



# **FAST RETAILING CSR REPORT 2013**

# CEO Commitment



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

## Our Responsibility: Providing Hope to Society

### How to Create a Better World

"Changing clothes. Changing conventional wisdom. Change the world." This statement embodies the spirit of the Fast Retailing (FR) Way, and it has been guiding our corporate philosophy since 2008. The mission of FR is to do more than simply provide quality clothing. Rather, it aims to unleash the inherent value in clothing to improve the lives of people and change society for the better.

The influence that global corporations have on society has become increasingly apparent in recent years. A company's products and actions resonate deeply throughout society, as we have witnessed with the huge impact that Apple's iPhone has had on international communications. People are more aware than ever before that global corporations have the opportunity to use this influence to change society for the better, in ways that governments or other sources of authority cannot. The responsibility that comes with this power is enormous, and companies that wield such influence need to maintain a deep sense of integrity.

FR's CSR program is the company's promise to society that it will use its status as a global corporation, as well as its resources and its products, to contribute to society. For a company, CSR initiatives and regular business operations should be an inherent part of the organization if it hopes to earn the respect and admiration of society. They are just like the two wheels of a bicycle, in the sense that they cannot be separated from the whole.

The fundamental objective of FR's corporate activities is to enable people all over the world to experience the joy, happiness and satisfaction of wearing truly great clothing with new and unique value through its corporate activities. We hope that this objective will contribute to the development of society and help the company earn the respect of the general public, while acting as a welcome corporate entity in all countries. I believe that the FR Group must always remember its responsibilities to society as it seeks to become a genuinely global company.

We are actively promoting these values through a wide range of activities around the world.

### Cultivating Talent, Creating Global Businesses

As a company with operations throughout the world, one of FR's biggest responsibilities to society is to encourage the development of new industries, create employment opportunities and train employees so they are able to work in the competitive global market.

The FR Group is a Specialty store retailer of Private label Apparel, or SPA. This means that its operations cover everything from the procurement of materials to the production and distribution of clothing, as well as final sales. The apparel industry is a particularly important industry for developing nations that are trying to grow economically. FR's manufacturing operations are focused in developing countries throughout the world to help activate new local industries, generate employment opportunities and cultivate human resources, while contributing to regional development.

Another one of the FR Group's important responsibilities is to help develop staff members who can operate on a global level. FR opened more than 200 new stores in 2012 and it currently runs more than 2,000 retail locations worldwide. Its operations provide a wide range of opportunities for people throughout the world to challenge themselves to learn and grow in new ways. I believe that, as a global corporation, the FR Group has a duty to use its business activities to open up new possibilities for its employees, as well as for people who live in the communities in which the company does business.

## A Socially Responsible SPA Business

As a global SPA, Fast Retailing is committed to playing a direct role in establishing sound management structures for every business and manufacturing process, from the procurement of materials to product planning, production, distribution, sales and recycling. By actively participating in every step of the value chain, FR hopes to prevent problems before they occur. When issues do arise, its SPA business should be clear about its responsibilities and implement appropriate actions to resolve outstanding issues.

Corporations are also responsible for clearly understanding and minimizing the impact their activities have on the natural environment. The FR Group actively implements policies aimed at reducing the environmental impact of its business activities. The Group is particularly concerned about lowering the volume of hazardous chemicals emitted by its raw material processing operations, and sees "zero emissions" as an important, achievable target.

The FR Group is committed to ensuring workplace safety and strict adherence to labor laws. It actively implements measures to improve labor conditions in its partner factories via third-party monitoring of all manufacturing operations. Such initiatives ensure that working conditions at FR's partner factories are safe, with zero tolerance for child labor, forced labor or hazardous working conditions.

FR also respects the rights of animals, and employs a range of strategies that animals are not harmed at certain stages of procurement and production. For example, the company maintains a special focus on its material procurement operations, to ensure that sheep that provide wool for apparel are handled in an ethical manner. FR approaches such issues by listening to a range of opinions through open discussions with a number of international organizations, including global and community-level NGOs (Non-Governmental Organizations). FR also works with other stakeholders to carefully give consideration to a wide range of perspectives, in pursuit of the best solutions to problems it faces as a Group.

## Support for the Hopes and Dreams of Future Generations

The global economic recession and widening gap between the rich and poor in recent years are creating a growing sense of hopelessness among younger people. The children and youth of today will create the global society of tomorrow. Young people have enormous potential, and I sincerely wish to help them achieve their dreams and aspirations by giving them the opportunity to see that "the future is ours to build." One major step in FR's commitment to this was teaming up with Novak Djokovic, the world's top tennis player and UNICEF (The United Nations Children's Fund) Ambassador for Serbia, to create the "Clothes for Smiles" program. This initiative has established a fund of 1 billion yen (approximately U.S. \$10 million) that will be used to support programs aimed at helping children achieve their dreams. As a global apparel maker, FR can use the spirit of the FR Way to develop creative and unique activities that are beneficial to society.

Thanks to your ongoing support, FR will fulfill its mission to make the world a better place.

# A Message From Our Global Ambassador



## Novak Djokovic Professional tennis player

Born in Serbia on May 22, 1987, professional tennis player Novak Djokovic has captured a total of five Grand Slam titles to date, and won both the China Open, Beijing, October 2012, and the Shanghai Masters, October 2012. Djokovic serves as a UNICEF National Ambassador in Serbia, and he established the Novak Djokovic Foundation in 2007. Through his foundation, he supports projects that help improve the lives and educations of young people in Serbia.

## To fulfill the dreams and aspirations of children around the world

I am honored to serve as UNIQLO's global brand ambassador since May 2012. UNIQLO is a stylish functional apparel brand with strong roots in Japan, a country whose culture and way of life I highly respect.

When I was a child in Serbia, we often had no choice but to give up on our dreams. No matter what was happening around me, I never gave up my dream of becoming the world's top tennis player, something I have been able to achieve. Over the years I developed a personal philosophy I call 'Be Unique.' This philosophy is based on a strong sense of passion, particularly toward helping people, especially children, who have been less fortunate than I.

UNIQLO and I have a common desire to improve people's lives and society for the better, and together we created 'Clothes for Smiles,' a new program that aims at giving children of all ages a chance for a better future.

'Clothes for Smiles' establishes the rough equivalent of a U.S. \$10 million fund from the sale of UNIQLO items. In addition, we are asking the general public to contribute ideas for how half of this fund can be utilized in a beneficial way, and the other half of this fund will be donated to our Global Alliance partner, UNICEF, to support various efforts to help children all around the world.

I think the 'Clothes for Smiles' initiative is an innovative and unique program, and I am very excited for what lies ahead as this program takes off. I have become the person I am today because of the help and generosity I received from many people, ever since I was child. Please join me and UNIQLO in helping other children to achieve their dreams and bring smiles to their faces.

Thank you

**FR CSR Statement**

# Fast Retailing: Making the World a Better Place

The Fast Retailing Group's mission, as stated under its FR Way corporate philosophy, is to use the power of clothing to enrich people's lives and benefit society.

The FR Way is the company's commitment to uphold its promises to society. The FR Group fulfills its responsibility to society by basing all of its decisions and actions on the FR Way, without compromise. The Group also maintains an unwavering emphasis on compliance and the ethical consequences of its actions. The company maintains its own efficient management systems, backed by a detailed system of checks and balances and the strictest standards

in the global clothing industry. This is how the Group ensures transparency, sound corporate governance and an open dialogue with stakeholders.

CSR-related aims should be inseparable from a company's business operations. Otherwise, firms run the risk of falling out of public favor. FR's daily corporate activities are focused on creating truly great clothing with new and unique value. The company believes that giving people throughout the world the opportunity to experience the joy, happiness and satisfaction of wearing such exceptional apparel is the key to achieving its core CSR aim: to "make the world a better place."



**FAST RETAILING WAY**

**Corporate Statement**

**Changing clothes.  
Changing conventional wisdom.  
Change the world.**

**Group Mission**

- 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
- To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society

**Values**

- Approaching issues from the customer perspective
- Embracing innovation & challenge
- Respecting and supporting individuals to foster both corporate and personal growth
- Committing to ethical standards and correctness

**Principles**

Inspired by The FAST RETAILING Group Mission and Our Values, we will:

- Do everything possible for our customers
- Pursue excellence and aim for the highest possible level of achievement
- Achieve strong results through the promotion of diversity and teamwork
- Move speedily and decisively in everything we do
- Conduct business in a very real way based on the current marketplace, products and facts
- Act as global citizens with ethics and integrity

**Fast Retailing CSR Statement**

**Making the World a Better Place**

Fast Retailing is determined to enrich the lives of people around the world by focusing on innovation in the retail apparel industry. The FR Group is actively working to make the world a better place and strives to conduct business in an ethical manner.

# Rising to the Challenge to Make the World a Better Place

The Fast Retailing Group's CSR Statement, which outlines its core CSR aims, is all about "making the world a better place." The Group works to enrich the lives of people around the world by pursuing innovative ways of doing business and providing value in the retail apparel industry.

All of FR's business activities and CSR initiatives focus on production, communities, human resources and the environment. The company believes that these are fundamentally important issues that should be addressed in all of its corporate activities.

Production is the cornerstone of any clothing manufacturer's business. FR's goal is to provide clothing that meets the highest quality standards in the world. The company achieves this goal by maintaining a highly refined in-house production management system, while forging solid partnerships with its partner factories.

As FR develops as a global corporation, the company must actively cultivate close relations with the communities in which it does business. It believes that its contributions to society involve providing high-quality clothing, wherever it is needed.

Capable, talented people are vital to the global development of FR's business operations. FR must therefore continue to cultivate human resources so its staff have the skills they need to carry out the FR Group's activities, as well as the ambition to help chart a future path for society.

As manufacturer, FR is responsible for maintaining a clear, accurate understanding of the impact that its business operations have on the environment on a daily basis. The company must actively work to identify processes that do not hurt the environment.

The "Challenges" listed in Fast Retailing CSR Report 2013 refer to the company's efforts to achieve its CSR goals as they relate to production, communities, human resources and the environment. FR appreciates the feedback it receives from its stakeholders. This report is an attempt to offer clear responses to their comments, concerns and expectations.

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**Fast Retailing Group Overview**

# Challenge 1

## Production



## Partners in Quality

The Fast Retailing Group's goal is to make clothing in line with the world's highest standards, but the production of top-quality apparel is only one aspect of its efforts to meet customer expectations.

The company's commitment to quality is about more than just the physical attributes of each product. It also encompasses the value in creating apparel according to standardized processes with trustworthy partners in safe, comfortable working environments.

FR will continue to grow with production partners who share its ideals throughout the world via a wide range of socially responsible initiatives.



Global Strategy

# The World's Highest Quality Standards

For Fast Retailing, the production of clothing in accordance with the world's highest standards involves developing innovative materials and directly controlling all aspects of the manufacturing process, from the procurement of fabric to production and delivery. FR also believes that all of its production processes should be sustainable and supported by a framework that promotes continual improvement. These points are key to FR's efforts to achieve its quality-related objectives.



FR always produces clothing under socially acceptable working conditions, with an emphasis on minimizing its impact on the environment. This involves maintaining a compassionate approach to animal welfare when sourcing raw materials, ensuring that factories are safe and comfortable for workers, and utilizing processes that have a low environmental impact. Societies allow companies to exist, which is why firms must always do business in a responsible manner. FR also believes that companies should actively contribute to society, while engaging in business activities that are beneficial to all.

The quality of business relationships hinge on the ties that companies maintain with each production site, and this is one of FR's core strengths. Major apparel companies throughout the world typically produce clothing through networks of several hundred partner factories to more than a thousand manufacturers. UNIQLo, the FR Group's core brand, maintains production relationships with roughly 70 partner factories. These facilities produce more than 600 million items of clothing per year. FR only produces clothing with companies that share its long-term vision.

The company's partnerships are based on an understanding that both sides will work together to ensure future business growth. FR shoulders an enormous responsibility by forging such partnerships. Poor final product sales, for example, can compromise FR's ability to ensure a steady stream of future orders. This can seriously affect FR's production partners, regardless of the strength of their business relationship. High-quality relationships must therefore be built on a foundation of trust, so partners become so closely knit that they eventually appear to be a single company.

FR aims to maintain the quality of its core business processes, because inefficiency can undermine the effectiveness of all business processes, including efforts to cut costs and ensure quality control, regardless of the nature of the partnerships and working environments in the factories. Ultimately, inefficiencies negatively affect product quality and the growth of FR's partners. Highly refined and efficient operations are therefore key to meeting the expectations of society and FR's customers.

These factors must exist for FR to ensure the world's highest quality standards for clothing. Based on strong, trusting relationships, FR continually tries to meet the needs of its customers by adhering to proper business processes and practices. FR will continue to provide high-quality clothing and change society for the better by working with companies and managers that already share its belief in the importance of appropriate business conduct. The company is determined to continue to form relationships that are based on a core philosophy, rather than solely focusing on business transactions.



**Yoshihiro Kunii**  
Group Senior Vice President  
in Charge of Production  
Fast Retailing Co., Ltd.

# Fast Retailing's Shanghai Production Center



Fast Retailing concentrated its production department and R&D division in Shanghai in September 2011 to be able to forge closer ties with its manufacturing partners in China and other countries throughout Asia, and thereby accelerating product development and improving product quality. This organizational decision has turned Shanghai into FR's primary development hub, from the procurement of materials to the design stage, ordering and management of the production process. This set-up has substantially improved the FR Group's operational efficiency.

"The biggest advantage is that we can now hold discussions with actual samples right in front of us," says Shanghai Office Manager Shigeru Ikeda. "We are able to visit our partner factories more frequently, and this has given us and our partners a better understanding of the real issues involved, so we can identify matters that need to be addressed. This has contributed to significant improvements in all areas, from quality to delivery periods and production adjustments. The production engineers we have on staff are now able to help us make the highest quality clothing in the world."

The main challenge going forward is to establish consistently

high quality standards for high-volume products. This will be challenging because FR's production operations are spread throughout the world, beyond China. The company aims to understand how best to ensure the quality of materials and secondary materials in every market in which it operates. At the same time FR will address the differences in procurement from country to country, the varying skill levels of factory employees and cultural differences. FR Group brand UNIQLo actively addresses such issues by relying on "takumi," as its highly skilled and experienced sewing experts are known in Japanese (please refer to page 18). UNIQLo has also merged its production operations in Shanghai to help it achieve its goal of creating the high-quality clothing in the world, in line with the global apparel industry's strictest standards.



**Shigeru Ikeda**  
Manager  
Shanghai Office,  
Shenzhen Branch  
Production Department  
UNIQLo Co., Ltd.

## UNIQLo: Fast Retailing's Core Business

The FR Group's corporate mission is to give people all over the world the opportunity to experience the joy, happiness and satisfaction of wearing truly great clothing. As FR's core apparel brand, UNIQLo is focused on creating "LifeWear," or the ultimate in casual clothing. 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**.

Our Partners — 1

## Fast Retailing's Partner Factories: Competing on Quality

The Chenfeng Group, a leading Chinese apparel manufacturer, employs about 8,000 people across eight factories. It produces more than 40 million articles of clothing per year and is one of Fast Retailing's core partners. The two sides established their relationship 15 years ago, when both companies were still just getting started. FR and the Chenfeng Group share a determination to create clothing that exceeds the global apparel industry's highest standards.

### Solid Partnerships, High Standards

The Chenfeng Group's primary production base is a factory complex spanning 220,000 square meters in the city of Jintan, Jiangsu Province, near Shanghai. The facility features dozens of neatly arranged production lines and spacious work areas, with more than 1,000 employees in each building. The staff use computers to manage every aspect of the production process, from material control to cutting, while management teams monitor key production processes such as sewing, pressing and folding on the factory floor. The Chenfeng Group and UNIQLO share a desire to focus on the essence of manufacturing issues. Signs bearing the word "kaizen," a Japanese business term that loosely translates as "continuous improvement," are prominently displayed at each production line. This serves as a reminder to all employees to continually look for ways to improve operations and make a range of processes more efficient. The Chenfeng Group's main sewing factory is currently one of the most highly



regarded production facilities in China's extremely competitive apparel industry, in terms of production volume and quality.

"Our partnership with UNIQLO has played a major role in helping us grow from a small sewing factory into what we have become today," says Chenfeng Group CEO Yin Guoxin. "We started by changing our approach to product quality control. We initiated three measures, starting with an analysis of every process. Then we identified product-related problems, to determine the causes of problems, produce improvement plans and implement controls. Thirdly, we started raising awareness about quality." Prior to the establishment of its partnership with UNIQLO, the Chenfeng Group struggled to stabilize its operations, mainly because it only tracked product defect rates in those days. "Our inspections did not cover every product. That is when everyone in the company started to understand that quality comes down to every person and process," Yin says. "We ensure quality through final inspections, by taking a close look at every aspect of the finished product. We have adopted a comprehensive approach, under which we approve each product before sending it to the next stage in the process. We then verify those items again before we start the next stage of the process. Of course, changing employee awareness and improving factory productivity takes time and money. We also needed to invest in new machinery and efforts to acquire new technologies."

