FAST RETAILING WAY
(FAST RETAILING Group Corporate Philosophy)

Corporate Statement

The FAST RETAILING 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

Our 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

Our 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

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.”
CEO Commitment

I believe our most important mission is to use our business to change the world for the better.

Providing Opportunities and Enabling Self-sufficiency

"Changing clothes. Changing conventional wisdom. Change the world." This statement embodies the spirit of the Fast Retailing Way. We believe clothing has inherent value and seek to apply that value through our business to improve the lives of people around the world and change society for the better. This mission is an integral part of all of our business activities.

The fact is the number of people who are socially and economically vulnerable far exceeds the number of people with socio-economic stability. Four billion people worldwide are living in conditions classified as low-income or below. It is critical for corporations and individuals to formulate and conduct business activities in ways that will help resolve social issues that governments struggle to address.

Companies can support people in socially vulnerable positions by providing opportunities to those seeking to put business ideas into action. People will then have a chance to realize their dreams. We must foster as many self-sufficient business ideas into action. People will then have a chance to realize their dreams. We must foster as many self-sufficient people as possible. Companies can create operating structures that encourage and support individuals with the drive to develop their own set of unique business skills. As a corporation, I believe that is part of our responsibility.

Building a Social Business Model

Fast Retailing teamed with the Grameen Bank Group to launch a social business in Bangladesh in 2010. The operation began with door-to-door sales in rural areas but grew to open its first directly managed store in July 2013 in the capital Dhaka. The network has grown to six Grameen UNIQLO stores in the city as of December 2013.

As our operations become increasingly globalized, the success of our activities in Bangladesh depends on our ability to respond to the specific local circumstances and needs. For the consumer, we must carefully consider what “clothing” means to the people in the region and use our acumen as a Specialty store retailer of Private label Apparel, or SPA, to create clothing people truly want at a price they can afford. In addition, our business and social activities in Bangladesh are a prime example of the new type of business model we are seeking to establish for local operations. We are supporting local communities by providing employment and training local staff. Our commitment also includes circulating all locally-generated profits back into the community. We expect this to enable active participation in the business thus resolving social issues and ultimately positively impact the four billion people living in low-income conditions worldwide.

Active Engagement in Every SPA Process

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. As a SPA, it is our responsibility to be actively engaged in every step of the supply chain to prevent problems before they occur and rapidly take effective action when they do.

Reducing the environmental impact of our operations is another challenge we must address. The FR Group is particularly focused on eliminating hazardous chemicals that result from the processing of raw materials and sees “zero emissions” as an important and achievable target. We also work to ensure that our facilities provide comfortable and safe working conditions and engage third-party organizations to help ensure compliance with our standards, including work environment safety and the prohibition of child labor or forced labor. FR also promotes the ethical treatment of animals and openly communicates with international organizations, including international institutions and global-level non-governmental organizations (NGOs), to ensure procurement activities involving animals, such as sheep-shearing methods, are conducted appropriately and humanely.

The Future is in Our Hands

People need help from others to live and thrive. Companies are no different. As such, we have a responsibility to help others and must do whatever we can to help improve our society. The pace of globalization means that virtually everything a person does holds the potential to resonate around the world. As our operations become increasingly globalized, this becomes increasingly significant.

Companies are obligated to fulfill their social responsibility, but I believe each of us as individuals also has a role to play. As we work at a job and live our daily lives, we have the opportunity to fulfill our social responsibility. As I look at the various activities we are involved in, I tell myself “Others are relying on us. We have the ability to contribute. Are we doing our best?” I urge our employees to ask the same questions, and to participate and take pride in our CSR activities not just for the company and greater society, but for their own sake. My hope is to make our CSR commitment clear to all, everywhere.

No one can predict the future. But we are the ones who will make the future. We will continue using our business model as a positive force for changing the world for the better.

Tadashi Yanai
Chairman, President and CEO
Fast Retailing Co., Ltd.
The Fast Retailing Group will continue working with its stakeholders to identify and address important issues facing society—all towards the goal of making the world a better place. The Fast Retailing Group’s mission is to change the concept of clothing and enrich the lives of people around the world through its corporate philosophy, the Fast Retailing Way. To fulfill this mission, FR must fully integrate its CSR and business activities, listen and respond to the voices of all stakeholders around the world, and use its daily operations to make the world a better place.

Meeting Challenges Across Four Key Categories

Fast Retailing has designated four key CSR categories in which it focuses management strategy and resources to address social and environmental issues. The issues are discussed with NGOs and other third parties to ensure an objective and international perspective. The company maintains open and ongoing communications with stakeholders to continually improve performance and reports its progress in the four key categories in its annual CSR Report.

All senior operating officers serve on the CSR Committee to ensure that decisions fully align with the company’s mission. FR’s CSR activities are supported by a worldwide CSR operating structure led by the CSR Department at the Tokyo headquarters and with CSR managers located in each major region where FR conducts business outside Japan.

**Challenge 1 Production**

**Partners in Quality**

The Fast Retailing Group’s goal is to make clothing that meets the world’s highest standards. This goal goes beyond producing top-quality apparel as it also encompasses the value in creating apparel utilizing responsible environmental and manufacturing processes in close collaboration with trustworthy partners. FR is deeply involved in every process in the value chain and develops relationships that allow it to operate with its partners as a single entity. FR works towards its goals through a commitment to socially responsible initiatives and growing together with production partners worldwide that share its ideals.

**FAST RETAILING CSR REPORT 2014**

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Fast Retailing believes that making clothing meeting the world’s highest standards goes beyond providing just quality products. FR believes that the highest standards can only be achieved by maintaining strong partnerships with all suppliers and by ensuring responsible working conditions and manufacturing processes.

Creating the world’s highest standards for clothing requires the achievement of quality in three areas: social, business relationships, and business operations. First, quality in the social sphere involves ensuring that partner factories maintain safe and comfortable working conditions for employees, that clothes are produced using processes with low environmental impact and that a compassionate approach to animal welfare is taken when sourcing raw materials. Second, quality business relationships—one of FR’s greatest strengths—comes from strong relationships of trust built over time and the maximizing of synergies. Using only factories meeting the most stringent standards, FR and its business partners work closely to ensure that they appear to grow as if they were a single entity. Third, quality business processes are essential. Inefficient operating processes have adverse affects in all areas, from cost to quality control, and are an obstacle to product quality and our partners’ growth potential. Highly efficient processes that have been streamlined to eliminate the unnecessary are essential to realizing the world’s highest standards for clothing.

Employee work environments are a global issue in the garment manufacturing industry, and FR is actively implementing measures to improve working conditions, with a particular focus on developing countries. Ensuring that workplaces are safe and wages support a comfortable lifestyle is fundamental to this effort. Several tragic accidents have occurred in Bangladesh in recent years, including the Rana Plaza building collapse in April 2013. The garment industry has stepped up efforts to prevent such disasters, and Bangladesh is becoming a launching point for raising industry standards for manufacturing processes.

FR’s ability to effectively address environmental and other issues arises from its ability to establish and maintain a close-knit supply chain that functions as a single entity. Creating such a supply chain requires direct management of not only product quality but also working conditions, the environmental impact of operations, and product safety. From this perspective, FR has achieved virtually 100% coverage of the UNIQLO sewing factories and fabric manufacturers and is seeking greater control over raw materials, with primary materials being the first target.

FR has established CSR and production departments in Shanghai, the company’s key manufacturing hub in China. The CSR department monitors work environments and the production department’s supervisory activities include weekly factory visits to engage in direct communication at the work sites and sharing information on occupational health and safety and other issues. FR’s ability to maintain a seamless production network for its core UNIQLO brand is due to its select group of roughly 70 partner manufacturers compared to the networks of several hundred to thousands of suppliers typically used by major global apparel makers. The selection of a controlled number of partners enables FR to realize a closely regulated supply of materials and products of the highest standard.

