportunities for our employees and business. We work to strengthen our valued partnership with Fast Retailing to grow the global clothing business. An example is identifying processes where automation can increase efficiency. Fast Retailing is truly our most valuable partner."



World's first-ever supplier member of Fair Labor Association (FLA)

The FLA recognized Yin's exemplary labor practices by making Chenfeng its first-ever Participating Supplier upon its affiliation in 2006. Chenfeng's high workplace standards raise the bar for rest of the industry in China. Besides guaranteeing top-level regional wages, Chenfeng has pioneered automation to increase overall efficiency, and gives workers safety instruction whenever it inaugurates a new production line. Twice a year, Yin explains Chenfeng's growth strategy to employees, while also committing to new improvements in working and on-site living conditions. Education programs and a career advancement support system are among the employee benefits that help individuals pursue their potential and increase their compensation. By putting people first, Chenfeng is well on its way to becoming the most competitive garment manufacturer in the world. As close partners, Fast Retailing and Chenfeng are ready for any challenge.



A world-class fabric manufacturer

Tackling social and environmental needs

Setting an example for companies in harmony with their communities

Located in the city of Zibo, Shandong Prefecture, China's Luthai is a world-class fabric manufacturer, producing over 16 million square meters of fabric monthly. Surrounded by greenery, its headquarters lies on Luthai Avenue. The thoroughfare's name reflects the company's ongoing support of regional infrastructure, paid for out of its earnings. Luthai's commitment extends to road maintenance, jointly operated secondary vocational schools, as well as the construction and upkeep of sports grounds, a zoo, and hotel facilities. In ways like these, Luthai Textile sets an impressive example of how companies and their communities can coexist harmoniously.

Water treatment plant built by Luthai

Luthai's large-scale wastewater treatment plant symbolizes the fabric manufacturer's dedication to improving the local community's quality of life. Fabric manufacturing uses high volumes of water and dye, calling for water purification and local water supply replenishment. Luthai invested in construction of a water treatment plant, which purifies plant wastewater to ensure levels exceeding China's strict environmental regulations. Of Luthai's approximately 20,000 tons of daily effluent, about 12,000 tons are reused in the factory. Luthai also treats 60,000 tons per day of local household wastewater before it is returned to waterways. To meet its own energy needs and the community's, Luthai bought and rebuilt a nearby power plant, outfitting it with advanced technology that raises power generation efficiency and minimizes pollution. Besides cleaner energy, the power plant also outputs steam, which Luthai uses in its factory, and local residential apartments use for heating.



Fabric manufacturers set 2020 sustainability targets

With fabric manufacturers such as Luthai, we are taking our sustainability efforts to the next level. In 2015 Fast Retailing began applying the HIGG Index to assess environmental impacts at strategic fabric manufacturers covering 70% of UNIQLO's production volume. Based on data collected with this tool, Luthai has set environmental impact reduction targets for 2020 with confidence. Luthai Chairman Liu Zibin says, "Given our commitment to sustainability, we happily comply with China's environmental regulations. Now that Luthai's operations are global in scope, expanding to Vietnam, Cambodia and beyond, our long-term obligations toward communities and the natural environment are greater than ever."



Feature

Putting sustainability into practice

Part 3

Becoming a digital consumer retail company



Aligning customer satisfaction with sustainability

A new business model integrating sustainability

The internet is creating new opportunities, bringing people, things and information closer together. A new dynamic industry is taking shape, unfettered by national borders or boundaries between manufacturing, distribution and services. For an apparel manufacturer and retailer such as UNIQLO, the ability to leverage information to deliver more value to customers is key to both customer satisfaction and competitive advantage. To achieve this, we must change in ways that align with our sustainability goals. Digital information helps us deliver products in sync with demand, thereby using raw materials, energy, human and business resources more efficiently. To transform FR into a digital consumer retail company, we have adopted a new business model that boosts customer satisfaction, competitive advantage, and sustainability simultaneously.

Customer-focused project

To deliver what customers want as quickly as possible, FR must plan and develop products in real time, while applying nimble manufacturing and using our advanced logistics network for distribution. Therefore, we built a new 16,500 square meter office complex called UNIQLO CITY TOKYO in the Ariake District of Tokyo. Completed in February 2017, the facility has more than 1,000 employees, managing product planning, design, materials procurement, manufacturing, marketing, and information systems. Specialists from these areas form small teams to handle particular product categories such as men's shirts or women's outerwear. Teams share information output by algorithms and AI analysis of big data collected from stores, social networks, internal product design discussions, inventory, and partner factory production conditions.

Creating new value and minimizing waste

To better respond to customer needs, UNIQLO CITY TOKYO performs many functions much faster than before. Based on highly reliable demand forecasting, it publishes product information, develops new and improved products, adjusts production volume at partner factories, and manages inventory in stores and warehouses. Capitalizing on its strengths of delivering high quality at reasonable prices, UNIQLO leverages big data to minimize waste and create new value. At UNIQLO, the pursuit of sustainability and innovation are one and the same.

Feature

Putting sustainability
into practice

Part 3

Becoming a digital consumer
retail company

Product planning and development

Improving customer satisfaction in a speedy fashion

UNIQLO CITY TOKYO is working on two initiatives in product planning and development aimed at improving customer satisfaction. One is improving product offerings more quickly and more often. The UNIQLO UPDATE website (see page 33) tells customers exactly how we've updated products in response to their feedback and requests. The other initiative accelerates new product development. Previously, the steps from product planning to launch took about a year. Now, small teams share business data such as product popularity, trends and new materials. By creating an environment for active discussion, UNIQLO CITY TOKYO will be able to propose new products in as little as two weeks.



Production planning

Shortening lead times while helping to improve labor conditions at partner factories

Representatives from UNIQLO's six regional production centers maintain close contact with suppliers by regularly visiting partner factories to check on manufacturing progress and capacity. If a new product sells better than expected, we may request production increases. Such sudden changes in production volume used to impact the work environment at partner factories. UNIQLO is intent on implementing a more systematic method of placing orders, based on improved demand-forecast accuracy derived from sales figures, social media, and other data sources that reflect customer needs.



Production

Improved order scheduling supports partner factory investment in personnel and equipment

Partner factories rely on Fast Retailing's product orders to make informed decisions about investments in technology such as automation and IT. One such investment is the "hanger system" implemented at Chenfeng, our main Chinese sewing factory for UNIQLO shirts (see page 17). Fabric on hangers moves automatically to the next person available to perform the next sewing task. Previously, faster workers would need to wait, while slower workers are under pressure to finish work at their station. Moving shirts from start to finish, this automated system not only keeps the line running smoothly and seamlessly, it also removes stress. Now, workers can sew at their own speed, with their own rhythm. By eliminating fluctuations in the production process, the hanger system equalizes variations in work efficiency, boosting productivity by about 10%.

Warehouse and shop inventory

Delivering popular items in sync with demand, while managing inventory more efficiently

Digital radio frequency ID (RFID) tags attached to UNIQLO merchandise can provide an efficient real-time picture of inventory and sales. Accurate sales figures, in turn, help stores adjust inbound shipments and maximize the assortment of popular items. Customers can find what they want more easily and inventory space is saved. RFID tags are also increasingly used by partner factories to track manufacturing progress in real time. Going forward, we will implement RFID tags worldwide.