The Chenfeng Group is actively trying to improve product quality, in line with its goal to produce clothing according to the global apparel industry's highest standards – an aim it shares with UNIQLO. This strategic approach places

**Yin Guoxin**  
CEO  
Chenfeng Group Co., Ltd.



paramount importance on daily operations on the factory floor. "UNIQLO's meticulous production planning provides stability to our manufacturing operations," says Yin. "Combining this with our enhanced factory technology will result in greater efficiency for both of us. We are on the factory floor nearly every day with UNIQLO's production department supervisor and takumi expert. They help us find answers to problems that pop up. And that is normal procedure at UNIQLO. When problems arise, we immediately deal with them. We are able to grow by fixing problems one by one."

When Wu Yafeng, a production supervisor in UNIQLO's Production department, visits the factory site to investigate problems, managers from all of the production lines gather to discuss the causes of problems and potential solutions. "It is important to create an environment that is beneficial for both companies," says Wu. "Asking factories to inspect every item is easy and definitely contributes to the quality of UNIQLO products. But the risk burden is then completely on the factory. We work together to create a quality control framework that anticipates and resolves problems. We have to work as a team. The factory is a family that makes quality products."

Of course, things do not always proceed as planned. "When I first became a UNIQLO manager, I told a Chenfeng factory manager about a potential sewing process issue, but he told me that he did not want to change anything because the factory had always done it that way," says Wu. "The takumi

expert and I thought about how to help this particular manager understand our point of view, so we decided to do the sewing ourselves to show him. He saw the problem and immediately revised the process in question. Good relationships are made by sharing useful and helpful ideas that produce better results."

### Employee and Factory Growth

All employees try to improve their skills and grow with the factory, because the Chenfeng Group works hard to create a great working environment for everyone. This is embodied in one of Yin's core policies, which basically states that "employees are family." "It is really important to control the number of hours that factory employees work, for the sake of both the health of our employees and the quality of the products. And we pay the highest wages in the industry," says Yin. "I forbid employees from calling me 'boss.' A factory does not belong to just one person. Also, I do not want them to simply work for money. I want them to feel like they are part of a family, so they actually want to develop their skills and evolve with the factory."

A signboard at the factory lists the number for a 24-hour telephone hotline that employees can call to discuss any problems or concerns they might have. The sign also lists other phone numbers, including those for Yin, the factory manager and local government officials. "I do not receive many phone calls anymore," says Yin. "But about 10 years ago, when we first put the numbers up, the phone was ringing constantly. For example, one employee called to tell me that the factory manager had become extremely angry with him. He complained that it did not make sense and said that the pressure was becoming too much for him to handle. From that day on, I was always quick to get the managers together to resolve all issues."

Yin's concern for his employees and the importance that he places on the UNIQLO partnership relationship will be key to achieving his dream of becoming the best garment manufacturer in the world. "UNIQLO's dream is to be the best in the world, and I want Chenfeng to provide the best quality in the world," he says. "I want to make this dream a reality."

Fast Retailing's greatest strength is partners like the Chenfeng Group who are dedicated to encouraging friendly competition aimed at mutual growth.



**Wu Yafeng**  
Supervisor  
Fabric Production Team,  
Production Department  
Merchandise Headquarters  
UNIQLO Co., Ltd.

Our Partners — 2

# UNIQLO Helps the 'Impossible' Become 'Possible'

Indonesian garment producer PT Pan Brothers Tbk and UNIQLO are now in the second year of their partnership. Pan Brothers manufactures items for several global apparel brands, but the company was surprised by the challenge of meeting UNIQLO's high quality standards and tightly managed production processes. As it overcomes these challenges, Pan Brothers is starting to focus on becoming the world's top clothing maker.

### UNIQLO's Commitment to the Highest Standards

Although PT Pan Brothers Tbk is a relatively new UNIQLO partner, it is a major apparel maker in Indonesia, with 16 factories and 21,000 employees. "We have worked with various global brands for many years, but UNIQLO is the first Japanese brand with which we have done business," says Pan Brothers CEO Ludijanto Setijo. "We were surprised at the level of quality that UNIQLO requires. Its acceptable product defect rate is three times stricter than other global brands. UNIQLO also has a policy, practically unheard of in the industry, to inspect every single item. The truth is, we had thought that UNIQLO would be a very strict partner, but we were impressed by the earnestness and care that it showed. Several months before starting production, it helped us to prepare, and we decided to believe in the partnership and our united long-term vision."

Pan Brothers Vice President Director Anne Patricia Sutanto says the company needed to rethink its production approach to meet UNIQLO's high quality standards. "When we first learned of UNIQLO's standards and processes, we were worried that we would not be able to meet them," she says. "The first three months were harder than we ever could have imagined. But as we progressed and started seeing results, we started to believe that the 'impossible' could become 'possible'."

Pan Brothers successfully rose to those initial challenges, but it still had more to face. For example, piece-by-piece product inspections were introduced at every stage of the production process, and steps had to be redone every time a flaw was found. These procedures reduced the number of final products with defects, but they also significantly increased the time and space needed to redo everything. Workers are naturally reluctant to implement procedures that appear to be time-consuming and inefficient. But UNIQLO employees visited the factory to explain the new procedures and help implement them. The perspective of the factory workers started to change when the number of final products that had flaws actually started to decline. When the standards became clear, the workers started to see how they could implement improvements in other areas. "UNIQLO's tracking process allows us to immediately trace which lots have problems, and at which stage," says Setijo. "That allows us to identify and deal with only the affected products among the large volume of items we manufacture. It looks like more work, but the benefits are substantial." UNIQLO Director Mitsuhiro Tsujimoto worked with Pan Brothers on these efforts. "A trusting relationship is essential for us to grow together," he says. "Companies from the United States and Europe usually accept a certain percentage of defects, but UNIQLO works with factories to generate ideas and implement improvements. We work with partners to create better working environments, to improve quality and productivity. Pan Brothers concentrated its capabilities and successfully achieved standards that initially appeared to be beyond the company's reach. Pan Brothers is truly a wonderful partner."

Employees of Pan Brothers continue to deepen their awareness and understanding of the new regulations and quality standards. Just three months after adopting them, significant improvements began emerging, in terms of both production and quality. Sutanto and Setijo have strong ambitions for Pan Brothers. They say that they are more confident that the company can continue to grow with UNIQLO. They want to expand production capacity by more than 10% per year until 2015, while strengthening the firm's supply chain.

**Anne Patricia Sutanto**  
Vice Chief Executive Officer  
Pan Brothers

**Ludijanto Setijo**  
CEO  
Pan Brothers



### UNIQLO Partner Aims to Establish Asia's Biggest Clothing Production Base

UNIQLO and Pan Brothers have joined forces to establish what could become the largest apparel production base in Asia. Pan Brothers recently started production at a new garment factory in the suburbs of Solo, one of Indonesia's largest cities, raising its total monthly production capacity from 500,000 items to 1 million. "The next issue we face in our expansion efforts is the procurement of materials and secondary materials," says Setijo. "We also need to secure quality materials in the right volumes and ensure that the factories receive a steady supply, so we can continue to steadily produce large volume and maintain our desired quality levels." Setijo says that Indonesia is different from China, where most materials can be obtained domestically. "Supplies in Indonesia are not stable, because most of the materials and secondary materials need to be imported from outside the country," Setijo says. "We want to work with UNIQLO to fortify our upstream supply chain by forging and strengthening partnerships with suppliers. Human resources is another area of focus. Indonesia has an abundant work force, but we will need to help people to develop technical skills. The percentage of managers and inspectors we have in staff is still high compared to the number of sewing operators we employ. Therefore we will need to provide training to raise the percentage of sewing operators in the company, while maintaining high quality levels."

Sutanto believes that there are many other areas in which the company can learn from its partnership with UNIQLO. "I have been deeply impressed by the teamwork among workers in Japan. I like that they use the company's method for sorting and straightening up. They engage in systematic cleaning, while setting standards, disciplining staff and enforcing workplace safety guidelines. I think there are many areas in which we can learn and improve." Employment regulations and compliance response will also be important, Sutanto says. "At our headquarters, we coordinate and create our standards so they match overseas standards. And the Personnel departments across all of our operating regions ensure that the factories follow our standards and comply with local labor laws and regulations. We believe that this approach will help us to maintain personnel and improve product quality."

Tsujimoto shares the Pan Brothers's belief that the partnership will help both companies grow together. "Production in Indonesia is now centered on woven fabric," he says. "But we hope to manufacture full product lines in the near future. We would like the whole process, from the procurement of materials to sewing, to be completed in Indonesia. I would like to make it a production base that could rival China."



**Mitsuhiro Tsujimoto**  
Indonesia Office Chief  
Production Department  
UNIQLO Co., Ltd.

Monitoring

# Quality Products, Added Value

Fast Retailing and its production partners must work with each other closely to monitor operations and maintain the world's highest quality standards. FR starts its monitoring and other collaborative efforts with factories to help establish appropriate working environments, while raising productivity and product quality, improving employee satisfaction and creating cycles that generate value for the company and the regions in which it operates.

## Effective Monitoring and Guidance for Improvement

Fast Retailing monitors the working environments at its primary partner factories based on its Code of Conduct for Production Partners, which was established in 2004 (for more details, please refer to page 19). Specialized external organizations also help to monitor manufacturing operations to ensure that prohibitions on child labor or forced labor are upheld and working environments are safe, in addition to other conditions that must be met. FR Group employees implement appropriate measures based on the findings of these monitoring initiatives.

Please refer to page 17 for the results of the FR Group's monitoring efforts up to the end of August 2012. In fiscal 2012, 13 "Grade E" incidents (serious, highly unethical offenses that are subject to immediate contract review) were reported. They included five false reporting incidents, three cases of child labor, and five instances in which required improvements were not completed within a specified period of time. The FR Group's Business Ethics Committee (for further details, please refer to page 19) reviewed each incident and implemented response measures. Follow-up monitoring efforts also led to one incident being dealt with appropriately. Four more resulted in the cancellation of business agreements. At the end of August 2012, the number of factories with "Grade E" evaluations had been reduced to eight production sites.

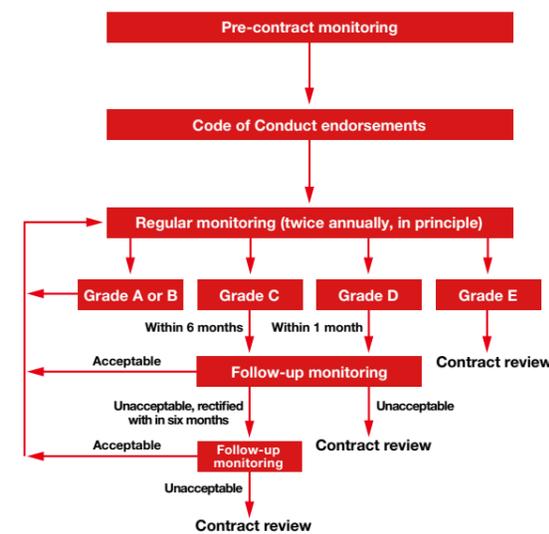
FR's production structure, including its CSR activities, features a controlled number of business partners to address issues in an integrated manner, so improvement measures can be mutually developed and implemented. When addressing the need to improve working environments and other factory issues, FR believes that it is important to resolve immediate issues while also addressing fundamental, underlying issues and building relationships of trust with factories. FR employees directly visit factories that require improvement to provide guidance. In China, the company has started providing training workshops to focus on specific issues, as well as additional sessions for other companies that own partner factories. The company is aiming to promote deeper understanding of its standards, so it can deal with underlying problems and provide guidance. FR is also working to help strengthen the capabilities of its factory management teams, as managers from its partner factories who oversee CSR issues create in-house auditing systems.

In addition the company is also enhancing the effectiveness of its monitoring efforts by conducting reviews and evaluations with NGOs and other third-party organizations and by improving the problem-solving abilities of its partner factories.

### ●Production Partner Approach and Objectives



### ●Workplace Monitoring Framework



### ●Fast Retailing Group Workplace Monitoring Results (to the end of August 2012)

| Grade   | Description  | Fiscal 2010                |                           | Fiscal 2011                |                           | Fiscal 2012                |                           |
|---|--|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|   |  | Fast Retailing Group Total | (UNIQLO out of the total) | Fast Retailing Group Total | (UNIQLO out of the total) | Fast Retailing Group Total | (UNIQLO out of the total) |
| A   | No violations  | 10                         | (9)                       | 6                          | (6)                       | 9                          | (8)                       |
| B   | One or more minor violations   | 53                         | (52)                      | 66                         | (56)                      | 87                         | (59)                      |
| C   | One or more major violations   | 68                         | (50)                      | 91                         | (63)                      | 69                         | (51)                      |
| D   | One or more severe violations  | 39                         | (19)                      | 25                         | (19)                      | 56                         | (34)                      |
| E   | Highly unethical, serious offenses subject to immediate review of contract | 4                          | (2)                       | 0                          | (0)                       | 8                          | (7)                       |
| <b>Number of Factories Under Regular Monitoring</b> |  | <b>174</b>                 | <b>(132)</b>              | <b>188</b>                 | <b>(144)</b>              | <b>229</b>                 | <b>(159)</b>              |

- Workplace monitoring efforts were implemented at 229 factories in fiscal 2012.
- The increase in the number of "Grade D" evaluations was largely due to unfavorable assessments for factories associated with new business contracts. Fast Retailing tries to quickly address this situation by implementing more comprehensive improvement guidelines after the pre-contract monitoring stage, training workshops and other measures.
- Fast Retailing attempts to reverse the increase in "Grade E" evaluations by raising awareness of its preventive measures and standards through a range of measures. These steps include providing more opportunities to communicate and participate in training workshops and orientation meetings. The measures also include more frequent factory visits.

### Improvements Based on Monitoring Efforts, Fiscal 2012

#### • Monitoring Working Hours (China)

At one partner factory in China, delivery receipt records indicated that a number of employees had worked on some Sundays, even though no working hours appeared in the work attendance records. In addition, Sunday is supposed to be a day off for all employees at the factory. The discrepancy was due to employees coming in to receive materials that were scheduled to arrive on a Sunday, without recording the working hours on their time cards. FR proposed resolutions, such as ensuring that employees recorded their working hours, even when the work only involves receiving deliveries and discontinuing deliveries on Sundays and other non-working days. Follow-up monitoring efforts confirmed that the improvements had been implemented.

#### • At Least One Day Off Per Week (Thailand)

The FR Group identified a case at one facility in Thailand in which some factory employees had worked as many as 13 consecutive days without a day off. This problem was due to inefficient scheduling, as well as the fact that the factory was understaffed. The FR Group proposed restating the policy that factories must provide every employee with a minimum of one day off per week. Follow-up monitoring efforts confirmed that the required improvements had been implemented.

#### • Wage Calculation Methods (Vietnam)

Monitoring efforts at one partner factory in Vietnam revealed that the employees did not understand the method for calculating their wages. FR Group employees visited the factory and discovered that the policy on wage calculation methods had not been communicated properly to the local employees. FR proposed holding a staff meeting and publicizing information on factory bulletin boards. Follow-up monitoring efforts confirmed that the required improvements had been implemented.

#### • Paid Holidays (China)

Factory employees working during standard one-month probation periods at one factory in China were not paid for legal holidays, despite laws requiring that they be compensated. FR staff showed the factory how to operate according to company guidelines. Follow-up monitoring efforts confirmed that the improvements had been implemented.

#### • Handling of Chemical Substances from New Processes (China)

Standardized procedures for handling chemical substances were not followed as required by law at one partner factory in China. FR employees told the factory managers about the importance of ensuring full compliance with laws and regulations when taking on new production processes. FR dealt with the situation and verified its findings in an improvement report, including inspection results submitted by the factory.

### Serious Offenses, Fiscal 2012 (Grade E)

#### • Child Labor (China)

FR employees identified an incident of child labor at a factory in China in October 2011, when it was discovered that an underage girl, born in December 1995, was working at the site. Chinese law prohibits companies from hiring anyone under the age of 16. The employee was 15 years old at the time and had used her older sister's ID card when she was hired. The factory's General Accounting department verified the authenticity of the ID card at the hiring interview, but did not notice that the card was not the applicant's, due to the similarity in the sister's facial features. FR employees revisited the factory and confirmed that it had stopped employing the girl. The FR Group ensured that she was paid for the hours that she had worked, as well as the regular wage that she would have earned at the factory (had she not been dismissed for her age) until she turns 16. Personnel files were then created for each of the factory's employees. FR recognizes that this error occurred despite the factory's efforts to follow proper hiring procedure, but due to the serious nature of the incident, it reduced the volume of business it did with the facility.