FR’s drive to provide clothing meeting the world’s highest standards is driven by a deep commitment to promoting responsible business practices and direct engagement in all supply chain processes. FR and its equally committed partner companies will continue to emphasize this approach as they work to change society for the better.

Fast Retailing operates in close collaboration with all of its supply chain partners with the goal of growing together in a sustainable manner. The 17-year business partnership between FR and Crystal Group Co., Ltd., is a prime example of best practices being implemented to realize this goal.

**Growth Through a Shared Vision and Strong Partnership**

The Crystal Group operates its primary sewing factory center in Dongguan, Guangdong Province, a major manufacturing hub in China near Shenzhen, one of China’s most successful Special Economic Zones.

“Pricing, delivery, and quality are just the starting points,” says Crystal Group Executive Director Dennis S.W. Wong in explaining the group’s success in growing to include some 8,500 employees in China and 10,000 in Vietnam. “Companies must have the same vision and work as one to grow together. The best plans must be carefully thought out and then effectively implemented. UNIQLO’s expectation of production that is based on the three types of quality (see page 6) enables us to achieve the goal of making clothing that meets the world’s highest standards. It is essential that the company, the order, our company, and our suppliers all work together and follow the same high standards as if we were a single company. UNIQLO’s approach embodies the most important qualities in a partnership. UNIQLO managers visit our factories every day and many of them know more about the factory floor than even I do. They put in an unbelievable amount of effort and monitor all aspects of quality on every level.”

The partnership between Crystal Group and UNIQLO encompasses the full spectrum of operations from product quality and production efficiency to working environments, fundamental areas of focus include how to infuse quality in each process from development to production and identifying the system’s weakest links and biggest challenges. Crystal Group and UNIQLO managers work together to consider all aspects of the process, including technical challenges, production capabilities, and management methods. Together, they seek the best solutions to issues related to optimizing working conditions and motivating employees directly associated with factory production capabilities and quality standards.

Dennis says supplier relationships are also critical. “When we partnered with UNIQLO, we changed the way we interact with our suppliers, the fabric manufacturers. This was important because, with clothing, issues with the fabric are the main source of quality issues with final products. We sew the fabric in our own factories, so a stitching issue can usually be fixed by changing our sewing method. Fabric issues, however, involve chemicals in the dyeing and other processes and can be very complex to resolve. Making clothing meeting the world’s highest standards would be virtually impossible without excellent quality materials from the very beginning. This means that three companies—UNIQLO, Crystal Group and the fabric manufacturer—play critical roles in the success of our products. Our strength is in the way we bring the companies together to operate as if they were a single entity, which enables us to find synergies and support each other’s business growth.”

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**Our Partners**

**Strong Partnerships Throughout the Supply Chain**

Yoshihiro Kunii  
Group Executive Vice President in Charge of Production and Planning Control  
Fast Retailing Co., Ltd.

Dennis S.W. Wong  
Executive Director  
Crystal Group
Resolving Issues at "One Table Meetings" between UNIQLO, the Sewing Factory, and the Fabric Manufacturer

"One Table Meetings" are a key part of FR's effort to boost collaboration among its suppliers and realize a supply chain that operates as a single entity. FR's China Production Manager, Yuichi Imamura explains how the meetings contribute. "In the SPA (Note 1, see page 11) model, it’s important to ensure that the sewing factories operate in close coordination with the upstream fabric manufacturers. Simply matching procurement to supply will not result in clothing meeting the world’s highest standards. It’s essential that UNIQLO, the sewing factories and the fabric suppliers are all working toward the same goal and openly sharing their technologies and expertise. FR enables this by bringing the three sides together for direct dialogue at "One Table Meetings", where everyone can provide input on everything from technical points to management methods. The candid discussions sometimes produce radical but always effective business solutions and have become a real driver for our operations."

"UNIQLO’s experienced takumi experts (Note 2, see page 11) also participate. The takumi experts provide technical advice as well as suggestions for improving processes, and their presence encourages the fabric manufacturers on the contractor side to speak freely and voice important recommendations. The technical knowledge the takumi experts bring underpins the trust we have in our partner factories, which eliminates barriers that could exist between companies and strengthens the conviction of the decisions.”

Wan Wai Loi, Chairman and Executive Director of Pacific Textiles Holdings Limited, a key supplier to Crystal Group, attests to the value of these meetings. “Bringing the three companies in the supply chain to the same table is groundbreaking,” he says. “UNIQLO is pioneering a new approach. In the past, the sewing factory placing the order for material would hold substantial influence over the negotiations because it would first contract with a brand owner, such as UNIQLO, and then look to secure the materials. The fabric manufacturer was often put in a position where it was forced to compromise quality in order to secure materials that meet the required standards while still securing a profit. However, bringing together the fabric manufacturer, sewing factory, brand owner and sometimes even other related companies lets everyone exchange their opinions and ideas and address any issues from the very beginning.”

Working with Partners to Elevate China Textile Industry Technology

As their role at the "One Table Meeting" shows, the takumi system is a key element in the Company’s relations with the factories in its supply chain. The takumi experts are experienced craftsmen who honed their techniques over many years through experience in Japan’s world-renowned textile industry. FR’s system allowing the takumi experts to share their expertise to augment the technical capabilities of partner factories is an effective means of reinforcing the foundation structure, or capacity building, of the supply chain. Most partner factories also manufacture products for brands other than UNIQLO, and the input the takumi experts provide for developing techniques, improving processes, and developing employee skills helps support the growth of the factories. In addition, having takumi experts in management positions at so many factories not only provides support to the current partner factories but also extends their influence to the new partner factories coming into the fold when developing business outside of China. Their positive influence thus contributes to raising standards for apparel manufacturing industries in other regions as well.

Takeshi Kubo, the FR sewing takumi expert supporting the Crystal Group, emphasizes the point. "Under the SPA structure, raising the overall technical level of the sewing production industry is essential to maintaining quality. Originally, fundamental skills were everything in the sewing industry as each item was literally assembled stitch by stitch. We emphasize a firm foundation in the basics not just for maintaining the highest quality in a particular process but also to facilitate closer collaboration between each sewing process."

The current challenge for FR and its partner factories is to cultivate the next generation of takumi experts in the factories and countries with manufacturing operations. In 2013, FR took steps in this direction in China, a major manufacturing region for the company, by identifying qualified local staff and assigning one-on-one mentorships for candidates to become takumi experts. FR will continue building strong partnerships throughout the supply chain with the aims of growing together and realizing the world’s highest standards for clothing.

Note 1: A Specialty store retailer of Private label Apparel, or SPA, is a clothing maker and retailer that carries out all business operations from material procurement to product planning, development, manufacturing, distribution, sales, and warehouse management. A SPA often subcontracts a significant portion of the manufacturing operations.

Note 2: Since 2000, UNIQLO has sent takumi-experts, highly skilled technicians with extensive experience in Japan’s world-renowned textiles industry, to factories to provide technical assistance, assist with process management, and promote the cultivation of human resources. Divided into material and sewing specialties, UNIQLO takumi-experts are working on-site at factories in China and garment producing countries around the world.
Workplace Monitoring

Monitoring Working Conditions and Processes at Production Partner Sites

The monitoring of working environments by Fast Retailing and its partner factories is essential to ensuring that safe and appropriate working conditions are maintained and to creating a mutually beneficial cycle of raising productivity, quality, and employee satisfaction. FR will continue working with its partner factories to improve measures and formulize strategies to further optimize the production processes.

Working with Partners to Constantly Improve

Fast Retailing’s production structure features a controlled number of deeply integrated business partners following a shared vision and working together to develop and implement improvements with the shared objective of mutual growth. As part of its efforts to build mutual trust and formulate comprehensive solutions, FR monitors working environments at its primary partner factories based on the Code of Conduct for Production Partners established in 2004. The findings for 2013 are presented on page 13.

FR works with specialized external organizations to help monitor manufacturing facilities to ensure established conditions are met, including the provision of safe working environments and prohibitions of child labor and forced labor. CSR department staff visit sites that require improvement, and provide practical guidance for acquiring construction and fire prevention safety certification, validating payroll calculations, and registering employee work hours based on the specific conditions at each site. FR also implements "pre-contract monitoring" to verify that new partner factories fulfill all standards prior to the commencement of operations. FR verifies the results of the monitoring and immediately provides guidelines for improving areas determined to be below standard. Business commences only at sites confirmed as meeting the FR standards or only after verification that necessary improvements have been made.

FR and its partner factories further augment the effectiveness of its work environment monitoring activities through a network of on-site factory management teams and through measures including installing in-house auditing systems. Training sessions are catered to specific topics and countries. FR also provides internal training for production department employees on general CSR topics, procurement-related ethical issues, and work environment monitoring standards and goals. FR also seeks to further improve its monitoring activities through reviews and evaluations provided by NGO’s and other third parties. Although no serious accidents have occurred at FR partner factories, the Rana Plaza garment factory collapse and other accidents in Bangladesh prompted FR to implement special safety monitoring in fiscal 2013 at its partner factories in the country. Bangladesh is a key production center for the FR Business Ethics Committee, which the auditors confirm the findings with factory inspections and tours of related facilities such as cafeterias and dormitories, interviews of factory workers, and reviews of required documentation. Monitoring concludes with a wrap-up meeting during which the auditors confirm the findings with factory representatives and provide feedback for improvements.

Factory Grading System

FR grades the results of the monitoring from A to E. Factories with highly unethical or serious offenses are given E grades and FR immediately reviews its contracts with the factories in question. Factories receiving C or D grades are provided guidance for improvement and follow-up evaluations are conducted to verify results. Factories that fail to improve are subject to strict scrutiny, including a Business Ethics Committee review of the business relationship. When serious violations are identified, FR ends CSR Department staff members on fact-finding missions and reviews the partnership contract. FR makes its final decision based on its findings while also taking into account the factory’s business conditions and the local employment situation. After implementing the review, FR then works with the factory to present the recurrence of the violations. If the required improvements are fullfilled, FR reviews the business relationship, including the validity of reinstating the original contract conditions.

The annual decline in the number of low evaluations continued in fiscal 2013, particularly in “Grade E” evaluations. The improved results were due to stricter pre-contract monitoring and FR’s direct consultation and involvement identifying the causes and implementing improvements. The number of “Grade E” evaluations also decreased from fiscal 2012, FR will continue to ensure the full application of standards and also plans to help upgrade factory on-site management systems.

Causes for the 10 “Grade E” evaluations (B of which resulted in termination of business relations)

- False Reporting 5
- Child Labor 1
- Unauthorized subcontracting to an outside entity 1
- Follow-up monitoring assessment of insufficient improvement 2
- Follow-up monitoring assessment of unfilled conditions for reinstatement of business relations 1

FR production partners are required to submit a written pledge to uphold the work environment guidelines for production sites detailed in the FR Code of Conduct for Production Partners. The guidelines forbid child labor, set limits on overtime work, and outline other regulations for factory working conditions based on the conventions and recommendations of the International Labour Organization of the United Nations.

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

FR monitors working environments at its primary partner factories based on the Code of Conduct for Production Partners established in 2004. The findings for 2013 are presented on page 13. FR monitors working environments at its primary partner factories based on the Code of Conduct for Production Partners established in 2004. The findings for 2013 are presented on page 13.
Improvements From Monitoring Efforts, Fiscal 2013

- Warehouse Fire Prevention Control (Bangladesh): The first regularly scheduled monitoring of a secondary material warehouse in May 2012 found the facility had an insufficient number of emergency exits as required by law, and the doors at the facility’s chemical substances warehouse opened inward rather than outward. CSR department staff requested improvements and provided guidance to add more exits and change the emergency door to open in the direction of evacuation. Follow-up monitoring in November 2012 confirmed the improvements had been implemented.

- Payment of Overtime Wages (China): Regularly scheduled monitoring conducted at a partner factory in China in January 2013 uncovered that insufficient overtime compensation paid to employees who worked on a holiday weekend. Because Sunday, September 30, 2012, was a holiday, the company designated a weekday, October 4, as a substitute holiday. However, employees that worked that day were remunerated using the weekday overtime pay scale when the weekend overtime pay scale would have been appropriate. CSR department staff and the partner factory investigated the cause of the error and verified the correct calculation of wages. Follow-up monitoring in June 2013 confirmed that the employees had received their unpaid wages and that the factory is calculating wages correctly.

- Occupational Safety and Health Management (Indonesia): The first regularly scheduled monitoring of occupational safety and health conditions at a factory in Indonesia in July 2012 found 17 violations, including an insufficient number of emergency medical personnel and inadequate work environment standards and medical examinations. CSR department staff visited the site, reviewed occupational safety and health check items, and requested program improvements. Follow-up monitoring in March 2013 and the fulfillment of subsequent requests confirmed that all conditions had been met.

Serious Offenses, Fiscal 2013 (Grade E)

- Child Labor (China): Employee interviews conducted during the first regularly scheduled monitoring check at a factory in China in January 2013 identified an incident of child labor. Chinese labor law prohibits employment of individuals under the age of 16. The employee had been hired in November 2012 and was age 15 years and 10 months at the time of the interview. The factory indicated it was aware of the employee’s presence but could not submit the employee’s personnel file or a copy of their ID card to the auditors. At the time of employment, the factory had at the individual’s request contacted the individual’s parents, who said the ID card had been lost. The individual was then allowed to begin working without submitting the ID card under condition that it would be submitted within one month. However, the ID card was not submitted. CSR department staff revisited the factory in March 2013 and confirmed that the factory no longer employed the individual and provided compensation for all hours that had been worked as well as an amount equal to the total regular wages that would have been earned had the individual continued working at the factory until reaching the age of 16. Due to the serious nature of the incident, FR terminated business ties with the factory.

- False Reporting (China): Regularly scheduled monitoring conducted at a partner factory in China in August 2012 uncovered factual errors in the factory’s recorded working hours. The record showed a maximum of 36 hours of extended overtime hours for one month while the remuneration ledger showed a maximum of 105 hours of overtime work. In addition, discrepancies were found in factory records of work hours and days off for these employees. When CSR department staff visited the factory in October 2013 and asked about the previously requested improvements, the general accountant informed the staff that all remaining items requiring improvement were completed within three months. FR is supplementing its workplace monitoring activities in Bangladesh with independent inspections to enhance fire and safety building and ensure the safety of workers at partner factories in the country. FR’s fire safety inspections began in May and have been completed at all factories. Building safety inspections conducted by a Japanese inspection agency are currently in progress.

Enhancing Fire Prevention and Building Safety in Bangladesh

Promoted by the Rana Plaza garment factory collapse, factory fires and other incidents in Bangladesh, Fast Retailing is implementing measures in collaboration with industry partners and conducting its own independent inspections to maintain appropriate working conditions and ensure the safety of employees working in factories in Bangladesh.