#### • False Reporting (China)

An interview with employees at one partner factory in China, conducted as part of FR's regular monitoring activities, uncovered a discrepancy in the factory's recorded working hours. The records and pay statements indicated that a number of employees had been paid for four hours of work on a Saturday, but four of those individuals told FR staff that they actually worked eight hours on that day. FR employees revisited the factory and discovered that during the monitoring period, the factory's personnel administrator had provided records that only showed a portion of the total hours worked, so the reported hours would fall within the statutory limits for overtime work. FR found evidence that the unreported hours had been recorded by hand and that the appropriate overtime compensation had been paid. This was a particularly serious incident, as it involved the extremely unethical falsification of data, so FR implemented measures to cease its business ties with the factory.

# Quality and Safety Control Systems

**Fast Retailing maintains a thorough quality and safety control system as a key part of its efforts to provide truly great clothing. The company embraces the rule of law and upholds fairness while requiring all of its employees and business partners to act fairly.**

## Strict Guidelines

The UNIQLO Global Quality and Safety Standards is based on the strictest regulations in the countries and regions in which UNIQLO operates, including Japan, Europe, the United States, and a number of countries throughout Asia. The standards are set by the company's Quality Establishment Committee, which is headed by the officer in charge of production. Managers from UNIQLO's Production department use the knowledge and experience of takumi textile experts to work with partner factories to ensure that all products fully comply with the company's standards. FR then shares this information with relevant departments, and the Customer Care for Product Quality Team responds to customer inquiries.

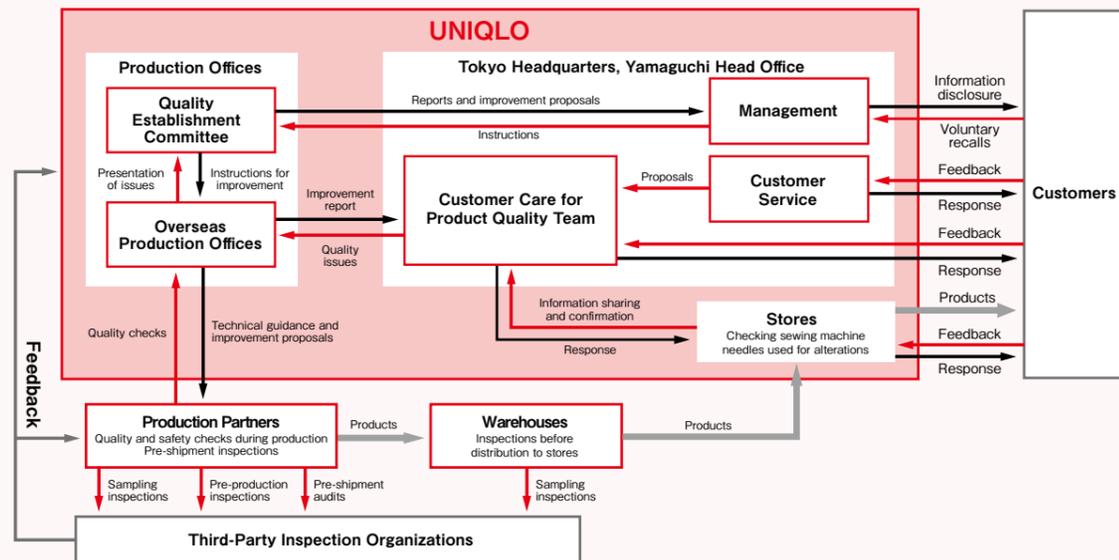
In addition, FR's overseas production offices in Vietnam, Bangladesh, Indonesia and the Chinese cities of Shanghai and Shenzhen receive monthly feedback in the form of "Customer Comment and Request" reports from the Customer Satisfaction department and "Customer Submitted Proposals" from the Customer Care for Product Quality Team. FR uses the contents of these reports to come up with improvements and action proposals in the "Case Studies on Abnormal Values (Improvement Proposals for Specific Quality-related Issues)" report. This ensures that all of FR's business sites develop uniformly, while ensuring that managers know about every product and continually promote quality improvements.

## Takumi System

Since 2000, UNIQLO has been dispatching *takumi* textile experts with extensive experience in Japan's internationally renowned textile industry to all of its partner factories. It does this to provide technical guidance, help with process management and assist in the training of personnel. A total of 35 *takumi* experts specializing in fabric and sewing are currently on assignment in China and other markets in which the FR Group has production sites.



## UNIQLO's Quality and Safety Control System



**Takahiro Shiraishi**  
Takumi Expert  
Production Technology  
department  
Shanghai Office  
UNIQLO Co., Ltd.

As one of 35 *takumi* experts currently working around the world, I am responsible for the quality of the innerwear garments we produce. Like other companies that follow a SPA (Specialty store retailer of Private label Apparel) business models, UNIQLO has specialized inspection companies and public inspection agencies that conduct quality checks on product samples. UNIQLO also supplements those checks by sending its staff to factories on a weekly basis. UNIQLO may be the only apparel manufacturer that conducts its own checks on products at partner factories. I have been working on improving and stabilizing the quality of products made at factories in China since I joined UNIQLO, and I believe that we are generating positive results. At the start, the company's policy was that all products manufactured at its partner factories needed to pass third-party audits and inspections before shipping. The daily improvement efforts of the factories and UNIQLO managers are raising the abilities of factories to self-monitor their operations to the same level as the audit and inspection companies. About half of the sock and innerwear manufacturers we work with no longer require third-party inspections. As UNIQLO increases its production volumes, the next issue is to maintain consistent quality for products manufactured at factories in China and other countries. The different conditions, equipment, experience and skill levels in each country makes it particularly challenging, but the experience and knowledge I have gained in China is helping me to approach and overcome each challenge we encounter.

### Profile

Takahiro Shiraishi joined UNIQLO in 2005. Prior to working for UNIQLO, he was employed by another major apparel maker. His technical expertise ranges from sewing to production machinery development. He also specializes in providing technical guidance to affiliated companies. During the final seven years of his last job before UNIQLO, Shiraishi worked as a general accountant for a Taiwanese subsidiary.

## Third-Party Inspections

All of the materials that UNIQLO uses are subject to safety inspections by accredited third-party inspection agencies, including sampling tests to assess dye-fastness. Tests are also conducted for residual formalin, to ensure that items do not contain formaldehyde, a potential skin irritant that is sometimes used in small amounts as a softener to prevent shrinking and wrinkling when processing natural fibers. UNIQLO also conducts pre-production inspections on products that will be manufactured in high volumes, to ensure compliance with safety standards and pre-shipment examinations of all products before they leave the factories, such as specific checks for needles and dangerous objects.

These pre-shipment audits are conducted by third-party entities to confirm that partner factories have been following official management procedures. Fast Retailing additionally inspects products at the warehouses before distribution to stores and third-party agencies conduct sampling inspections to further reinforce the company's quality and safety control system.

## Voluntary Product Recalls

Fast Retailing makes every effort to ensure the quality of the products that it offers to customers. The company maintains a system for its local business offices and corporate headquarters to verify the circumstances of defects found by customers. This system helps the company to quickly identify the factory in which a product was made.

In fiscal 2012, FR Group brand g.u. voluntarily implemented three product recalls due to defective items or labeling errors. Comptoir des Cotonniers, another FR Group brand, conducted one voluntary product recall in 2012, due to a defective item. FR took these incidents seriously and implemented recurrence-prevention measures, including assigning in-house Quality and Safety Control Managers to deal with issues of concern and further strengthening product quality and safety to restore customer trust.

## Code of Conduct for Production Partners

FR regularly verifies that its products are being manufactured under appropriate working conditions in factories that do not employ children or engage in forced labor. The company constantly tries to improve working conditions and regularly discloses information in a transparent manner. FR established its Code of Conduct for Production Partners in fiscal 2004, based on the conventions and recommendations of the International Labour Organization under the United Nations. These guidelines forbid child labor and set rules for overtime working hours and other issues related to factory working conditions. External specialist agencies, meanwhile, help the FR Group to monitor working environments and other matters at partner sewing factories that have endorsed the Code of Conduct for Production Partners.

### Key Guidelines

- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of coercion and harassment
- Prohibition of discrimination
- Health and safety
- Freedom of association
- Wages and benefits
- Working hours
- Environmental protection
- Preparation of internal regulations
- Monitoring and compliance with the Code of Conduct

## Fast Retailing's Business Ethics Committee

The Fast Retailing Business Ethics Committee enforces the Guidelines to Prevent the Abuse of Superior Bargaining Power, which it drafted by itself. The "abuse of superior bargaining power" refers to situations in which one party uses its dominant position to push another party to accept unfavorable business terms that would not be accepted if their relationship was equal. The committee uses these guidelines to ensure equal, friendly relationships with its business partners, raise employee awareness about

business ethics, and review corporate conduct. The committee is chaired by a CSR department officer and is primarily staffed by full-time corporate auditors, external auditors, corporate lawyers and representatives from relevant FR Group departments. The committee examines the circumstances of each issue and conducts hearings with FR and its business partners.

The CSR department officer then reports to the Business Ethics Committee and notifies the relevant FR Group departments about the results.

### Number of Cases Reported to Business Ethics Committee

- Fiscal 2010 53
- Fiscal 2011 57
- Fiscal 2012 79

## Business Partner Surveys

The Fast Retailing CSR Department conducts quarterly surveys of business partners to identify any unresolved monetary issues that may have arisen. The department started conducting annual surveys of the FR Group's business partners in fiscal 2003. In fiscal 2012, surveys were sent to 390 FR Group companies and business partners, with 207 companies providing responses.

FR is the company that submits orders, which means that it often enjoys a dominant bargaining position over its business partners. It is therefore possible that the fairness of its transactions could be compromised. On a daily basis, the FR Group tries to ensure that all transactions with its business partners are fair and equitable.

While most of the survey responses were positive, FR did receive some comments concerning employee business etiquette. These comments specifically centered on the type of clothing that the staff wear and the language that they use, as well as transaction issues related to orders, delivery times and prices. The FR Group takes such comments seriously and shares them throughout the organization. It confirms whether any issues have occurred regarding the conduct of its employee and senior officials, and informs all relevant departments before pursuing corrective measures.

## Business Partner Survey: Fiscal 2012 Results

- Survey Period : August– September 2012
- Subjects : Major business partners of Fast Retailing and its Group companies

|                                       | Number of surveys sent | Number of responses received (%) |
|---------------------------------------|------------------------|----------------------------------|
| Fast Retailing/UNIQLO (Japan)         | 138                    | 101 (73.2%)                      |
| Fast Retailing/UNIQLO (International) | 174                    | 54 (31.0%)                       |
| g.u.                                  | 51                     | 36 (70.6%)                       |
| Link Theory Japan                     | 27                     | 16 (59.3%)                       |
| <b>Total</b>                          | <b>390</b>             | <b>207 (53.1%)</b>               |

Note: The totals for fiscal 2011 were 395 surveys sent and 156 responses received, for a 39.5% return rate.

# Challenge 2

## Community



## How the Power of Clothing Can Transform Communities

Fast Retailing's corporate philosophy, the FR Way, challenges everyone in the company to act with integrity, as global citizens, in a highly ethical manner. In line with this fundamental element of the company's approach to doing business, the All-Product Recycling Initiative – a program conducted by FR Group brands UNIQLO and g.u. – collected more than 16.8 million articles of clothing as of August 31st, 2012. The two companies are steadily progressing toward their goal of providing clothing to every single one of the world's 42.5 million refugees and displaced people.

Since September, 2010, FR has conducted a range of social business initiatives in Bangladesh, to support economic growth at the community level through the establishment of highly localized business networks. The FR Group continues to develop these initiatives, through trial and error. This learning process is helping it to establish new business models at the community level. FR is determined to positively contribute to communities in countries around the world through the power of clothing. It does this as part of its efforts to ensure that it offers value in every market in which it does business.



### Recycling

## Clothing for People in Need

The All-Product Recycling Initiative kicked into high gear in 2012, as the Fast Retailing Group carried out a number of clothing collection campaigns. This donation drive collected and distributed 3 million items to refugees around the world, including 1 million articles of clothing to one refugee camp in Kenya. In addition, FR continued to work with educational institutions in Japan throughout the year to develop new projects and expand its efforts to provide clothing to people in need.

### 3 Million Items Donated to Refugees

FR broadened the scope of the All-Product Recycling Initiative in 2012 at the request of its partner, the United Nations High Commissioner for Refugees (UNHCR), to support refugees living in camps throughout the world. In June 2012, UNIQLO stores worldwide and g.u. stores in Japan started a global clothing donation drive to collect 3 million articles of clothing for refugees, to meet this new target. Due to the efforts of FR's customers and supporters, the company reached its target in just four months, with 3,043,114 articles of clothing received as of October 7, 2012.

The campaign was initially driven by FR's efforts to start providing clothing to refugees in Kenya in March. The Dadaab and Kakuma refugee camps in Kenya currently provide shelter to some 630,000 refugees from Somalia, South Sudan, Congo, Burundi, Eritrea and other countries in the region. The Kakuma camp has been hosting displaced people from neighboring countries since it was first established in 1991. In 2011, refugees began migrating to Kenya en masse from neighboring Somalia, due to a prolonged civil conflict and a devastating drought that has since turned into one of the most pressing humanitarian crises in the world.

### 1 Million Articles of Clothing for Refugees in Kenya

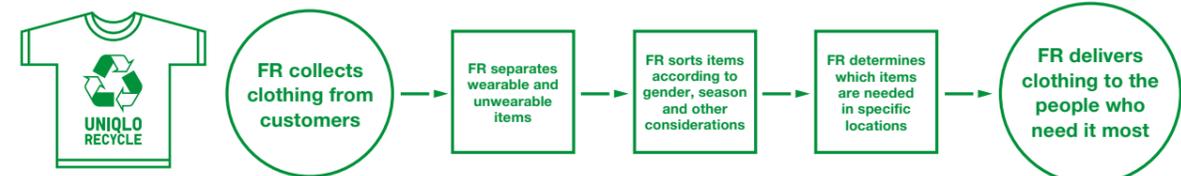
The 1 million items sent to refugees in the Dadaab and Kakuma camps, as well as people in need in the Kenyan capital of Nairobi, represent FR's biggest donation ever in a single country. In the camps, food and water are allocated to people in terms of priority, as are tents and certain other items. As a result, the provision of clothing is generally given less priority. Throughout the Kenya donation drive, FR provided four articles



of clothing — two tops and two bottoms — to each person in the camps. The recipients expressed their appreciation, as many of them had fled their homes with nothing but the garments on their backs. This was a massive project, and FR's work is still far from finished. The climate in Kenya varies significantly according to the time of year. In the winter, temperatures can fall below 10° Celsius (50° Fahrenheit) in some areas. Many people in Kenya still require clothing that is suited to these wide fluctuations in seasonal temperatures.

Clothing is important for personal health because it provides insulation from the heat and cold and protection from injury and disease. Apparel is also fundamental to human dignity and can be used as a means of self-expression. Clothing can also encourage children to go to school and motivate women to play a more active role in their communities. FR will continue to collect and donate clothing to provide support to people in need and to help maximize the value of clothing.

### ● FR Connects Customers with People in Need



### More Than 16.8 Million Articles of Clothing Collected

The Fast Retailing Group's All-Product Recycling Initiative began in October 2001 under UNIQLO as the Fleece Recycling Program. The program has since grown to cover all items offered by the UNIQLO and g.u. brands. The two companies collect donated clothing throughout the year at all of their stores in Japan. The program expanded to South Korea in March 2011 and later debuted at UNIQLO stores in the U.K., France and Singapore. In March 2012, collection operations were also launched in Hong Kong, Taiwan and the city of Shanghai.

In terms of volume, the number of items collected is steadily growing. In-store events, announcements, advertisements in newspapers and on websites and via social media initiatives have helped to gradually expand awareness of the program. With help from the UNHCR, international NGOs, and other organizations, more than 16.8 million articles of clothing have been collected to date. In addition, FR has donated 6.38 million items to refugee camps, expectant mothers, nursing mothers and other people in need. These efforts have helped people in 24 countries and regions throughout the world, including Kenya, Zambia and Nepal. FR believes that its contributions have been helpful, but much more still needs to be done, as the UNHCR estimates that there are approximately 42.5 million refugees and displaced people throughout the world. FR will continue to raise international awareness by encouraging its customers to donate clothing, to be able to reach more and more individuals in need.