Fast Retailing Response and Actions in Bangladesh

At FR’s request an auditing firm conducted unannounced inspections in May 2013 of factory fire safety systems, including verification of certificates, fire extinguishers, and emergency exits. Potential fire hazards were also inspected with special attention to electrical switchboards and other electric devices since electrical short circuits and faulty wiring are common causes of fires. Ensuring that emergency exits remain unlocked is also critical because locked exits increase the fire danger to employees. The inspections found two incidents of locked emergency exits, prompting FR to issue immediate requests to unlock the doors and a follow-up inspection to verify compliance. FR also requested all partner factories to submit improvement reports and plans concerning improvement requests covering such items as verification of evacuation routes, management of power lines, evacuation planning, fire safety equipment, and documentation. Items requiring immediate attention were expected to be completed within one month with all remaining items requiring improvement to be completed within three months. FR and partner factories are also conducting evacuation drills and other emergency preparedness exercises, promoting employee awareness of fire and building safety, and providing training in effective safety improvement methods.

Independent Fire Prevention and Building Safety Inspections

At FR’s request a specialized auditing firm conducted unannounced inspections in May 2013 of factory fire safety systems, including verification of certificates, fire extinguishers, and emergency exits. Potential fire hazards were also inspected with special attention to electrical switchboards and other electric devices since electrical short circuits and faulty wiring are common causes of fires. Ensuring that emergency exits remain unlocked is also critical because locked exits increase the fire danger to employees. The inspections found two incidents of locked emergency exits, prompting FR to issue immediate requests to unlock the doors and a follow-up inspection to verify compliance. FR also requested all partner factories to submit improvement reports and plans concerning improvement requests covering such items as verification of evacuation routes, management of power lines, evacuation planning, fire safety equipment, and documentation. Items requiring immediate attention were expected to be completed within one month with all remaining items requiring improvement to be completed within three months.

Fast Retailing CSR website

http://www.fastretailing.com/eng/csr/
Environmental Policy and Activities

Strengthening Environmental Policies to Further Reduce Environmental Impact

As a SPA retailer, Fast Retailing is actively working to reduce the environmental impact of all operational processes, including its supply chain. FR believes it has a responsibility to be fully aware and understand the environmental impact of all of its SPA processes and has designated priority issues and established clear policies for reducing that impact.

Policies

- FR works with its partner factories to reduce the environmental impact of its business activities with a primary focus on the production processes that have the greatest impacts.
- FR recognizes its responsibility to ensure appropriate procurement and production practices, starting with the procurement of raw materials.
- FR seeks to be a positive influence and actively promotes activities and dialogue on the environment with all relevant stakeholders.

Major Environmental Activities in Fiscal 2013

- FR and partner factories conducted environmental monitoring and other activities to track the environmental impact of their operations and formulated measures to improve environmental performance.
- Pilot projects were initiated to reduce energy consumption at partner factories.
- Cotton is a core material used in the Company’s products and CSR department staff visited cotton mills to review cotton production processes and their environmental impact.
- FR continued to encourage customers to take part in the recycle and reuse of its products.

Challenge 2 Environment

Together with Stakeholders, Efforts to Reduce the Environmental Impact of All Processes

As a Specialty store retailer of Private label Apparel (SPA), Fast Retailing believes it is responsible to be fully aware and understand its environmental impact at each stage of the value chain and to work with stakeholders around the world to reduce that impact. The impact of hazardous chemicals on the environment is an especially important issue, and FR has committed to completely eliminating all hazardous chemical emissions from its processes by 2020. FR is actively involved in every process beginning with the procurement of raw materials to effectively manage the entire value chain.

- FR sources the best raw materials with its production partners.
- FR regularly assesses working conditions and environmental protection efforts at partner factories.
- FR seeks to be a positive influence and actively promotes activities and dialogue on the environment with all relevant stakeholders.

Cotton is a core material used in the Company’s products and CSR department staff visited cotton mills to review cotton production processes and their environmental impact.

Sales and Collection

FR is introducing LED lighting, regulating air conditioning, and implements other measures to improve the energy efficiency of its stores.

UNIQLO and GU stores are expanding the collection of clothing donations for the All-Product Recycling Initiative in Japan and overseas.

Reuse and Recycle

FR donates approximately 75% of all collected items at UNIQLO and GU stores to refugee camps and people in need, while converting the remaining items into fuel or industrial fiber.

Considering the Environment Throughout the Product Life Cycle

Raw Materials

FR sources the best raw materials with its production partners.

Fabric Production, Dyeing and Processing

Since environmental and other monitoring is conducted for the fabric production process, the aspect of FR’s operations that has the greatest environmental impact, FR is also taking steps to completely eliminate hazardous chemical emissions.

Sewing

FR regularly assesses working conditions and environmental protection efforts at partner factories.

Logistics

FR reduces its environmental impact and cuts distribution costs by reducing the weight and reusing cardboard boxes while improving load efficiency of transport trucks throughout the distribution process, from production sites to stores.

Sales and Collection

FR is introducing LED lighting, regulating air conditioning, and implements other measures to improve the energy efficiency of its stores.

UNIQLO and GU stores are expanding the collection of clothing donations for the All-Product Recycling Initiative in Japan and overseas.
Reducing the Environmental Impact of SPA Processes

●_raw materials
FR believes that it is essential to be directly involved in raw material procurement operations not only to help reduce its environmental impact but also to fulfill its fundamental mission to provide top quality products based on efficient operations. CSR and production department staff regularly meet suppliers and in October 2013 visited cotton farms in China’s Xinjiang Uyghur Autonomous Region, one of FR’s core sources of cotton. Staff verified that they operate in a sound manner, including the proper use of water and pesticides and prohibition of child labor. FR will continue open dialogue with local business operators while verifying conditions on a regular basis.

●Fabric Production, Dyeing and Processing
Fabric production has the greatest impact on the environment of any SPA process due to the large amounts of water, energy, and chemicals required to dye and process the materials. In June 2013, FR initiated a pilot project in which it dispatched energy diagnostics specialists to factories to look into any inefficient processes and where energy consumption can be reduced. The results will be used to plan projects for other factories. In addition, FR is consulting with environmental NGOs as part of its ongoing efforts to practically eliminate emissions of hazardous chemicals from its production process and the whole production lifecycle by 2020. FR is working with its partner factories to carry out projects that will ensure the target is achieved. (See page 21 for further information.)

●Sewing
Environmental guidelines are a key category in the FR Code of Conduct for Production Partners, and FR carries out work environment monitoring that includes items for environmental protection. FR and its partner factories share information on best practices and are working together to develop and implement measures to conserve energy, such as streamlining production processes, optimizing cross ventilation, and upgrading electrical systems.

●Logistics
FR constantly revises and improves its distribution operations so it can attain the highest level of efficiency. Primary activities include streamlining deliveries from warehouses to stores, optimizing warehouse layouts, reducing the weight of packaging materials, and developing more efficient loading methods. FR’s ongoing effort since 2006 to reduce the weight of cardboard boxes used for deliveries has produced a 15% decline in weight. In addition, boxes used to transfer items from production sites to local warehouses are reused when transporting items from local warehouses to the stores. FR is also facilitating reuse by standardizing the sizes of boxes used when transporting items from factories to warehouses, which is producing steadily annual declines in the number of boxes used. Currently, roughly half of all cardboard boxes used for same size, same color items are reused. FR’s efforts to conserve resources also include reexamining how items are placed in boxes to further decrease the number of boxes used.

●Energy Efficient Store
FR distributes Store Energy and Resource Efficiency Manuals to all UNIQLO and GU stores in Japan with checklists to reduce energy consumption. FR also partnered with an air conditioner maker to develop units with specialized functions designed to save energy by maintaining optimal in-store temperatures. The units are installed in all roadside UNIQLO stores in Japan. Stores set lighting levels during pre-opening hours to 40% of the levels during operating hours. FR is also progressing with its plan to switch its lighting systems to energy-saving LED lights. After installing LEDs in the store signs for roadside UNIQLO stores in Japan, the project is now focusing on upgrading all indoor lighting for UNIQLO and GU stores. The next step begins in Spring 2014 with the installation of LED lighting in all new stores.

FR is exploring ways to improve the efficiency and reduce the amount of resources used when constructing new stores, such as using modular units to increase the interchangeability of store installations and prefabricating portions of roadside stores and transporting them to the sites for easy assembly.

●Collection, Reuse and Recycle
The All Product Recycling Initiative in effect at all UNIQLO and GU stores in Japan and nine other countries and regions collects second-hand clothing from customers for reuse and recycling. About 75% of all items, including donations to refuges camps, are reused and the remainder is used as fuel or repurposed for use in other materials. Cardboard boxes and paper bags used to wrap products for shipment account for 99% of all waste material at stores. In Japan, 58% of UNIQLO stores work with a recycling company that collects store waste materials, recycles all reusable materials, and reports monthly recycling volumes. FR is seeking to broaden the collection to stores that are not currently involved, such as those in commercial complexes.

The Environmental Impact of Fast Retailing’s Business

Improving production efficiency is absolutely critical to reducing the environmental impact of the material manufacturing processes. Dyeing factories must ensure the coloring is uniform and without flaws. The dyeing process is comprised of heating, color selection, methods for applying dyeing auxiliaries, and other steps that can be easily measured and replicated. However, there are many aspects that cannot be quantified and require a considerable amount of experience to produce flawless color consistency. Installing the latest equipment, such as machines that use substantially less water, can conserve a significant amount of resources but ensuring color quality also necessitates precise control over water volume and careful refinement of the methods of use. The specialized skills and knowledge of FR takumi experts are vital assets. Sharing this mastery in chemicals, machinery, and equipment with partner factories is essential to reduce the environmental impact of manufacturing processes.

Hiroshi Taka
Takumi Expert
Material Technology Expert
Production Development and Merchandising
Production Division
Fast Retailing (Shanghai) Enterprise Management Consulting Co., Ltd.

Challenge 2
Reducing Our Environmental Impact
Working with Stakeholders to Reduce FR’s Environmental Impact

Fast Retailing is working with all of its stakeholders to find ways to reduce the environmental impact of its SPA processes by creating highly efficient, quality processes while reducing the environmental impact across the whole value chain.

<table>
<thead>
<tr>
<th>The Environmental Impact of Fast Retailing’s Business</th>
<th>Headquarters</th>
<th>Electricity consumed: 5,134,360 kWh</th>
<th>Gas consumed: 11,131,779,604 m³</th>
<th>Diesel consumed: 313,955,755 l</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Copy Japan consumed</td>
<td>10,179,686 kWh</td>
<td>1,131,779,604 m³</td>
<td>231,955,755 l</td>
</tr>
<tr>
<td><strong>Energy Efficient Store</strong></td>
<td>Headquarters</td>
<td>Electricity consumed: 264,056,796 kWh</td>
<td>LPG consumed: 9,696,436 l</td>
<td>LNG consumed: 1,153,540,894 m³</td>
</tr>
<tr>
<td></td>
<td>Copy Japan consumed</td>
<td>3,270,424 kWh</td>
<td>3,500,967 l</td>
<td>1,153,540,894 m³</td>
</tr>
<tr>
<td><strong>Emissions</strong></td>
<td>Headquarters</td>
<td>Gas consumed 9,387,961 t</td>
<td>Diesel consumed: 1,370 t</td>
<td>LPG consumed: 1,365,441 kg</td>
</tr>
<tr>
<td></td>
<td>Copy Japan consumed</td>
<td>19,188,274 t</td>
<td>6,500 t</td>
<td>1,365,441 kg</td>
</tr>
<tr>
<td><strong>Material</strong></td>
<td>Headquarters</td>
<td>Electricity consumed: 1,544,206 kWh</td>
<td>Gas consumed: 4,227,922 kWh</td>
<td>Diesel consumed 17,044,559 l</td>
</tr>
<tr>
<td></td>
<td>Copy Japan consumed</td>
<td>3,196,461</td>
<td>3,196,461 kWh</td>
<td>2,704,876 l</td>
</tr>
<tr>
<td><strong>CO₂ Emissions</strong></td>
<td>Headquarters</td>
<td>Gas consumed: 1,370 t</td>
<td>Diesel consumed: 1,370 t</td>
<td>LPG consumed: 1,365,441 kg</td>
</tr>
<tr>
<td></td>
<td>Copy Japan consumed</td>
<td>9,387,961 t</td>
<td>6,500 t</td>
<td>1,365,441 kg</td>
</tr>
</tbody>
</table>

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Notes: All figures are for fiscal 2013. Data from headquarters includes the Tokyo and Tokyo head offices. Packaging refers to the paper and plastic shopping bags that UNIQLO and GU stores distribute to customers who purchase items. The above all include all products and store installations. All environmental figures do not include activities that operate at branch stores in buildings leased through the All Product Recycling Initiative which started in May 2013.

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18
19
Environmental Monitoring
Environmental Guidelines for Fabric Production

Fast Retailing applies its Environmental Guidelines for Fabric Production to the monitoring of fabric production, which has the highest environmental impact of all SPA processes. FR requires strict adherence to its standards and sets specific periods for improvement with the aim of achieving 100% compliance by all factories undergoing environmental monitoring.

Environmental Monitoring of Fabric Manufacturers

Fast Retailing conducts environmental monitoring based on the FR Environmental Guidelines for Fabric Production. The guidelines set standards for environmental management systems, chemical substances, waste material management, and treatment of waste (including wastewater) as well as health and safety guidelines for employees. To familiarize partner companies with the guidelines, FR provides a manual with detailed information on each topic, and follows up with group training sessions. After a set period of time, third-party environmental agencies monitor the factories and report the results to FR. FR informs the factories of any areas requiring improvement and a deadline for the improvements is agreed upon. FR provides advice as needed while the improvements are being implemented. For factories with numerous points to improve, FR provides guidance for resolving the issues, visits the sites when necessary, and conducts follow-up inspections.

In fiscal 2013 (as of the end of August 2013), FR conducted environmental monitoring at 28 partner companies producing fabric for UNIQLO, bringing the total to 73 factories since the program began in June 2010. The results of the monitoring in compliance with the FR Environmental Guidelines for Fabric Production are presented in the table below. Due to the increase in the number of new partner factories undergoing their first environmental monitoring, factories where the initial assessment was conducted before the end of fiscal 2012 are given until the end of 2015 and factories whose initial assessment was in fiscal 2013 are given until the end of 2016 to reach 100% compliance. FR has augmented its programs supporting measures for improvement, including practical training, to promote understanding of the standards and assist in the attainment of compliance.

In fiscal 2013, FR also began tracking energy and water consumption volumes at factories producing materials for UNIQLO.

Examples of Recent Environmental Improvements

- **Chemical Substance and Waste Management (China)**
  - Monitoring found several issues, such as chemical substance control lists lacking descriptions of the chemical properties or hazards and not subcontracting with properly qualified waste treatment plant operators. CSR department staff met with the factories and provided guidance to resolve the issues. Follow-up inspections confirmed the improvements.

- **Measurement of Environmental Items (Thailand)**
  - Monitoring uncovered that checks did not include measurements of sound levels or exhaust gas from the boiler. CSR department staff visited the site and provided guidance to resolve the issues. Follow-up inspections confirmed the improvements.

Eliminating Hazardous Chemicals

Collaborating with Partner Factories to Eliminate Release of Hazardous Substances

By January 2020, Fast Retailing aims to completely eliminate the release of hazardous materials in the production process and the whole product lifecycle.

Zero Emissions of Hazardous Chemicals

Achieving zero emissions of hazardous chemicals will require action throughout the apparel industry and the active involvement of all stakeholders. FR is working with its partner companies, the chemicals industry, NGOs, and other companies in the apparel industry to realize its zero emissions target.