### Joint Initiatives with the UNHCR and Educational Institutions

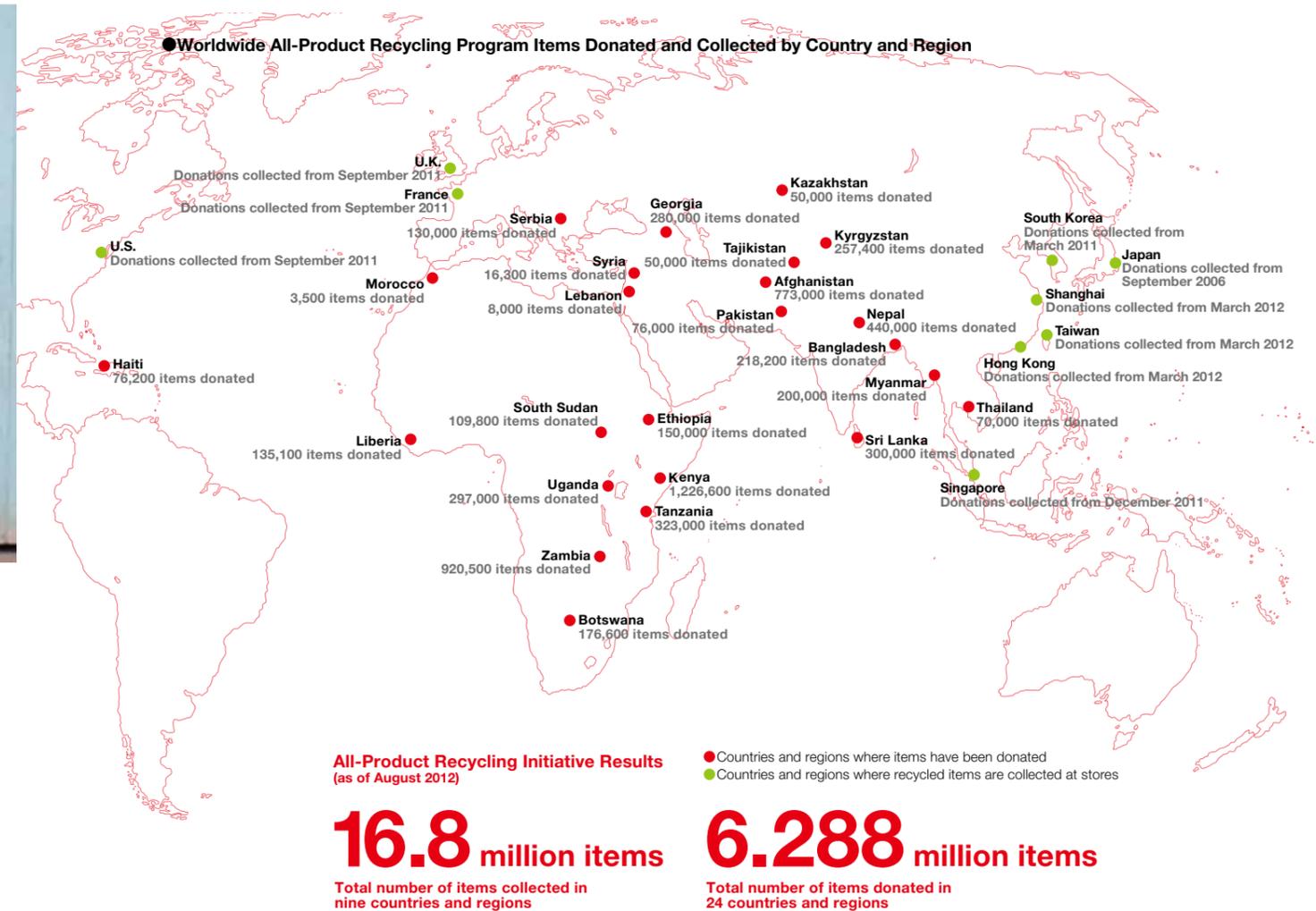
The FR Group's charitable activities are based on its corporate principles, which require all employees to act with integrity, as global citizens, in a highly ethical manner. In February 2011, FR launched a global partnership with the UNHCR to address a wider range of refugee-related issues. Although FR has been working with the UNHCR since 2006, the new partnership gives the company the opportunity to significantly expand its efforts to collect and distribute donated clothing. The new partnership also presents opportunities to provide support in new ways, such as internships for refugees at UNIQLO stores in Japan and opportunities for FR employees to work as interns at UNHCR offices throughout the world.

In Japan, FR continues to raise awareness about the All-Product Recycling Initiative. In 2009, it started encouraging young people to participate in its activities, in cooperation with elementary, junior high and high schools. In the three years since it started this program, the number of participating institutions has grown to 38 schools across Japan. In fiscal 2012 (April 2012 to March 2013), these initiatives contributed 40,000 articles of clothing to the FR Group's collection total of 16.8 million items (please refer to the column on page 23).

#### UNHCR Internships for FR Employees



Under its global partnership with the UNHCR, FR established an internship program in October 2011 to provide opportunities for FR employees who want to work as interns with UN staff in refugee camps throughout the world. Between September 2011 and March 2013, six employees participated in six-month internships at UNHCR offices throughout the world. Four FR employees went to the Khudunabari refugee camp in southeastern Nepal, while two went to the UNHCR office in Cox's Bazaar, Bangladesh. The interns were able to observe the lives of refugees and the clothing they wear. The interns also helped to organize courses on hygiene, which focused on the role of clothing and sanitary napkins. They distributed clothing collected via the All-Product Recycling Initiative, while learning about the kind of support that the camps need. They also made presentations on topics such as origami and aromatherapy, as part of a program to promote mental health care and help people become self-sufficient. These activities play an important role in FR's efforts to support refugees, while raising employee awareness about the importance of contributing to society. A third pair of interns left Japan in September 2012 for a six-month internship at the UNHCR office in Cox's Bazaar, Bangladesh.



### Efforts to Improve the All-Product Recycling Initiative

The All-Product Recycling Initiative continues to grow steadily, year by year, but there are still many parts of the program that need to be improved to maximize its effectiveness. First, FR wishes to raise customer awareness about the program, so it can increase the number of items it collects for refugees and displaced people.

According to research by the FR Group, only 41.4% of its customers are aware of the program, even though it

has been running in Japan for seven years. FR believes that providing more information to its customers about the importance of clothing donations will help to increase participation in the program. In addition, there is a pressing need for children's clothing in many refugee camps, but only a small percentage of the garments collected under the All-Product Recycling Initiative are kid's items. FR also wants to make the way it collects and distributes clothing more efficient. The company is actively addressing these kinds of issues, in anticipation of new challenges it will face as it provides clothing to more people in need.

#### Educational Partnership and the All-Product Recycling Initiative



FR is trying to expand the All-Product Recycling Initiative by working with a range of educational institutions. The number of elementary, junior high and high schools participating in its collection activities grew from four schools in 2011 to 38 in 2012. These schools are located in Tokyo, as well as places such as Kanagawa, Hyogo, Niigata and Tokushima prefectures. Many schools have made the program a part of their curriculum. They conduct activities to deepen student understanding of international problems and environmental issues, while encouraging students to contribute to society by working with communities. The FR Group's CSR officials and store staff regularly visit schools for lectures and other activities. These kinds of initiatives help FR staff and students to forge new bonds with communities. In autumn 2011, collection programs were launched at a number of major Japanese universities, including the prestigious Waseda University in Tokyo and the Tokyo University of Pharmacy and Life Sciences. FR hopes to learn from these initiatives, so it can continue to reach out to more schools and educational institutions in the future.

Social Business

## Poverty, Sanitation, Education: Addressing Social Issues

The Fast Retailing Group launched a social business in Bangladesh in September 2010. This initiative continues to develop through a process of trial and error, as FR seeks the most practical and effective operating structure for the communities in which the social business operates. The social business is expanding into rural communities through the sales activities of the Grameen Ladies. The program also recently spread to Dhaka, the capital, with the opening of a new showroom. FR continues to refine its social business model, by revising product prices, among other means, to more effectively cater to local needs.



### Business-Related Approaches to Social Issues

The FR Group believes that above all, it needs to be "a company that benefits society." Based on this conviction, FR launched a social business in Bangladesh that uses business methods to resolve social issues, such as problems associated with poverty, sanitation and education.

With such aims in mind, FR established UNIQLO Social Business Bangladesh Ltd. in September 2010. FR teamed up with the Grameen Bank Group's Grameen Healthcare Trust to launch Grameen UNIQLO Ltd. in August 2011. The objective is to address social problems related to poverty, public sanitation, education and other issues, by establishing a sustainable, community-level business cycle. This completely localized business structure utilizes FR's strengths in the efficient mass production and sale

of high-quality clothing. Local involvement in production and sales provides jobs at the community level, while helping to improve the lives of people and encouraging self-sufficiency.

### Localized Products and Prices

The social business takes advantage of the FR Group's expertise in quality control, accumulated by producing clothing under UNIQLO and other brands, to create a business structure that operates entirely within Bangladesh. Partner factories manufacture items with locally procured materials, and these garments are then sold by "Grameen Ladies," or female sales associates who are trying to achieve financial independence by accepting low-interest loans from Grameen Bank. The Grameen Ladies are women from impoverished rural communities who earn independent incomes by selling products door-

to-door or from their own homes. FR supplies products on a consignment basis, and the Grameen Ladies earn a commission from their sales.

The social business has expanded its product lineup to include polo shirts, print T-shirts, collared shirts, traditional saris and feminine hygiene products. The initial product line only included undergarments, plain T-shirts and other basic items. Some products that were initially made to retail for less than U.S. \$1 did not actually sell as expected. As a result, the Grameen Ladies suffered losses on their sales income. FR responded to this issue by reformulating the product mix. FR added items made of synthetic fibers, such as polyester and acrylic, to its line of cotton apparel and adjusted its prices to include items in the U.S. \$2 to \$4 range. In addition, FR expanded the sales region from rural communities to sales at a showroom in central Dhaka. The company also began selling clothing from vehicles. FR will continue to strengthen the social business in Bangladesh by opening more stores in urban centers, expanding its promotional activities and sharing information about the initiative's products.

FR continues to seek the best business structure for its social business in Bangladesh. The experience FR has gained over the past two and a half years has reminded it of the enormous potential of this social business to contribute to positive changes in Bangladeshi society. The company will continue to explore new opportunities to address social issues through the power of business.



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

Grameen UNIQLO [grameenuniqlo.com](http://grameenuniqlo.com)



### Affordable, Accessible Apparel for the Poor

Our company Grameen Fabrics and Fashions, a company of Grameen Group, joined Grameen UNIQLO's social business based on our shared vision to have a positive impact on the portion of the population living below the poverty line by providing affordable, durable, and quality clothing and creating job opportunities to help improve their living standards. Our challenges are to carefully choose the right combination of materials and people, increase productivity while maintaining very reasonable prices, and to quickly develop effective products to penetrate the market. I believe backward linkage, right sourcing, increased awareness, improved distribution channels and infrastructure, and better communication services will all be key to realizing our goals. The challenge is formidable, but I believe Grameen UNIQLO can succeed.

**Ashrafal Hassan**  
 Managing Director  
 GRAMEEN FABRICS AND FASHION



### Health Services and Educational Programs for Junior High School Girls

Most women in Bangladesh do not believe that sanitary napkins are necessary and relatively few women in rural communities wear undergarments. As a result, sales of such items remain quite low. Grameen UNIQLO's activities in the country include educational programs to teach people about hygiene and the convenience of using cotton sanitary napkins and underwear. In April 2012, the FR Group collaborated with student volunteers from St. Luke's College of Nursing in Japan to organize a women's health education program for 450 junior high school girls in Dhaka's Gazipur district. The program included illustrated explanations of the menstruation process and free samples of cotton sanitary napkins, with instructions on how to use them. The participants said that the program was helpful. For many of them, it was the first time they had heard about many of these issues. Raising awareness about women's health issues is just one way in which FR is actively working to address the specific needs of individuals in communities throughout the world.

## Community Contributions

The Fast Retailing Group's corporate principles require its staff to act with integrity, as global citizens, in a highly ethical manner. This serves as a guide for the company to develop in harmony with society, as it works to stay on top of international social issues and promote the protection of the natural environment.

### Disaster Relief Efforts in Japan

The FR Group responded immediately to provide relief to victims of the earthquake and tsunami that devastated eastern Japan on March 11, 2011. The Group provided aid through a range of activities and continues to assist reconstruction efforts in the region.

#### ■ UNIQLO Stores in Japan's Tohoku Region

On March 9, 2012, FR reopened the UNIQLO Haramachi Store in Minami Soma, Fukushima Prefecture. The company also opened temporary stores in Kesennuma, Miyagi Prefecture, and Kamaishi, Iwate Prefecture. The latter location eventually became the Sea Plaza Kamaishi Store, which is now a permanent retail location. FR will continue to open stores in Japan's Tohoku region to support disaster reconstruction and local employment, while providing items that are essential for daily life. These efforts are aimed at improving the lives of people who were affected by the earthquake and tsunami that struck Japan on March 11, 2011.



#### ■ NGO-Related Reconstruction Projects

FR launched a program to donate a portion of the sales at all UNIQLO stores in Japan in March 2012 to support earthquake reconstruction efforts. The program collected about 300 million yen, which the company will combine with customer donations to help fund five NGOs that are helping people to become independent once more. These efforts include initiatives to create jobs and provide economic assistance in Japan's Tohoku region for the next three years. FR employees have also been directly participating in these efforts by volunteering for a range of NGO activities.

#### ■ Other Organizations and Activities

Jen is a nonprofit organization that provides psychological care for children and their parents. This organization aims to help children, as they are "the future of (the city of) Ishinomaki, Miyagi Prefecture."

In one ongoing volunteer program at a school in Ishinomaki, Miyagi Prefecture, FR staff volunteers regularly interact with students and help prepare for school events, while assisting with cleaning duties and extracurricular activities. All forms of support, big and small, can help teachers and parents to focus on providing psychological care for children.

Adra Japan offers comprehensive human-resource development programs for high school students. This nonprofit organization helps students expand their horizons by providing opportunities to experience a wide range of activities. This broadens the capabilities of students while fostering self-confidence and motivating them. FR employees joined ADRA Japan staff at events at schools in the cities of Namie, Tomioka and Futaba in Fukushima Prefecture. UNIQLO store managers made presentations for the students and FR designers helped out as students designed their own T-shirts. These activities are aimed at helping students gain the skills they need to pursue their dreams, by giving them direct, hands-on experience. The program also helps students to develop their communication skills and leadership abilities.

#### ■ 3.3 Billion Yen in Donations

With the help of 347 staff volunteers, the FR Group so far donated roughly 1.2 million articles of clothing (including undergarments), valued at approximately 1.06 billion yen, to people living in the parts of Japan that were destroyed by the earthquake and tsunami. The total value of the cash and clothing that was donated was 3.3 billion yen. FR will continue to support people in Japan's Tohoku region.

### Cervical Cancer Awareness and Prevention

UNIQLO joined the Hellosmile campaign to promote the awareness and prevention of cervical cancer, through the provision of accurate information and the promotion of testing. UNIQLO created original T-shirts featuring the Hello Kitty, My Melody and Little Twin Stars characters, for sale at stores in 11 countries and regions. A portion of the sale proceeds from each T-shirt are given to Hellosmile, to help fund awareness and prevention programs. FR also sent donations through Hellosmile to the United Nations Population Fund, the Japan Cancer Society and other organizations that are fighting for a cure to cancer.



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### Setouchi Olive Foundation

Since 2000, the Setouchi Olive Foundation has been working to restore the rich natural environment of Teshima Island and the coasts

of Japan's Seto Inland Sea. The region was devastated by toxic industrial waste that was dumped near the island in the 1980s. FR started collecting donations for the Setouchi Olive Foundation in Japan at UNIQLO stores in 2001, and at g.u. stores in September 2011.

#### ■ Past Achievements

- Total Number of Trees Planted (since November 2000):141,740
- Total Amount of Customer Donations Collected (since April 2001):194,173,362 yen



### Special Olympics Nippon

The Special Olympics is an international organization that helps individuals with intellectual and developmental disabilities to train and compete in athletic events. UNIQLO has been an official partner of Special Olympics Nippon since 2002. The company donates uniforms to staff volunteers and provides administrative support at sporting events, among other initiatives.

In 2012, UNIQLO donated 3,500 uniforms for staff members and volunteers – including 36 FR directors, store employees and officials from headquarters – at the fifth Special Olympics Nippon National Winter Games in Fukushima Prefecture, Japan, in February 2012.