Information disclosure is critical. FR will strive to provide accurate and transparent information on environmental and health matters for customers and the people in the communities where partner factories are located. FR created a system to disclose information and ensure transparency related to hazardous chemicals used in its supply chain and in April 2013 released its list of restricted substances. The list will be regularly reviewed and the latest updates will be posted on the FR website. FR is also inspecting the products and wastewater produced at its partner factories with the aim of bringing them into full compliance. It is a violation to be audited if the problem will be determined by visiting the site and through discussions with the factory and the chemical manufacturer, a solution implemented, such as using alternative materials, as quickly as possible. Staff from the FR CSR and production departments will meet monthly to assess the project’s progress and to determine strategies for resolving issues.

Chemical Management Plan

Fast Retailing CSR website
http://www.fastretailing.com/eng/csr/
Addressing Social Issues Worldwide, Through Clothing

Fast Retailing believes it has a responsibility to address the many challenges facing society through its business with a focus on activities that inspire and empower young people and their communities. Moreover, FR believes it must raise awareness of social issues among the greater public and form alliances and partnerships to tackle the largest of them. Put simply, our goal is to provide value to local communities and society.

Social Business
Tackling Poverty, Employment and Self-Sufficiency: Social Business to Support Communities

Fast Retailing teamed with the Grameen Bank Group, a leading proponent of social business, to launch Grameen UNIQLO Ltd., in 2010 in Bangladesh, a country which is also a core production base for FR. A localized version of FR’s SPA business model, Grameen UNIQLO helps to combat poverty, increase employment opportunities, support self-sufficiency, and develop local industry.

Business Growth to Address Social Issues
As a social business, the mission of Grameen UNIQLO is to provide a platform for the people of Bangladesh to develop and nurture a homogenous SPA operation that will act as a sustainable force towards addressing the country’s poverty, employment, and other social needs.

Grameen UNIQLO takes advantage of UNIQLO production know-how to make truly great clothing for the people of Bangladesh. The clothing is then sold at prices that a large segment of the population can afford and all profits are reinvested back into the business. The clothes are also among the products sold door-to-door by “Grameen Ladies” in rural areas – women who strive for financial independence aided by low-interest loans from Grameen Bank. Grameen UNIQLO made great strides in 2013 with the opening of Grameen UNIQLO stores in the capital city of Dhaka. Creating new markets and contributing to the self-sufficiency of people in Bangladesh is a manifestation of FR’s mission to enrich people’s lives through our unique corporate activities. The challenges are many, but FR is fully committed to expanding the Grameen UNIQLO social business model in Bangladesh.

Social Business Framework

Challenge 3 Community

Addressing Social Issues Worldwide, Through Clothing

The average market price for one T-shirt in Bangladesh is about US$0.60. Product planning and marketing is aimed at providing the best possible quality at a price that locals can afford.

FR contacts with local manufacturers in Bangladesh to procure low-cost, high quality materials.

Low cost must not mean a compromise in quality. Local manufacturers that share the FR social business ideals produce clothing that meets UNIQLO’s standards. Producing locally also increases employment opportunities.

Profits are reinvested to grow the social business. As locals play a role in developing the business, they contribute to job growth and improving lives.

The quality and durability of the products make them popular, despite relatively higher prices than other local retailers. Customers appreciate the value, when the items last longer than the local standard.

Products are sold in stores operated by local staff. The staff play key roles enhancing branding and marketing effectiveness, leading to sales growth and personal development.

Grameen UNIQLO

Grameen Ladies’ Door-to-Door Sales
Grameen Ladies sell the clothing door-to-door or out of their homes where they personally explain the features of each item. Products are provided on a consignment basis, and the Grameen Ladies earn a commission on sales.

Store Sales
Products are sold in stores operated by local staff. The staff play key roles enhancing branding and marketing effectiveness, leading to sales growth and personal development.
The people of Bangladesh are very excited that a global brand has come to Dhaka, and the products have generated a lot of excitement. The response gave me a real sense that our partnership, which began three years ago, will continue to grow. I am very pleased that we have opened six new Grameen UNIQLO stores in Dhaka (as of December 2013).

We look forward to continuing our efforts that support the local economy and make for a prosperous Bangladesh. The operation with UNIQLO is one of Grameen’s most meaningful ventures, and we look forward to a lasting partnership.

A tapestry of colors. This is how I have come to view Bangladesh after living here just a little more than two years. The Bangladeshi color spectrum arises not from the primary colors like those found in tropical countries but from the multitude of colors that emerge from subtle variations in tones. Bengal’s scenic beauty has nurtured a people with a richly cultivated sense of color. I consider Grameen UNIQLO’s endeavor to build its business here also as an attempt to gain insight into the country’s highly developed color sensibilities. It will be interesting to see how the international UNIQLO brand and fashion influence Bengali sensibilities. I wholeheartedly support the new endeavor and hope it will prove to be a great leap toward a successful future for UNIQLO.

Lamiya Morshed
Director (Grameen Healthcare Trust)
Grameen UNIQLO Ltd.

Shiro Sadoshima
Ambassador of Japan to Bangladesh

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Lamiya Morshed
Director (Grameen Healthcare Trust)
Grameen UNIQLO Ltd.

Shiro Sadoshima
Ambassador of Japan to Bangladesh
As a manufacturer and retailer of clothing, Fast Retailing believes that maximizing the value of its products means utilizing each item to its full potential. The All-Product Recycling Initiative at UNIQLO and GU seeks to maximize that value by collecting reusable clothing and redistributing the items to people in need worldwide with the help of NGOs and the United Nations High Commissioner for Refugees (UNHCR).

**FR Connects Customers with People in Need**

**FR Connects Customers with People in Need**

**Providing Clothing in Collaboration with Partners**

The All-Product Recycling Initiative is conducted at UNIQLO and GU stores in 10 countries and regions. Since its launch in 2001, the program has collected over 28.9 million articles of clothing and donated more than 11.2 million items in 46 countries and regions.

At the request of the UNHCR, FR launched a campaign entitled "Wanted: Three Million Items of Clothing" in 2012 to collect clothing for distribution to about 20 countries and regions including refugee camps in Africa. FR employees also visited camps to gain firsthand knowledge of the issues and needs at the sites. In January and December 2013, employees toured refugee camps in the Middle East, including the Zaatari refugee camp in Jordan, which had an estimated population of over 120,000 refugees from war-torn Syria. FR, UNHCR and Japan based NGO JEN worked together to deliver 550,000 items of winter clothing to Syrian refugees as part of the campaign. The remaining items collected during the campaign are being delivered to other sites in need. The clothing needs of refugees and others are far from being met, and FR launched a renewed collection campaign in October 2013 to continue support to Syrian refugees.

In addition to relief efforts for refugees, FR also collects clothing at UNIQLO stores in Shanghai for distribution to homeless shelters. Educating young people about our All-Product Recycling Initiative along with environmental and social issues is one example of how FR connects with communities.

**Responding to U.N. Requests to Help Syrian Refugees**

The civil war in Syria has forced over two million to flee their country in the past three years. Many of the refugee camps are located in areas where winter temperatures drop below freezing, creating a health concern for the people in the camps. Recognizing the urgent need for cold-weather clothing, FR distributed winter items collected through the All-Product Recycling Initiative to Syrian refugees. FR supplemented this effort in September 2013 with a US$1 million cash donation to UNHCR. FR additionally provided UNICEF with 100,000 new HEATTECH items, Ultra Light Down jackets, and other cold-weather clothing (valued at US$1 million) for children between the ages of three and 18.

**The Power of Clothing Project: 107 Schools, 15,000 Students**

FR believes that a strong connection between its stores and the surrounding communities is essential to its efforts to give back. Educating young people about our All-Product Recycling Initiative along with environmental and social issues is one example of how FR connects with communities.

The Power of Clothing Project was created in 2009 as a way to extend the All-Product Recycling Initiative to reach school children across Japan. FR staff visit schools to introduce The Power of Clothing Project. The students get involved by organizing donation drives in their communities, and FR distributes the collected items to refugee camps and reports back to each school. FR also partners with Japan Education for Sustainable Development (ESD) Promotion Forum, which brings companies and students together to promote sustainable development. Thanks to such partnerships and the enthusiastic response from schools and communities across Japan, more than 15,000 students at 107 schools participated in The Power of Clothing Project events from April 2013 to March 2014.

FR will continue forging close ties between its stores and surrounding communities as it continues to enhance its social contribution programs.

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**Education for Sustainable Development (ESD) is a movement to incorporate learning about sustainability into all school textbooks and curricula to help foster conscientious consumers and upholding members of society. The Power of Clothing Project is an example of the practical application of the ESD principles. The ‘power’ of clothing reaches beyond supporting refugees and developing countries. FR uses clothing as the launching point to give back to society, and clothing in the process connects countries, companies, schools and communities, as well as parents and children. We look forward to continuing to work with FR to promote activities to broaden understanding of sustainability to as many children as possible and open the door for more connections in the future.**

---

**Keiko Okayama**
Director
Japan Education for Sustainable Development (ESD) Promotion Forum
Clothes for Smiles — Building the Future

Clothes for Smiles was created by UNIQLO and Novak Djokovic, professional tennis player and UNIQLO Global Brand Ambassador. A portion of the sales of HEATTECH and Ultra-Light Down items for Fall and Winter of 2012 were committed, creating a fund of ¥1 billion (approximately US$10 million) to support programs to help children fulfill their hopes and dreams.

The fund is focused on two areas. The first selected eight ideas to help children fulfill their hopes and dreams from 739 solicited across 46 countries. Six are in the process of implementation. One of the ideas, the e-Education Project, was launched in April 2013 and provides DVD-based learning opportunities to children in areas without educational infrastructure in Manila and Mindanao Island in the Philippines. Another, the Social Inclusion by Shopping Project was designed to give refugee children an opportunity to experience something most of us take for granted: shopping for clothes. Taking place in November 2013 in Belgrade, Serbia, the project provided refugee children with vouchers to buy new donated UNIQLO products at a virtual UNIQLO store specially created for the event. Yet another activity, the Girls Soccer Project, supports soccer teams and organizes tournaments with the aim of empowering girls in Bangladesh, Zimbabwe, and Ghana by teaching them teamwork and leadership through sports.

Finally, FR has formed a global alliance with UNICEF to support four programs working to improve educational environments in underserved areas of Bangladesh, China, the Philippines, and Serbia.

Growing and Developing Together

Fast Retailing seeks to understand the various challenges faced by communities worldwide and to contribute to economic and social development through activities rooted in local needs.

Raising Tomorrow’s Leaders

FR believes that helping raise tomorrow’s leaders through university scholarship programs can be a powerful force in changing the world for the better. In June 2013, FR announced that it would donate US$1 million (approximately ¥100 million) in the form of scholarships to the Asian University for Women, an international university in Bangladesh. The university’s mission is to help Asian women become leaders on the world stage and to promote the social advancement of women by providing any young woman with the motivation to learn the opportunity to continue their education. The university has extended full scholarships to roughly 60% of the students.

FR has also established the TOMODACHI UNIQLO Fellowship in collaboration with the TOMODACHI Initiative, a public private partnership created to support Japan’s recovery from the Great East Japan Earthquake and to strengthen educational and cultural exchanges between Japan and the United States by investing in their next generation of leaders. The fellowship provides scholarships to promising Japanese students at top universities and graduate schools in the United States who wish to become business leaders and fashion designers on the global stage.

The UNIQLO Recovery Assistance Project

FR is playing an active and ongoing role in the recovery effort after the March 2011 earthquake in Japan, providing clothing and financial donations, cooperating with NGOs, and supporting the Group’s staff volunteer efforts. The Company also established a ¥300 million recovery assistance fund to provide financial support over the span of three years to five NGOs (JEN, ADRA Japan, PlanNet Finance Japan, IVY, and Táchuun Common Profit Investment Fund) promoting self-reliance, job creation, and economic recovery in northeastern Japan. FR opened a temporary UNIQLO outlet in the hard-hit city of Kasennuma, Miyagi Prefecture, in March 2012 with a plan to operate the store for one year. Responding to requests and cooperation from customers and local government agencies, the Company replaced the temporary outlet with a full-scale UNIQLO Store in Kasennuma in November 2013. Likewise, the temporary UNIQLO Sea Plaza Kemaishi Store in Iwate Prefecture that also opened in March 2012 and the UNIQLO Harinachi Store in Fukushima Prefecture have returned to full operations. The stores provide employment and excellent clothing for local communities.

Emergency Disaster Relief

In the aftermath of Hurricane Sandy on the US East Coast in October 2012, Fast Retailing USA donated 100,000 HEATTECH items and 10,000 Ultra-Light Down jackets (valued at US$2.3 million, or ¥190 million) to the disaster relief effort. UNIQLO employees volunteered to distribute the clothing. FR also supported relief efforts following the April 2013 earthquake in Sichuan Province of China. FR Group donations to the relief effort amounted to 8 million yuan (approximately ¥128 million), including 2 million yuan (¥32 million) in donations from the FR Group and 57,000 items of innerwear, T-shirts, pants, and other clothing valued at 6 million yuan (¥96 million).

FR provided approximately 6.5 million pesos (about ¥1,466 million) to the relief effort, including 4.5 million pesos (¥110 million) from FR and 1 million pesos (¥2.3 million) as well as T-shirts, underwear, and other items valued at 1 million pesos from UNIQLO Philippines.
Challenge 4  

Human Resources Policy

Growing Together with the Company

The Fast Retailing Group is currently in the midst of what it terms the “Third Frontier” of its growth. The Second encompassed the extension of the Japan operation overseas. In the Third Fast Retailing develops into a truly global corporation.

To achieve this, employees must be global. The FR Group aims to use its Japanese DNA in combination with talented employees from around the world, to become truly global. Headquarters should accordingly have an international management staff with individual markets run primarily by locals.

As the Company has grown, so has the scale of its operations. The FR Group currently employs over 70,000 people worldwide. FR views every employee as capable of management and seeks to cultivate management skills through the concept of zen keiei – in which every employee adopts the mindset of a business manager. The Group’s global personnel policy is to provide working environments that encourage each employee to realize their full potential so those who challenge themselves to reach higher goals can continue to grow. The Company provides support for employees to realize their potential, including advancement opportunities worldwide, no matter where they are located in the organization. As such, we place the highest priority on ensuring that all employees in our stores feel a sense of purpose in their work in a healthy, safe and comfortable environment as they interact with our most important stakeholder – the customer.

Experience has taught us much about the importance of respecting each employee as an individual and providing growth opportunities to cultivate their potential. We have at times encouraged employees to grow too fast – pushing them to move up as quickly as possible with the challenge to become a store manager within six months of joining the company. While many employees thrived and rapidly advanced their careers at a young age under this system, some were not comfortable taking on that much responsibility so quickly. As a result, the Company was failing to develop the full capabilities and potential of each individual.

The Company decided to get back to the basics and now emphasizes respect for diversity, and has created a system that emphasizes personal growth that focuses on putting the right person in the right job. A more flexible system is in place to support career development reflecting one’s individuality and ambitions. For example, rather than become a store manager, one may choose to develop communication skills in managing customers. The outcome of this new approach has seen a flourishing of talent across a wider range of business areas.