FR is proud to be the official supplier of uniforms and training wear for athletes from South Korea, Singapore and Japan at the 2013 Pyeongchang Special Olympics World Winter Games, to be held in Pyeongchang, South Korea, in January 2013. The sportswear will be donated by UNIQLO stores from each country with Fast Retailing Korea providing 3,200 items, UNIQLO Singapore 500 items, and UNIQLO Japan 1,200 items.



# Challenge 3

## Human Resources

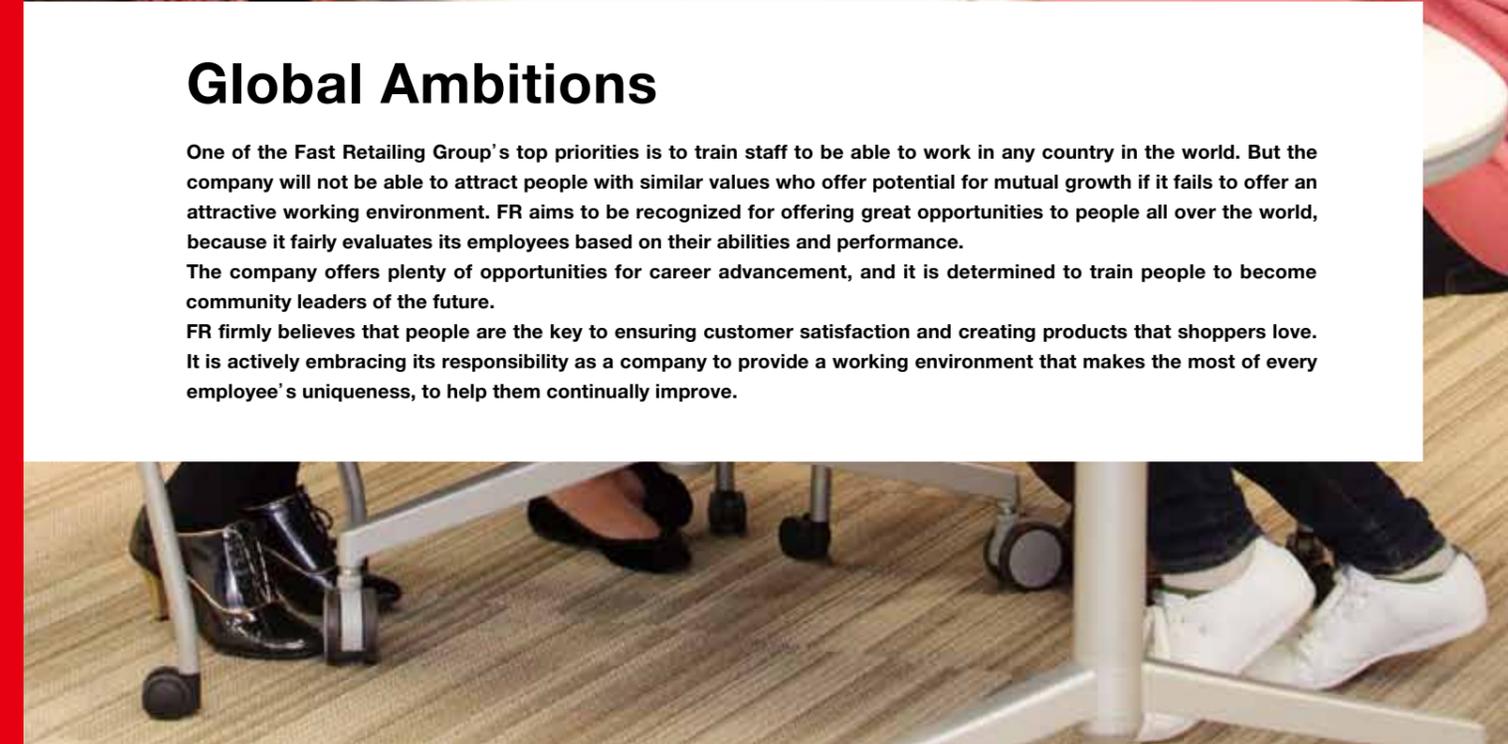


## Global Ambitions

One of the Fast Retailing Group's top priorities is to train staff to be able to work in any country in the world. But the company will not be able to attract people with similar values who offer potential for mutual growth if it fails to offer an attractive working environment. FR aims to be recognized for offering great opportunities to people all over the world, because it fairly evaluates its employees based on their abilities and performance.

The company offers plenty of opportunities for career advancement, and it is determined to train people to become community leaders of the future.

FR firmly believes that people are the key to ensuring customer satisfaction and creating products that shoppers love. It is actively embracing its responsibility as a company to provide a working environment that makes the most of every employee's uniqueness, to help them continually improve.



Human Resources Policy

## Development of Globally Competent Managers

### Zen'in Keiei: Thinking Like a Business Leader

The Fast Retailing Group's mission is embodied in its corporate statement: "Changing clothes. Changing conventional wisdom. Change the world." The Group is determined to create truly great clothing that offers new value, while giving people throughout the world the chance to experience the joy, happiness and satisfaction of wearing exceptional apparel. FR sincerely believes this is the key to changing society for the better.

FR seeks people who share its sense of purpose and believe in the value of devoting themselves to achieving shared objectives. It is extremely important that FR becomes such a company. It is extremely important that FR becomes the kind of company that appeals to people throughout the world because of its philosophy. FR believes that it needs to become a business that makes people believe that they can achieve their personal dreams. FR's vision for its people is rooted in such considerations.

The concept of *zen'in keiei* is extremely important at FR. *Zen'in keiei* means that every employee, regardless of his or her position, should adopt the mindset of a true business manager. FR does not think of "management" as something that only managers do. And it does not have a hierarchy of employees or any other type of vertical organizational structure, either at headquarters or in its retail stores. In an organizational sense, the company is flat, without a top, middle or bottom. Important information is always shared openly, so every employee can make decisions from the perspective of a manager. When a decision must be made, every employee is expected to look at the issue in terms of the FR mission and philosophy. Each person considers the best way to approach the problem, while thinking about what can be done for the benefit of customers and society. Everyone has equal input in discussions and the decision-making process, so decisions can immediately be put into action when they are made. This is the foundation of FR's corporate culture.



**Takahiro Wakabayashi**  
Group Senior Vice President in Charge of Human Resources  
Fast Retailing Co., Ltd.

### The Construction of a Global Personnel System

Fair, highly transparent employee evaluation systems are key to attracting the best human resources and tapping the full potential of every employee. FR is developing a personnel system that supports global career advancement. This starts with recruiting practices that are based on international standards but optimized for local needs, as well as fair performance evaluations based on each individual's abilities and performance. FR is establishing global standards in virtually every aspect of personnel management, by setting clear goals, creating evaluation standards, and grading job performance. The company also assists with career development and offers training programs, while actively revising its employment systems for facilitation throughout the FR Group. The systems are designed to provide an environment in which all employees can improve their abilities so they are equipped with the kind of management skills that are applicable anywhere in the world.

These efforts are a work in progress, and FR sees many areas that need improvement. It is therefore trying to improve the systems it currently has in place. One problem that needs to be addressed is the Japan-centric makeup of the company's management team, because most of the current managers are Japanese nationals. FR will actively promote non-Japanese employees to ensure that it comes up with the most effective strategies to accelerate the development of its overseas business. FR is doing everything it can to create the best employment systems in the world.

The future of the company hinges on the ability of every single FR employee to believe in his or herself, to actively tackle challenges and pursue their dreams and goals. This will help to contribute to a bright future for society. FR is determined to become a company that develops exceptional human resources, and it aims to be a business that attracts people with its philosophical outlook, while helping people become competent, global business professionals.



### Our Employees — 1

## Stories from Employees Around the World



The Fast Retailing Group provides equal opportunities and conducts fair performance evaluations. The company recently spoke to a number of its employees throughout the world to share their stories and illustrate how every employee shares and supports its corporate philosophy.

### UNIQLO FRANCE

#### Two Managers, Two Perspectives

##### Equal Opportunity: A Culture of Fairness

The launch of the UNIQLO Levallois So Ouest Store on October 18, 2012, raised the brand's retail presence in France to three locations. The new store location, situated just outside of Paris, is led by Store Manager Caroline Gire. "I have always been interested in customer service," Gire says. "I chose to work for UNIQLO so I could focus on customer satisfaction from a broader perspective."

Gire's first order of business as manager was to change the staff's awareness of customer service. "I reminded our staff of the Fast Retailing principles and philosophy," she says. "We had a lot of discussions about the value that we are trying to provide and the importance of customer satisfaction. Then we put these ideas into action with on-the-job training, to develop a deeper understanding of our customers, while finding new ways to show how the value that we offer is different from our competitors."

Gire is responsible for everything at the store, from hiring people to training, planning and implementing sales strategies, while continually improving customer service. "All UNIQLO employees have the same goal, so what we need to do is very clear and decisions can be made very easily," she says. "This means that employees develop very quickly. We have a culture of fairness, with equal opportunity for all, so the accomplishments of each person are immediately evaluated. FR is still centered in Japan, but it is moving in the right direction for a company that wants to become a truly global corporation. We are making steady progress and I am very optimistic."



**Caroline Gire**  
Store Manager  
So Ouest-Vallois  
UNIQLO FRANCE S.A.S.

Gire began working for UNIQLO FRANCE S.A.S. in September 2009, after having worked at a luxury brand and period time spent as a manager at a major French department store. At UNIQLO, she completed a two-month training course in Osaka, Japan, before becoming a floor manager at the UNIQLO Paris Opéra Store. She completed an additional store management training program in Tokyo in April 2012, before returning to France in October, to start as manager of the UNIQLO So Ouest-Levallois Store.

##### Dreams of France

UNIQLO Floor Manager Ayaka Imai started working with Gire during the pre-launch preparations for the the So Ouest-Levallois Store opening. Imai was highly motivated when she began working for UNIQLO in Japan in March 2011. She learned French years ago, when she was an exchange student in France. "I wanted to work in France," Imai says. "I chose UNIQLO because they were expanding into France and other countries and I knew I would have that chance." After just six months, Imai was promoted to a store management position in Japan. At a global meeting of FR Group store managers in March 2012 around the time that she first applied for an overseas position on the internal job posting system, she revealed her plan to work in Europe. "In the future, I want to contribute to UNIQLO's business in France," she said at the time. Imai's willingness to tackle new challenges as a manager helped her succeed in her quest to become a manager in France, just two years after joining the company.

Imai now oversees hiring and staff training at the So Ouest-Levallois Store. She works with the store's managers to teach new staff about the UNIQLO approach to customer service and instructs them on the specific skills they need to work in the store. "I want to use what I learned as a manager in Japan to convey the UNIQLO brand identity to our customers in France," Imai says. "I want to learn and grow along with our staff."



**Ayaka Imai**  
Floor Manager  
So Ouest-Levallois  
UNIQLO FRANCE S.A.S.

Ayaka Imai first started working at UNIQLO in March 2011, shortly after she graduated from university. She quickly worked her way up to a store manager position at the JR a Osaka Store and completed a management training course in Tokyo in April 2012. She joined UNIQLO FRANCE S.A.S. in September 2012.

FRL KOREA

UNIQLO's First Global Flagship Store in South Korea

The UNIQLO Myeongdong Central Store is located on a busy street in Seoul, South Korea. It is UNIQLO's eighth global flagship store, along with similar locations in New York, London, Paris, Shanghai, Taipei, Osaka and Tokyo. UNIQLO's flagship stores are literally the "face" of the brand, because they serve as hubs from which to share the UNIQLO concept with the world.

Seungwon Kang was the first representative store manager at the South Korea flagship store. Kang first encountered UNIQLO when he was a college exchange student in Japan. After graduating from university and passing South Korea's strict National Public Service exams, he began working at UNIQLO. "I liked the company's approach of everyone coming together and working to achieve shared goals," Kang says. "I wanted to become a business leader and I thought that UNIQLO's global development goals and growth could give me that chance."

Kang's outstanding performance as a store manager and area manager helped him to become a store manager at UNIQLO's first global flagship store in South Korea. "The top executives at the New York, Paris and London flagships are truly talented people," Kang says. "Their stories show that Fast Retailing provides opportunities to anyone who works hard and produces results. I have been very impressed with the company's openness and fairness."

The store's launch was a huge success and business has remained brisk. "As the store manager, I am pleased at how happy the whole staff was about the success of the opening," Kang says. "The store has been accepted by the community, judging from the many media reports I have seen about the store. Nothing can be achieved by business leaders who work on their own. The store's success made me realize that business leaders need to constantly think about what they can do to support customers and staff. Then, they need to put those ideas into action."

Kang still dreams about taking on responsibility for an even bigger region than just South Korea. He knows that FR provides opportunities for all people, anywhere in the world, and that the company recognizes hard work. FR will continue to encourage the development of this kind of corporate culture, so it can continue to train new managers throughout the world.



**Seungwon Kang**  
Regional Manager  
FRL KOREA CO., LTD.

In February 2006, after graduating from university, Seungwon Kang joined FRL KOREA CO., LTD., which runs the UNIQLO brand in South Korea. He worked as store manager at the UNIQLO Busan Store and as area manager for the region. In November 2011, Kang became manager of the Myeongdong Central Store, UNIQLO's eighth global flagship store. In September 2012, he became regional manager for the central Seoul region.

HELMUT LANG

Strong Ideas with Potential

Jane Kushner began her career without any experience in the fashion industry. A psychology major in college, her break came when a friend who worked in the purchasing office at a department store sent her resume to Theory. When she started, she "didn't know the difference between sales, marketing and merchandising." She began as an assistant account executive in domestic sales and eventually made her way to international sales.

When Fast Retailing acquired Helmut Lang in 2006, Kushner saw it as an ideal career move and was adamant about being a part of the new endeavor. "What I love most about Fast Retailing is that if someone has a good idea with real business potential, our company enables us to develop it. We don't have the levels of hierarchy that many companies have that restrict creativity and productivity."

Kushner played a leading role in relaunching Helmut Lang six years ago. The brand has built a solid reputation for its women's apparel and accessory lines. "Helmut Lang has been very successful, and I think that success will cross over well into men's apparel, as well as accessories and handbags. We still have room to improve our brand awareness, even in our main market in the United States." She is looking to broaden the brand's appeal. Recently, Kushner worked with the company to introduce the diffusion line Helmut. "Helmut is a less expensive, more basic line for current Helmut Lang customers that can also serve to introduce the brand to different markets."

Kushner recently added a new role to her resume. In September, she gave birth to a baby boy and is now trying to achieve a healthy balance between family life and work. "It's a big challenge," she admits. "But I think with proper time management, delegation and prioritizing, I can definitely do it. I'm confident because we have such a wonderful team and supportive company." Kushner's enthusiasm and tenacity have made her an integral member of the global brand management team, and she continues to think big and broaden her horizons.



**Jane Kushner**  
Vice President of Sales  
Helmut Lang New York LLC

Jane Kushner joined Theory in 2004, after graduating from the University of Michigan. She worked in several departments, including the international sales division. In 2006, she moved to Helmut Lang. In 2011, she was appointed vice president of sales. She oversees sales, visuals and merchandising in the United States and Europe.

Our Employees—2

Solid Results through Teamwork

UNIQLO first started recruiting people with disabilities in Japan in 2001.

In 2011, the company introduced this initiative at g.u. stores in Japan and at UNIQLO stores in South Korea. The Fast Retailing Group's international operations provide opportunities for people to tackle new challenges, in an environment that celebrates diversity.

UNIQLO Japan

Seasoned Seamstress, Successful Store

Kuniko Shirai oversees alterations at the UNIQLO Atré Akihabara 1 Store, which is located inside JR Akihabara Station in Tokyo. The Akihabara area, known locally as "Akiba," has become an international tourist destination for anime and gaming enthusiasts. The UNIQLO store in this popular commercial district is small and features a limited amount of sales space, but it deals with large number of customers. On weekends, when the store is at its busiest, Shirai works in virtual silence. She has a hearing impairment and a speech impediment, so she mainly communicates by reading lips and writing messages.

Shirai has always had an interest in sewing and handicrafts, and she became an expert seamstress by honing her skills through endless fittings while making ballet costumes for her daughter, who is an adult now. Shirai made every one of her daughter's costumes, from the time she started ballet lessons at the age of 3 to her prize-winning performance in high school. Shirai's daughter has long offered encouragement. "(My mother is) the only one that makes my costumes fit properly," her daughter says.

Shirai has now worked at the store for about a year. Her sewing skills are indispensable to the success of this busy retail location. Her coworkers are confident in her abilities. "I am overjoyed that my craft can be of assistance to our customers," Shirai says humbly.



**Kuniko Shirai**  
UNIQLO Atré Akihabara 1 Store  
UNIQLO Co., Ltd.

g.u.

A Passion for Fashion

Tetsuro Kaida loves clothing and has always wanted to work in the fashion industry. He started working at FR Group brand g.u. two and a half years ago. "Every day, I look forward to going to work," Kaida says. "Every night, I decide what I am going to wear to work the next day. First, I pick a top and a matching bottom, and then I add accents with the socks. I love socks and buy way too many of them. My mother always gets mad when I bring home more."

Kaida usually starts his day at 8:15 a.m. by turning on the store computer. Then he focuses on cleaning up the store, while putting new products that arrived over night on the floor. He removes items from their plastic bags, places them together on the racks and carries them to the sales floor. He has a reputation for being good at his job and being an "excellent teacher." He carefully teaches new employees about how to clean the store, stock shelves and take out the trash, among other tasks. When he has a spare moment, he encourages the staff. He is highly motivated in his work. "I love the g.u. brand's style," he says. "I want to learn more about fashion."



**Tetsuro Kaida**  
g.u. Keio Hachioji Store  
g.u. Co. Ltd

UNIQLO Singapore

The Joy of Serving Customers

"Come on, everyone – come together. It's time for the morning meeting." Muhammad Shaiful Bin Sahid's voice echoes throughout the store before the doors open each day. At his command, the staff quickly take their places at the cash registers. Sahid joined UNIQLO because he "wanted to work with more people." He enjoyed his previous job at a cafeteria staffed by people with disabilities, but he was eager to meet more people. UNIQLO gave him that opportunity.

Sahid is in charge of unwrapping most products in the in-store inventory. He puts them on hangers and attaches size tags. "I enjoy my job because I can meet so many people," he says. "I have made many new friends."

Sahid dreams of training to become a manager. Given his positive attitude, there is no doubt that he will find many new opportunities in the future.



**Muhammad Shaiful Bin Sahid**  
Singapore UNIQLO 313@Somerset Store  
UNIQLO (SINGAPORE) PTE. LTD.

Customer Satisfaction

# Customer Feedback: The Key to Truly Great Clothing

The Fast Retailing Group believes that customer feedback is extremely important. The company needs to continually change and improve to sustain a consistently high level of customer satisfaction. With this in mind, FR carefully considers every customer comment, complaint and suggestion it receives, so it can gain a better understanding of specific requests and expectations in every country and region in which it does business. FR regularly comes up with new ways to improve its products, sales floors and services, and employees are encouraged to carefully note all customer comments and to share that information within the company.

## Direct Responses

FR Group brands UNIQLO and g.u. continue to look for new ways to improve customer satisfaction. In Japan, service counters are open every day of the year and consumers can choose from a number of different ways to voice their opinions. Comments received via email, telephone, letter and on special postcards in the stores themselves are forwarded to management, relevant departments and stores in a timely manner, so issues of importance are dealt with immediately.

FR also believes that its employee should be able to directly answer customer inquiries, as this is key to improving service standards and the sales floors. FR asks all of its employees to follow three basic guidelines when receiving feedback:

- 1) Listen carefully to the customer
- 2) Treat complaints as valuable opportunities to improve
- 3) Set a positive example

FR needs to improve its ability to incorporate customer feedback into the product development process from the beginning, so it can continue to improve in the future. The company has conducted a number of surveys on a range of issues, and it continues to gather information through questionnaires sent to all customers who buy items from the online store. FR collects feedback on everything from product sizing and functionality to thoughts on product features and shares that information with the production and R&D departments.

## Preventive Measures

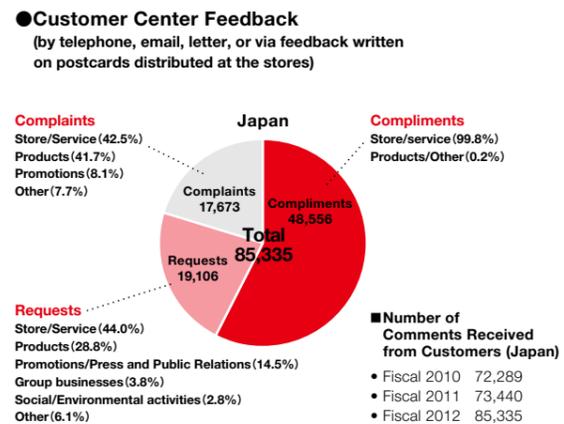
The company ensures that all employees fully understand the value of customer feedback, particularly complaints about products. The Customer Satisfaction Promotion Team accumulates feedback so it can quickly identify any recurring issues.

The ability to track historical data helps the company to address recurring problems by helping to identify their causes. This is the key to ultimately eliminating customer complaints. The *Customer Satisfaction Improvement*

*Newsletter*, distributed biweekly to store staff around the world by email, shares relevant information, which helps to further improve customer service throughout the world.

## Customer Expectations

FR launched its Customer Satisfaction Web Questionnaire initiative in 2011 to increase the flow of information from customers outside Japan. To this end websites in each country encourage customers to submit comments in their native language. All comments are directly relayed to the Customer Center in Japan, so people at headquarters can closely monitor the opinions and requests of customers around the world (for more details, please refer to the pie chart on page 33). Comments are sorted by country, region, store and product before being shared with the management teams in each country and communicated to stores throughout the world.



# Our Customers and Employees

Fast Retailing approaches every aspect of its business operations from the perspective of its customers, including its sales activities, organizational structure and management planning efforts. The company tries to continually improve employee satisfaction while developing personnel who have the ability to do business in all of the countries and regions in which it maintains operations.

## Customer-Related Policies

FR considers the customer's perspective at every stage of its organizational structure, and incorporates this into its business planning and management strategies, as well as all sales-related activities, including its products, sales floors, services, and communications.

## Our Staff

FR tries to provide a comfortable working environment, while at the same time improving employee satisfaction. The company respects individuals and seeks to provide a great working environment, while fostering personal and corporate growth and training people to do business on a global level.

## Special Needs, Valuable Jobs

FR provides jobs for people with disabilities at all of its stores in Japan. This policy, implemented at UNIQLO Japan in 2001 and now also in place at g.u. Japan stores and UNIQLO locations outside Japan, offers people with disabilities the chance to earn an income and participate in society. This helps to encourage the spirit of teamwork among FR employees.

In fiscal 2012, FR hired 136 people with physical or intellectual disabilities. The FR Group's percentage of employees with disabilities rose from 6.22% in fiscal 2011 to 6.43% in fiscal 2012. Statistics released by Japan's Ministry of Health, Labour and Welfare on November 14, 2012, on disabled employment patterns showed that private companies employed a record-high 382,363 individuals with disabilities in 2012. The employment rate was 1.69%, while 46.8% of private firms reached the minimum legal hiring requirement in Japan.

In April 2011, the FR Group was also approved for the Special Calculation for Group Companies, which allows it to calculate how many people with disabilities it employs as an entire group company,

instead of calculating the rate for each subsidiary separately. Japan's quota system for people with disabilities is set at a minimum statutory employment rate of 1.8%. Japanese companies with special subsidiaries have long been allowed to calculate the number of people with disabilities that they employ as a group, rather than figuring out these figures for each individual group company. But in April 2009, Japan's Ministry of Health, Labour and Welfare also began allowing companies that lack special subsidiaries to calculate their totals in this way.

## Globally Competent Managers

The Fast Retailing Management and Innovation Center (FRMIC) was established to develop managerial talent around the world. FRMIC conducts training and classroom-based learning sessions, while giving talented individuals the chance to gain experience by working on key management projects. They are also given the chance to learn from the successes and failures of FR Group managers who have achieved rapid growth over short periods of time. FR plans to increase the number of these centers outside Japan to speed up the development process for new management.

## Comfortable Working Environments

Comfortable daily work environments, communication and access to tools that help employees work more effectively are key to both employee satisfaction and corporate growth. FR creates office spaces that take advantage of new information technologies. FR also provides Group email addresses to ensure instant notification of workplace maintenance issues and uses video conferencing systems to improve administrative efficiency. The company is aware of the negative impact that overtime work can have on personal lives and work efficiency. FR's corporate headquarters therefore designate four days per week as "no overtime work days" and provides

personalized guidance to departments and individuals that frequently work overtime.

FR also encourages employees to look after their personal health. Staff can access external consultation services to support their health and well-being. The company's employee system is designed to help staff maintain a healthy balance between their jobs and private lives, while encouraging them to continue working at the company for the long term by creating an atmosphere of ongoing personal and corporate growth.

- Infant-care leave  
Full-time employees 183 Others 407
- Reduced hours for childcare  
Full-time employees 144 Others 12
- Nursing care leave  
Full-time employees 6 Others 5
- Reduced hours for nursing care  
Full-time employees 0 Others 0

## Workplace Accident Prevention

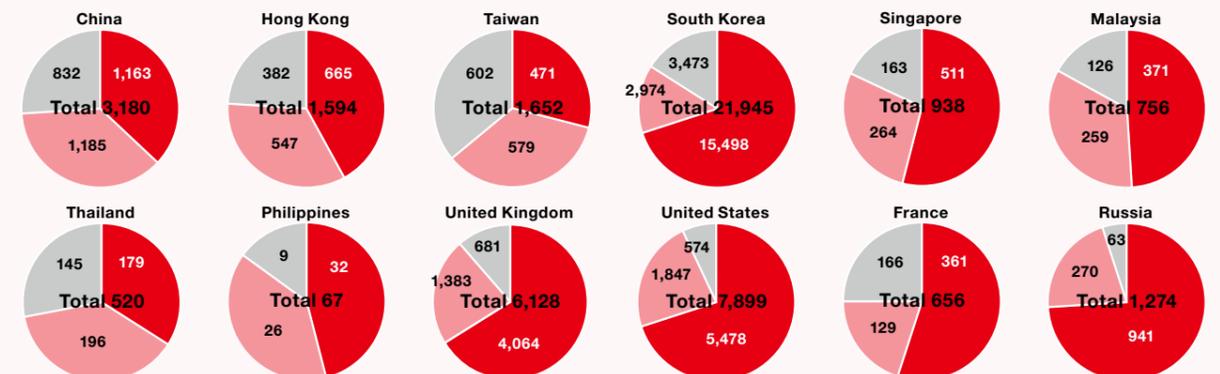
FR takes special precautions to maintain employee safety awareness and prevent injuries and accidents on the job or while commuting to work. The most common workplace accidents occur in stores and involve the use of ladders and sewing machines for alterations. When accidents occur, the problem is immediately dealt with. Staff submit accident reports to identify the causes of these accidents, which helps with the implementation of necessary improvements. FR shares information on accidents and improvement measures throughout the company. In addition, the company regularly sends reminders about common issues and discusses them to prevent issues from recurring.

## Workplace Accidents

- Fiscal 2010 391
- Fiscal 2011 369
- Fiscal 2012 323

● Customer Center Feedback (via the Customer Satisfaction website and in-store surveys; by country and region)

■ Thank You and Compliments ■ Requests and Inquiries ■ Complaints





# Challenge 4

## Environment



### Stakeholders and Efforts to Reduce FR's Environmental Impact

As a Specialty store retailer of Private label Apparel (SPA), Fast Retailing oversees the entire clothing production process, from design to production, distribution and sales, as well as recycling. FR believes it is responsible for fully understanding the impact that each stage of the value chain places on the environment.



### Environmental Activities

## Environmental Impacts

As a SPA retailer, FR closely monitors the environmental impact of its products from design to production, distribution and sales, as well as recycling. FR believes it must actively identify and implement ways to reduce environmental impact.

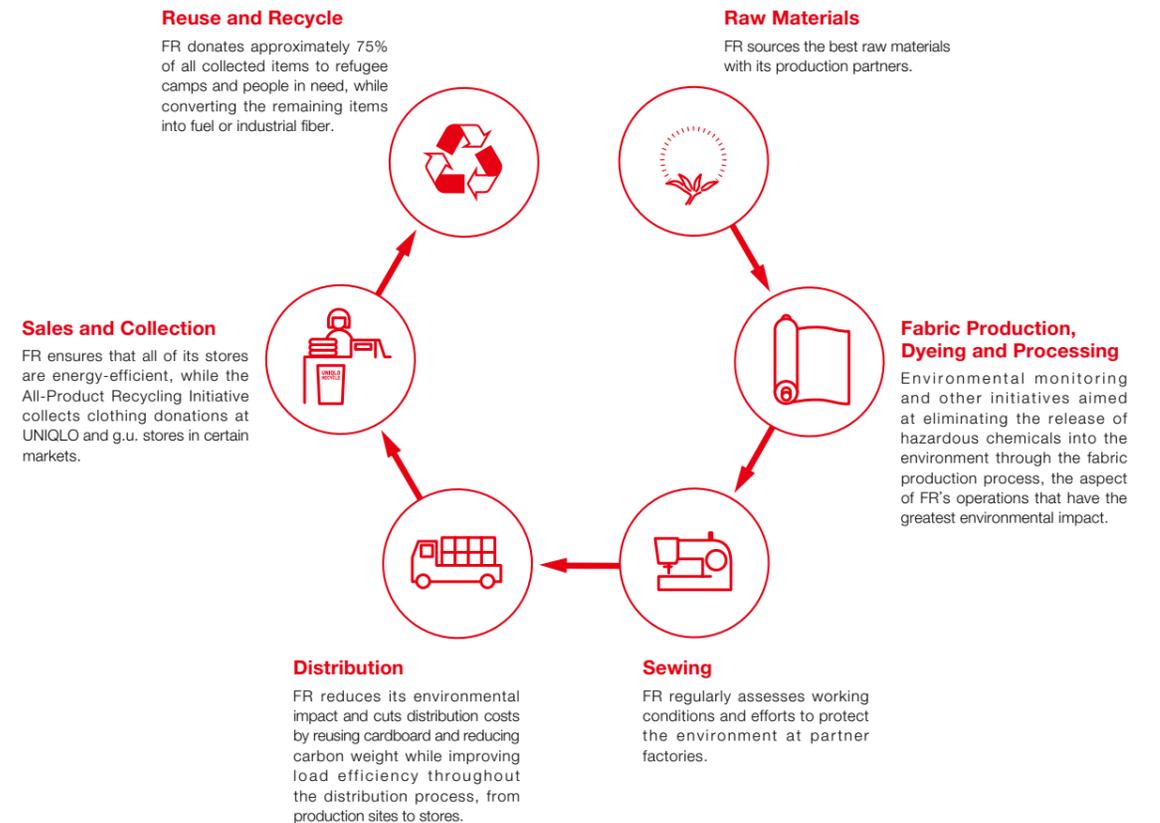
### Fast Retailing's Approach to the Environment

Fast Retailing seeks to understand the environmental impact of its business, from the procurement of materials and the production of materials to efforts to recycle and dispose of finished products. The company maintains accurate data on the environmental impact of all of its business processes, so it can offer clothing that is made without wasting resources or harming the environment. FR's production processes are the

primary focus of its efforts to reduce its environmental impact. The company urges customers, communities and employees to join its efforts to address environmental issues.

FR established its Code of Conduct for Production Partners (please refer to page 19) in 2004, when it started conducting environmental inspections as part of its efforts to monitor working conditions at sewing factories. In 2010, the company began environmental monitoring of upstream fabrics factories based on the company's environmental standards.

### ●Environmental Issues Throughout the Clothing Life Cycle



Environmental Monitoring

# Environmental Monitoring Guidelines for Fabric Production

The Fast Retailing Group conducts environmental inspections to reduce the environmental impact of all its manufacturing processes, from its partner sewing factories to the fabric manufacturers it works with. The company works with external agencies that specialize in environmental assessments to improve its ability to monitor and come up with improvement measures. FR aims to achieve 100% compliance with its environmental standards by 2015.

## Material Production and the Environment

The FR Environmental Guidelines for Fabric Production were published in 2010. They include standards for environmental management systems, the management of chemical substances, waste, asbestos and PCBs. They also include ways to measure and control pollution, as well as health and safety guidelines for employees. Third-party agencies that specialize in environmental monitoring use these standards as guidelines for assessments. They then report the results to the company. When FR monitors factories, it shares the results with them. When improvements are needed, factories are given set periods within which they must meet these standards. Staff from FR's CSR department monitor the progress and provide guidance when necessary.

From June 2010 to March 2011, FR conducted initial monitoring inspections at 75 factories that supply materials to UNIQLO. In 2011 and 2012, FR conducted follow-up monitoring inspections at 17 factories. Between September 2011 and August 2012, FR and several specialized agencies held training sessions at two factories and conducted FR Group seminars for six factories in response to problems found at eight different locations.

The FR Group is targeting 100% compliance with its environmental standards by 2015. The areas it is trying to improve include a particular focus on employee health and safety and the management of chemical substances and waste.

FR is also studying energy and water consumption levels at its fabric manufacturers, while working with environmental NGOs to resolve specific problems and providing environmental awareness training at all factories, as it gradually expands its monitoring efforts to cover all of its brands.

### Examples of Recent Environmental Improvements

#### • Workplace Monitoring and Health Exams (China)

Under Chinese law, companies are required to continually keep track of the chemical substances they handle. They are also required to provide all employees with additional health exams, on top of their regular checkups, to prevent job-related health problems. In 2012, FR found that one of its partner factories in China had only provided its employees with regular health checks. Staff from the CSR department provided the factory with the information it needed to comply with Chinese law, such as contact numbers for accredited health examination agencies, and verified the results. Follow-up inspections confirmed that the improvements had been implemented.

#### • Storage of Chemical Substances (China)

FR found that one of its partner factories in China had not posted its process instruction manuals in a room where chemical substances are used and stored. The factory was asked to post clear instructions and make changes to prevent chemical substance leaks, as well as showers for employees. FR confirmed that these changes had been made through follow-up inspections.

#### • Waste Separation (China)

FR found that one of its partner factories in China was not separating dyes and other industrial waste products from the rest of the trash it produced, including cardboard. Workers also left improperly dyed fabric outside the factory. FR asked the factory to separate all waste and to maintain a storage area inside the building. Follow-up inspections confirmed that the improvements were made.

### ●Environmental Performance Guidelines for Fabric Manufacturers (As of the end of August 2012)

FR monitored 60 factories of 75 factories that were initially monitored in 2010

| Category                          | Compliance Rate | Improvement Item   |
|-----------------------------------|-----------------|--|
| Environmental management system   | 88%             | - Person in charge of environment appointed<br>- Training on environmental management provided<br>- Environmental management plan in place   |
| Chemical substances management    | 48%             | - Detailed chemical list<br>- Safe storage of chemicals (secondary container to prevent leaks installed, chemical labeling, person in charge of chemical management appointed, chemical safety information collected and posted) |
| Waste management                  | 45%             | - Waste transferred to qualified vendor<br>- Waste separation (e.g. chemical waste and waste carton boxes) and labeling<br>- Safe storage of wastes  |
| Asbestos and PCBs                 | 100%            | - Asbestos and PCBs appropriately checked and managed  |
| Pollution control and measurement | 87%             | - Environmental licenses from the relevant authorities, such as pollution emission permits<br>- Emission from facilities measured and controlled to comply with legislation  |
| Health and safety of employees    | 50%             | - Personal protection equipment (masks, earplugs, gloves) distributed<br>- Installation of emergency exits and fire safety equipment<br>- Occupational health checks conducted   |

Eliminating Hazardous Chemicals

# Measures to Eliminate the Release of Hazardous Substances

The Fast Retailing Group revised its Chemical Management Standards in 2012 and started testing materials for hazardous chemicals based on them. As a leader in the apparel industry, FR actively addresses environmental issues and encourages its partners to work together to protect the environment.

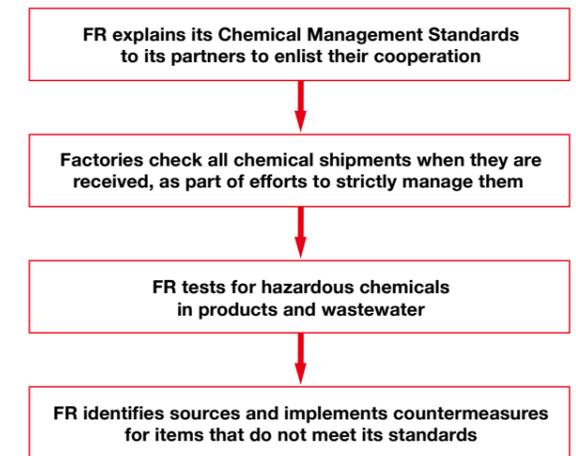
## Zero Emissions

FR follows a precautionary principle. With the aim to completely eliminate hazardous chemical emissions at every stage of its products' lifecycles, FR ramped up these efforts in 2012 by revising its Chemical Management Standards. The company now has the strictest safety standards and handling regulations of all the countries in which it does business.

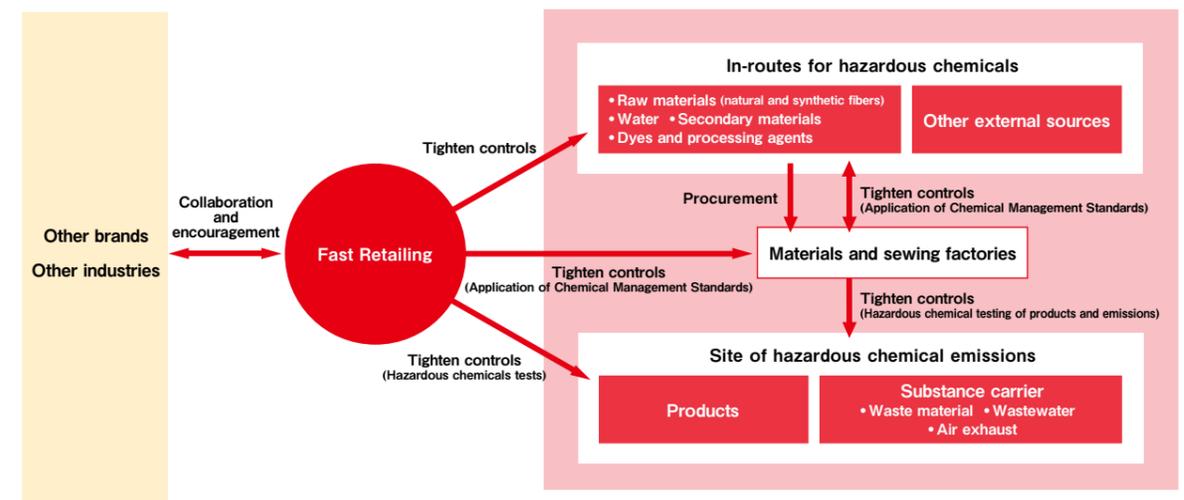
After explaining the revisions to its partners, FR began testing products for hazardous chemicals based on the new standards, from September. FR conducted pilot inspections in 2012 to ensure that wastewater is being tested effectively. The company revised its inspection methods to prepare for full-fledged testing in the near future. Four factories had been tested as of August 2012.

FR plans to start testing other materials in 2013. FR will also test materials for potentially hazardous chemicals throughout the production process, to identify the reasons for any unfavorable results.

### ●Chemical Management Standards



### ●Chemical Management Plan



# Environmental Responsibility

The Fast Retailing Group fully complies with environmental laws and stays informed about international issues and global environmental concerns. The company believes that it must start by improving management efficiency to minimize its environmental impact. It is always looking for ways to eliminate wastefulness in its operations, so it can provide maximum added value with minimum resources.

## Fast Retailing's Approach to the Environment

FR implements measures to reduce the environmental impact of every aspect of its SPA business model, from product planning and production to distribution, sale and recycling. The company introduced the All-Product Recycling Initiative at UNIQLO stores in 2006 and later expanded it to g.u. stores. It continues to develop its environmental programs through its core business, while working with customers to implement measures that can produce tangible results.

## The Environmental Considerations of Clothing A

FR Group brand UNIQLO's HEATTECH and Dry product lines are made of state-of-the-art materials, so people can stay hot or cool at all times. These items play a role in making people feel comfortable, and FR believes that this is yet another way in which its clothes are environmentally friendly.



costs and the consumption of resources. FR is also looking for new ways to pack clothing, to maximize the number of items per box.

Cardboard box sizes have been standardized to facilitate reuse. Boxes are sometimes reused for shipments. These efforts have enabled FR to steadily reduce the number of boxes it uses every year. Other steps, such as reducing the wrapping on factory shipments, are also being implemented to reduce the consumption of resources.

### Measures to Reduce Resource Consumption



Eliminate flannel shirt boxes



Shift sock wrapping from plastic bands to paper bands

## Energy-Efficient Offices D

The FR Group headquarters features a free-address office system, rather than a common fixed-site system. The free-address system, which allows people to work wherever they want, facilitates communication while minimizing waste when floor plans are changed or more people are hired.

FR has also raised office efficiency by installing specially designed printers. These innovative machines allow employees to print at any time or place, reducing the amount of paper used. FR is also replacing fax machines, as part of efforts to create a completely paper-free office.

As FR grows throughout the world, it continues to integrate its brand-dedicated server systems to cover every country of operation. This is helping to accelerate new overseas store launches outside Japan while improving operating efficiency and reducing costs and the consumption of energy. UNIQLO integrated its global servers in fiscal 2012, and it will likely add Russia in fiscal 2013. The integration of g.u.'s servers will likely be completed in fiscal 2013, along with the ongoing integration of other FR Group brands.

## Energy-Efficient Stores E

The Store Energy and Resource Efficiency Manuals that FR distributes to all UNIQLO and g.u. stores in Japan contain checklists to reduce energy consumption. The company has made lower energy consumption a priority, particularly with store lighting and air conditioners, which account for approximately 60% and 40% of an average location's total energy use, respectively.

FR worked with companies that make air conditioners to develop special units featuring refined automated shut off, temperature control settings and other energy-saving options. These units are installed in all roadside UNIQLO stores throughout Japan.

The company has also put measures in place to reduce the use of lighting in stores during pre-opening hours to 40% of the levels during operating hours. Energy-saving LED lights are also being installed, starting with the store signs for roadside UNIQLO locations across Japan, followed by new stores and locations pegged for renovation.

FR is also looking at ways to use LED lighting more effectively in its stores. The company may install LED lights for displays at UNIQLO and g.u. stores, but only after verifying that they will be energy-efficient and cost-effective. The company has found that LED lights are effective for indirect lighting. It is currently testing them at the UNIQLO Ginza store in Tokyo and it plans to use LED lights for indirect lighting in all new UNIQLO and g.u. stores from spring 2013.

## Recycling Initiatives F and Waste Reduction

UNIQLO and g.u. stores collect unwanted clothing from customers for reuse and recycling as part of the All-Product Recycling Initiative. Fast Retailing has steadily expanded this program to South Korea, the U.K., the U.S., France, Singapore and, in March 2012, to Shanghai, Hong Kong and Taipei (for further details, please see pages 21 to 23).

Cardboard boxes and plastic bags which are used to wrap products for shipment account for 99% of all waste at stores. In Japan, 58% of UNIQLO stores work with a recycling company that collects store waste, recycles all reusable materials and reports monthly recycling volumes. FR is trying to implement similar recycling programs at all of its stores.



An LED roadside store sign

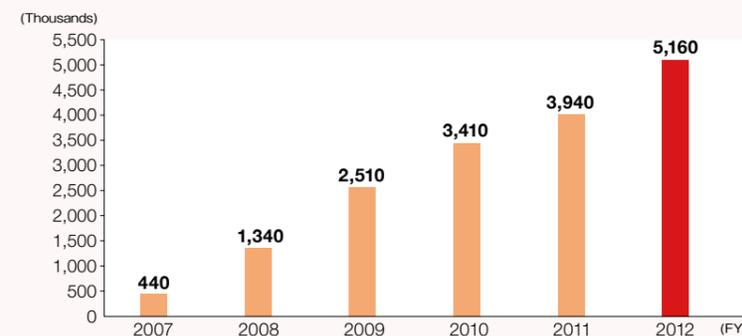


Indirect lighting with LED at the UNIQLO Ginza store, Tokyo

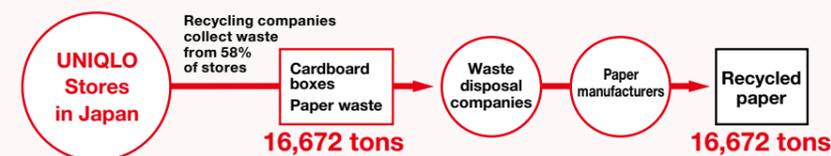


An in-store clothing collection box for recycling

## Items Collected Under the All-Product Recycling Initiative



## Recycling Flow for Effective Use of Resources (for cardboard boxes and paper waste)



## The Environmental Impact of Fast Retailing's Business

| Category                            | Process | Energy and Raw Materials Usage  |  |  |  |
|-------------------------------------|---------|---|--|--|--|
|                                     |         | Headquarters  | Sewing factories   | Domestic logistics   | Stores   |
| Energy, Fuel, etc.                  | D       | Electricity consumed 5,489,456 kWh  |  | Gas consumed 7,452 m <sup>3</sup>  | (Tap) Water usage 12,842 tons  |
|                                     | D       | Copy paper consumed 9,774,446 sheets  |  |  |  |
| Materials                           |         |   | Sewing factories<br>Energy consumed (calories) 2,261,971 GJ<br>Electricity 131,489,409 kWh<br>LPG 193,135 kg<br>Natural gas 16,489,284 ml<br>Heavy oil 166,650 ℓ<br>Light oil 2,176,934 ℓ<br>Gasoline 191,577 ℓ<br>Coal 27,306,667 kg<br>Steam 75,276 tons<br>Water usage 6,363,545 tons | Domestic logistics<br>Energy consumed (calories) 202,816 GJ  | Stores<br>Electricity consumed 150,416,928 kWh<br>City gas consumed 1,221,555 m <sup>3</sup><br>LPG consumed 1,246,908 m <sup>3</sup>              |
|                                     |         |   |  |  | Packaging 4,482 tons (*1)  |
| CO <sub>2</sub> and Waste Emissions | D       | CO <sub>2</sub> emissions (electricity and gas) 3,576 tons of CO <sub>2</sub> |  |  |  |
|                                     |         |   | Sewing factories<br>CO <sub>2</sub> emissions 243,201 tons of CO <sub>2</sub>  | Domestic logistics<br>CO <sub>2</sub> emission volume (electricity) 13,889 tons of CO <sub>2</sub> | Stores<br>CO <sub>2</sub> emissions (electricity) 78,887 tons of CO <sub>2</sub><br>CO <sub>2</sub> emissions (gas) 10,953 tons of CO <sub>2</sub> |
| Waste and Recycling                 | D       | Combustible waste (paper waste, etc.) 81 tons                                 |  | Incombustible waste (plastic waste, etc.) 12 tons  |  |
|                                     |         |   |  | Stores<br>General waste 30,484 tons (*1)   | Customers<br>Items collected through the All-Product Recycling Initiative: 539 tons (*2)   |

Notes: As a general rule, all figures are for fiscal 2012. Data from headquarters includes the Tokyo and Yamaguchi head offices. Packaging refers to the paper and plastic shopping bags that UNIQLO and g.u. use in Japan. All logistics figures from April 2011 to March 2012. Store-related figures do not include retail locations that operate as tenant stores in buildings. \*1 Figures are for UNIQLO Japan stores only. \*2 Items received at clothing sorting center as of the end of August 2012.

# Fast Retailing Global Leader Commitments

## Global Leaders Discuss Fast Retailing's CSR Goals

### UNIQLO



**Naoki Otoma**  
Board of Directors  
UNIQLO Co., Ltd.

As a global corporation centered in Japan, Fast Retailing's mission is to send a very clear message from Japan that it is determined to operate in line with its philosophy of doing everything it can to be welcomed by society. The All-Product Recycling Initiative is the pillar of the FR Group's CSR activities. The program is successful because all of our staff at our stores throughout the world are able to directly communicate with customers, with the awareness of managers. At the same time, it is important that FR uses its CSR activities to help customers understand global issues. FR is focusing on reaching out to younger people by strengthening its connections with schools. Approximately 1,000 CSR department employees, store managers and other staff members have participated so far in programs at schools throughout Japan. FR's fundamental objective is to help change society for the better through its activities.



**Hiroshi Taki**  
COO  
UNIQLO Taiwan Ltd.

The economic situation in Taiwan is not good, and employment is a big social issue. In the two years since it opened its first store, UNIQLO Taiwan has been established as a beneficial force for society. In fact, the company has received the Job Creation Contributor Award for two straight years. UNIQLO Taiwan is promoting its CSR activities in line with the development of its business, to continue to be accepted by Taiwanese society. The company has already met Taiwan's regulations for the employment of people with disabilities, but it is eager to hire such individuals at all of its stores, in line with its employment policies. The All-Product Recycling Initiative is also a key activity, and UNIQLO Taiwan is making sure that all employees clearly understand it. The company can improve its brand profile in Taiwan by raising customer awareness about its CSR activities.



**Satoshi Onoguchi**  
Co-CEO  
UNIQLO (Singapore) Pte. Ltd.  
CEO  
UNIQLO (Malaysia) Sdn. Bhd.

UNIQLO Singapore and UNIQLO Malaysia are actively working with government agencies to promote the employment of people with disabilities. UNIQLO Singapore is promoting the All-Product Recycling Initiative and providing support to Special Olympics Singapore. Such activities are rare for companies in this region, and the company has found that local communities have welcomed our efforts. But companies need to back up their words about social contributions with action, and this includes the personal participation by its employees. As UNIQLO Singapore and UNIQLO Malaysia develop their core businesses, I look forward to continuing to contribute to society and raising awareness for our programs.



**Katsumi Kubota**  
COO  
Fast Retailing  
Philippines, Inc.

People always help each other in the Philippines. The country has one of the lowest average income levels among all of the countries and regions in which UNIQLO does business. For a company that wants to grow with the country, CSR activities are vital. In spring 2012, FR Philippines launched a program to hire people with disabilities at its stores. The company is eager to introduce the All-Product Recycling Initiative, but it is still trying to figure out the best way to do so, because the Philippines already has an established used clothing market. Children's issues are a focus, as is the nation's high birth rate. Many children lack access to education, which along with hygiene is one of many pressing social issues. FR Philippines is looking for ways to address children's issues, by supporting educational programs and schools to contribute to society in a meaningful way.



**Ning Pan**  
CEO  
UNIQLO Hong Kong Ltd  
Fast Retailing (China)  
Trading Co. Ltd.

China is a vast country with its own issues and viewpoints, as well as social differences, varying levels of awareness about certain topics, and regional perspectives. FR's CSR activities therefore need to reflect local sensibilities. Business leaders need to focus on ensuring that the company achieves these ideals, and personnel development is important for promoting activities that will be accepted by Chinese society. Activities that are undertaken make people aware of the positive impact that UNIQLO can have on their lives. FR is developing its staff so they understand the situation in Japan and other countries, and can think of ways to link China and the world. In Hong Kong, where CSR awareness is very high, the All-Product Recycling Initiative is already under way. FR now wishes to implement its disabled people recruitment policy at UNIQLO stores there.



**Sungsoo Ahn**  
Co-CEO  
FRL Korea Co., Ltd.

Fast Retailing Korea aims to be a company that South Korean consumers trust and respect, so that we may be able to achieve sustainable growth. And CSR activities are one of the most important ways to become the leading brand in this industry. Korean society expects companies to do more than just make donations and help the economy. Companies are also expected to be sincere in their actions, while focusing on social activities. FR Korea is establishing itself as a social leader through the All-Product Recycling Initiative, its disability employment policy and its official support for the 2013 Special Olympics Winter Games in Pyeongchang.



**Takahiro Nishimura**  
COO  
UNIQLO (Thailand)  
Company Limited

Thailand has a strong spirit of helping people and social contribution activities are popular. We have only recently established operations in the country, but UNIQLO Thailand will soon launch the local All-Product Recycling Initiative to raise awareness about UNIQLO and show Fast Retailing's commitment to fulfilling its CSR goals. In November 2011, UNIQLO Thailand launched an internship program, with scholarships for promising but economically challenged college students. In addition to financial support, the program provides students with part-time positions at UNIQLO stores, so they can gain real job experience.



**Takao Kuwahara**  
CEO  
UNIQLO (U.K.) Ltd.

In the U.K., unemployment is a major issue. The employment situation for full- and part-time workers is extremely difficult, especially for young people. The biggest social contribution a business can make is to create as many jobs as possible. At the same time, companies need to maintain a strong sense of its corporate social responsibility, because the U.K. has always been very protective of vulnerable people in society. People avoid companies that do not contribute to society or that act in bad faith, and it is not uncommon for such companies to be pushed out of the market. UNIQLO UK is implementing to implement CSR activities that are rooted in communities, to gain the support of its customers and its employees.

### UNIQLO



**Shin Odake**  
CEO  
FAST RETAILING  
USA, Inc.

CSR is extremely important in the U.S. Many companies are active overseas, but there is still a large gap between the rich and the poor, and this has created a number of social issues in the country. Fast Retailing USA provided support to people who live in areas that were devastated by Hurricane Sandy in October 2012. Rather than simply sending donations, over a 10-week period, UNIQLO employees and customers worked with government groups to visit the communities that were hit hardest by the hurricane. They personally distributed 100,000 HEATTECH items and 10,000 Ultra-Light Down jackets. This was the company's first major CSR initiative since it established a presence in the country, and FR USA will continue to look for ways to achieve the company's CSR goals.

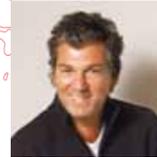
### UNIQLO



**Taku Morikawa**  
COO  
Limited Liability  
Company  
UNIQLO (RUS)

Wealth and educational disparities between the rich and the poor have become major social issues in Russia since the country shifted to a capitalist economy. But a lack of transparency in the government's social policies has caused people to lose faith in the authorities. They now mainly look to the corporate world to drive social change. UNIQLO Russia is helping to create more comfortable lifestyles by creating jobs and expanding throughout the country, as high-quality clothing is scarce. The company is also collecting donations and setting up funds to help address poverty, while building schools and providing educational opportunities. UNIQLO Russia is trying to raise awareness about corporate transparency, to earn people's trust and become a driver for social change.

### Theory



**Andrew Rosen**  
Founder and CEO  
Theory LLC

A big challenge in the United States, especially New York City is the loss of domestic clothing manufacturing jobs. I strongly believe there is an opportunity to revive what was once a thriving industry. I have recently embarked on an important initiative, which will set up a not-for-profit organization. It will be funded by me personally, our company and other companies in our industry. We will raise \$1 million (US) by February 1st and the city will match this amount. The \$2 million (US) will be used to provide interest free loans to existing manufacturing facilities, allowing them to upgrade equipment, improve working conditions and institute training programs. This will allow American designers to collaborate and innovate new designs in state of the art factories.

### Comptoir des Cotonniers



**Elisabeth Cunin**  
CEO  
Créations Nelson S.A.S.

Comptoir des Cotonniers actively conducts product recycling operations and participates in numerous charities each year to support causes related to women and girls. Charity activities, such as our present program donating one euro for each gift card sold, are interwoven with our everyday operations. We are currently planning partnerships with women's organizations to provide assistance supporting, educating, and training women. We encourage proactive involvement by our employees and provide customers various opportunities to actively participate.



**Hidenobu Sanada**  
COO  
UNIQLO France S.A.S.

Europeans come in contact with poverty and other social issues on a daily basis and are highly aware of social action programs. Companies must also be aware of social issues, while contributing to society through their businesses. Otherwise, they will simply not be welcome in the market. CSR activities need to evolve and grow with the company. UNIQLO France will continue to clearly communicate its philosophy and activities to its employees. We aim to become a company that people are proud to work for, especially as this relates to our desire to continue to grow with society.

### g.u.



**Osamu Yunoki**  
CEO  
g.u. Co., Ltd.

CSR deserves more attention. The g.u. brand must continue to operate in accordance with society to gain recognition and become more profitable, while providing value to customers and society. It is important that everything we do is done in the "right way," including establishing proper working environments, ensuring staff diversity and providing career opportunities for employees. The All-Product Recycling Initiative is extremely important for us because it completes the life cycle of the clothing that the company sells. I hope people will appreciate this initiative by g.u. and UNIQLO and make it a new part of their lives.



**Makoto Hata**  
CEO  
Link Theory Japan  
Co., Ltd.

Companies need to be accepted by society in order to exist. That acceptance is not just based on business, but CSR activities as well. Theory focuses on a wide range of charitable activities, including a breast cancer campaign and the White Band Campaign against poverty. The company is now trying to support social programs that help women. CSR activities are a key part of Theory's business, but more importantly the company must continue to engage in CSR activities that motivate its employees. Our company remains open to ideas presented by its employees and is determined to work with customers to push its CSR programs in new directions.

### Princesse tam.tam



**Pierre Arnaud Grenade**  
COO  
PETIT VEHICULE S.A.S.

Princesse tam.tam is a brand by women for women, and our CSR activities focus mainly on supporting women and addressing women's issues. One of our biggest projects emanates from our partner factory in Madagascar where we assist girls with challenging commutes to school. We are preparing to broaden our activities in 2013 with the launch of a program for employees and customers to promote and facilitate education for girls along with assistance for their mothers. We look forward to developing and implementing programs of real value to people's lives.

# Corporate Governance and Compliance

Fast Retailing has established a CSR framework that emphasizes compliance and awareness of related issues among all FR Group employees.

## Approach to Corporate Governance

Fast Retailing enforces the independence and surveillance capabilities of board meetings to ensure responsive and transparent management practices, while raising corporate governance standards.

Corporate governance is further enhanced through the use of a delegate-based executive director system, in which individuals selected from the board of directors are given specified ranges of authority over business execution, and by separating administrative and decision-making functions to improve business performance. The board of directors is mostly made up of external directors to further strengthen the independence and supervisory functions of the board.

FR has adopted the corporate auditor governance model and maintains committees to provide complementary support to the board of directors. Committees dedicated to overseeing human resources, corporate social responsibility, disclosure, IT investment, the FR Code of Conduct, and ethical issues facilitate open deliberation and decision-making, in pursuit of specific objectives.

### CSR Committee

The CSR Committee discusses and makes decisions on CSR policy, reports and public announcements, as well as environmental protection initiatives, community service activities, compliance, diversity and other related matters. The committee is chaired by the head of the CSR department and includes experts from outside the company, as well as statutory auditors and operating officers. The CSR Committee met four times in fiscal 2012.

### Code of Conduct Committee

The Code of Conduct Committee is responsible for handling deliberations related to responses to violations of the FR Group Code of Conduct, providing advice on running the Compliance Hotline. It also deals with whistleblowers and the employee consultation office, while raising officer and employee awareness of the Code of Conduct. The committee is chaired by the head of the General Administration & Employee Satisfaction department, which includes statutory auditors and legal advisors. The Code of Conduct Committee met 12 times in fiscal 2012.

### Business Ethics Committee

The Business Ethics Committee, chaired by the head of the CSR department, is responsible for guiding and reviewing corporate behavior. It also raises employee awareness about ethical issues related to its business. It convened 16 times in fiscal 2012.

## Approach to Compliance

FR has established a CSR framework that emphasizes compliance and awareness of related issues by all FR Group employees.

## Employees and the Code of Conduct

All FR Group companies adopt the FR Code of Conduct. When joining an FR Group company, every employee is expected to understand the Code of Conduct, once it is explained to them. With the exception of employees in France, where such pledges are prohibited by law, all employees are required to affirm the content of

the code and sign a pledge every year declaring their intention to follow and fully implement it.

## Workplace Hotline

FR has set up hotlines to give employees the chance to discuss and report work-related issues. The hotlines also provide a way for staff to report perceived Code of Conduct violations by telephone, email or other means (employees overseas may report incidents via email). Staff members are encouraged to freely use these resources by consulting hotline information posted on the company intranet and on posters in employee lounges.

Hotline personnel investigate reports of potential Code of Conduct violations while protecting the anonymity of the people reporting such incidents. Regular Code of Conduct Committee meetings are held so staff can discuss specific actions to be taken. Understanding of the code is also promoted through other activities, such as meetings to discuss communication problems involving supervisors, a common issue. FR tries to prevent the recurrence of compliance issues in a number of different ways, including informing all FR Group companies about compliance violations.

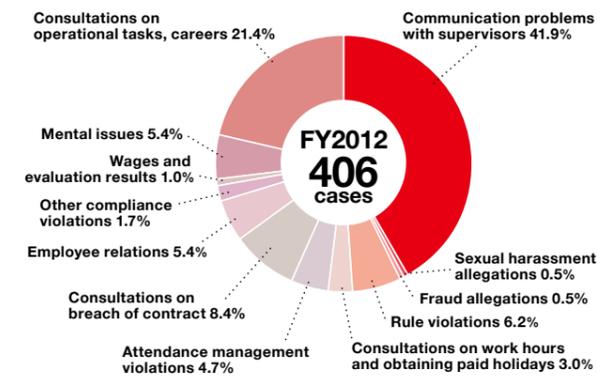
### Hotline Cases (FR Group companies in Japan)

- Fiscal 2010 465
- Fiscal 2011 393
- Fiscal 2012 406

### Hotline Cases (FR Group companies overseas)

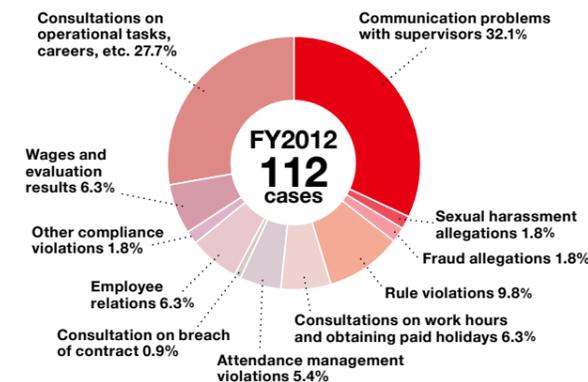
- Fiscal 2012 112

### Breakdown of Hotline Cases (FR Group Companies in Japan)



\*Total for FR Group companies in Japan

### Breakdown of Hotline Cases (FR Group Companies overseas)



\*Total for FR Group companies overseas excluding France

# Fast Retailing Group Overview

Fast Retailing is an apparel retailer with operations in Japan and other markets throughout the world, with the UNIQLO casual clothing brand at its core. The company's business includes UNIQLO Japan, UNIQLO International and the FR Global Brands, which develop apparel for the global market.

### Business:

Control and management of all FR Group activities, as owner and holding company

**Full-Time FR Group Employees:** 18,854

**Consolidated Sales:** 928.6 billion yen

**Consolidated Operating Income:** 126.4 billion yen

**Closing Date:** August 31

www.fastretailing.com

## Corporate Overview (As of August 31, 2012)

FAST RETAILING CO., LTD.

**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

**UNIQLO Japan**

Net sales: 620.0 billion yen

Operating profit: 102.3 billion yen

Number of stores: 845 (including franchise stores, as of the end of August 2012)

**UNIQLO International**

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

Net sales: 153.1 billion yen

Operating profit: 10.9 billion yen

No. of stores: 292 (as of end of August 2012)

### Global Brands

(Theory, Comptoir des Cottonniers, Princess tam, tam, g.u.)

Net sales: 153.0 billion yen

Operating profit: 14.5 billion yen

No. of stores: 1,085 (including franchise stores, as of end of August 2012)

theory

www.theory.com

COMPTOIR DES COTTONNIERS

www.comptoirdescottonniers.com

PRINCESSE tam.tam

www.princessetamtam.com

g.u.

www.gu-japan.com

### FR Group Employees by Country and Region



**59,617 employees in 21 countries and regions**

## Fast Retailing CSR Communications

In addition to this CSR report, Fast Retailing actively discloses information and communicates with stakeholders through a range of channels.

### Fast Retailing CSR Report 2013

The Fast Retailing CSR Report 2013 introduces the corporate social responsibility initiatives that the FR Group conducts in line with its business operations.

#### Report Coverage

The report covers the CSR activities of the Fast Retailing Group (Fast Retailing Co., Ltd., and its companies in Japan and overseas) with individual articles introducing activities outside the FR Group.

#### Reporting Period

September 1, 2011, to August 31, 2012

\*Unless otherwise indicated, figures in this report are fiscal year results. \*For particularly important content, the information presented represents the most recent data available at the time of publication. \*Please refer to the Fast Retailing annual report and website for corporate data and the latest information.

#### Issue Date

January 2013 in Japanese (Next issue scheduled for January 2014)

### English-Language CSR Websites

Fast Retailing Co., Ltd. <http://www.fastretailing.com/eng/csr/>

UNIQLO Co., Ltd. <http://www.uniqlo.com/en/csr/>

Grameen UNIQLO <http://www.grameenuuniqlo.com/en/>

### The Power of Clothing

The Power of Clothing is a newsletter based on the theme of how clothing can be used to address various social issues. The Power of Clothing is published throughout the year and is available in FR Group stores and online in Japanese, English and Korean.

The Power of Clothing English website [http://www.uniqlo.com/power\\_of\\_clothes/en/](http://www.uniqlo.com/power_of_clothes/en/)

### Leaflets and In-store Posters

Fast Retailing actively informs customers about its CSR activities and social issues through in-store posters and leaflets.

### Social Networking Services

All Fast Retailing Group companies maintain an active presence on Facebook and other social networking services. In-house staff and store managers share CSR information with visitors in real time through these platforms.

### Contact Information

CSR department, Fast Retailing Co., Ltd. Email address: [FR\\_G\\_frgcsr@fastretailing.com](mailto: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 items to be reviewed as of the date of publication. The report also includes forecasts based on management policies and strategies. These forecasts are assumptions or judgments based on information available at the time of publication. Actual results and future business activities can and will differ 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)**