FR will continue to leverage the full diversity of its employees as it seeks to be a company that maximizes the value that each individual brings to the workplace.
Fostering Diversity to Grow Globally

Fast Retailing’s global expansion has fostered diversity in its workforce. The Fast Retailing Group aims to support both individuals and the business, functioning as a strong, unified team of motivated people with diverse backgrounds. The Fast Retailing Group believes that all of its operations around the world should have workforces that blend cultures, values, and personalities to produce highly effective teams capable of achieving the best possible results. Nevertheless, the fact is that, in many areas, FR has still not fully realized work environments that are comfortable or accessible to all. For example, the percentage of female store managers is relatively high, but the percentage of women in office management positions remains low. Considering that the majority of FR’s products are made for women and over half of its customers are women, it is only natural that the Company’s next generation of managers should include more women.

To nurture a working environment that embraces diversity requires identifying and dismantling barriers. For example, it must flexibly accommodate life events such as raising children to enable a parent to thrive while also realizing their career objectives.

The FRG Group encourages all employees to make full use of opportunities, including maternity and childcare leave.

Female Managers at Fast Retailing

<table>
<thead>
<tr>
<th>Executive Officer</th>
<th>District Manager</th>
<th>Area Manager</th>
<th>Store Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (Women)</td>
<td>Total (Women)</td>
<td>Total (Women)</td>
<td>Total (Women)</td>
</tr>
<tr>
<td>33</td>
<td>246</td>
<td>324</td>
<td>2,307</td>
</tr>
<tr>
<td>(100)</td>
<td>(102)</td>
<td>(102)</td>
<td>(1,280)</td>
</tr>
</tbody>
</table>

FR Group Employees Using Maternity Leave and Infant-care Leave in Japan

<table>
<thead>
<tr>
<th>Number of People Taking Leave</th>
<th>Full-time Employees</th>
<th>Contact and Semi-full Time Employees</th>
<th>Part-time Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of People</td>
<td>Store Staff</td>
<td>Headquarter Staff</td>
</tr>
<tr>
<td>FR</td>
<td>7</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>UNIQLO</td>
<td>49</td>
<td>43</td>
<td>6</td>
</tr>
<tr>
<td>GU</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Life Theory, Japan</td>
<td>16</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>Comptoir des Cotonniers</td>
<td>8</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>60</td>
<td>15</td>
</tr>
</tbody>
</table>

Globalization of the Workplace

The Fast Retailing Group considers cultivating global personnel essential to developing as a global enterprise. Cultivating global personnel is more than simply hiring people of different nationalities; it is critical to understand and respect cultural differences, and develop each individual to be able to work with both a global and local perspective.

Teams at FR are made up of people of many nationalities. Maximizing a team’s potential requires understanding different cultures to find the best possible solutions to various challenges that arise. Successfully meeting this challenge acts as a major strength for the Group’s global competitiveness.

The FR Group is active on the world stage, and the core function of the Tokyo headquarters is to support the growth of the whole Group. The Group encompasses some 72,000 employees with 45,000 working in Japan. Making the Tokyo headquarters truly global requires a diverse workforce to build the strongest team possible. FR aims to cultivate international management talent by strategically circulating employees to all corners of its Group operations around the world. Integrating the various perspectives of its multicultural personnel, FR intends to create a diverse and dynamic corporate culture to drive growth.

FR Group Employees by Country and Region

Approx. 72,000 employees in 22 countries and regions

The FR Group’s CSR mission to make the world a better place matches up completely with my role. I joined FR in July 2012 with the hope of making the world a better place through my job as disability project manager for France. My work currently encompasses all of the FR Group brands in France and, in the summer 2013, we began developing projects in the UK. The cultural differences between how countries and regions view persons with disabilities is very interesting and different approaches provide many opportunities for us to learn and be inspired. Understanding and appreciating these differences will enable us to further enrich and develop our activities.

Carole Paitier
CSR Project Manager
Human Resources Department
UNIQLO FRANCE S.A.S.

Theory has always offered a workplace where women excel. We make efforts to create comfortable working environments in our stores, and a growing number of women return to work after taking temporary leave. In fact, most of the women who have taken leave have returned to the workplace. Those that return after becoming mothers are able to work reduced hours and the whole team pitches in to get the job done. More management level employees are taking advantage of maternity leave and more employees are advancing to management positions while making use of the leave system. For us, I believe the next step is to formulate career opportunities that better reflect the individual characteristics and ambitions of each employee.

Yoko Hara
Director of Sales and Store Operations
Link Theory Japan Co., Ltd.
Employment of Persons with Disabilities

Everyone Grows When Everyone Contributes

Teams can maximize their strengths when everyone contributes.

Fast Retailing believes the most important aspect of hiring people with disabilities is not just to provide employment but also to create a work environment in which everyone has a meaningful role and an opportunity to contribute as a member of a team.

The FR Group also provides opportunities to fulfill personal goals, and an operating structure enabling the Company and managers to fully support employee aspirations.

The Fast Retailing Group seeks to provide clear paths for career advancement and work environments supporting the personal and professional development of every employee worldwide.

FRMIC holds regularly scheduled meetings with UNIQLO store managers in Japan, FR board members, and Tokyo headquarters’ staff to identify issues the stores are facing. Participants conduct in-depth discussions of possible solutions which lead to valuable contributions to the resolution. The Company is looking to expand these meetings to include the other brands in the FR Group.

The FR Group has established a global personnel policy to encourage and support every employee toward their career objectives. The Career Challenge Program provides experiences geared to employee career ambitions. The Global Recruitment System is an in-house recruiting system for positions around the world.

In addition, the Group’s presence in many international markets allows a store manager in Japan or staff at headquarters to be posted overseas, which helps build global leadership skills while fostering shared values and cultivating local people. Staff in other countries can work in Tokyo headquarters or other countries where FR conducts business. FR is continuing to develop and expand these systems to use its international scope to the advantage of its employees and the business.

FR’s future growth depends on its ability to cultivate a management perspective in all of its employees. The Fast Retailing Management and Innovation Center (FRMIC) was established to develop managerial talent throughout the Group.

To open all Group employees, FRMIC provides management training for new hires, store managers, and employees around the world seeking to rise in the ranks. Trainees implement management projects aimed at accelerating business growth and learn from the successes and failures of FR Group managers who have played key roles in the Group’s growth.

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United first started hiring people with disabilities in Japan in 2001 and is very close to achieving its objective of employing one person with disability per store. The initiative is also spreading to GU and other Group stores and is currently in effect at UNIQLO stores in nine countries and regions, with major progress being made in Japan, South Korea and Singapore. In fiscal 2013, the FR Group newly hired 161 individuals in Japan with disabilities and the percentage of employees with disabilities rose to 6.64%, from 6.45% in fiscal 2012.

Japan’s quota system for people with disabilities is set at a minimum statutory employment rate of 2.0% and the FR Group far exceeds that.

FR has received numerous awards in Japan and around the world for its efforts to employ people with disabilities. In fiscal 2013 Springboard Consulting presented the Company with the Matters Awards in Bangalore, India. The Company’s formula for increasing employment in line with the growth of its business was recognized as a unique best practice. Although each faces a unique challenge, FR with its large number of stores and wide range of job descriptions can always find a place where each person can grow and thrive. Finding a position that caters to the individual’s strengths fosters a sense of purpose and creates a collaborative working environment.

Beyond the importance of working with a sense of purpose, everyone benefits when the employee contributes to the success of the store and the satisfaction of the customer.

FR is looking to strengthen the opportunities for people with disabilities worldwide. FR’s mission is to make the world a better place, and this in part means creating unique business activities that can contribute to a sense of fulfillment in people’s lives.

The Fast Retailing Group seeks to provide clear paths for career advancement and work environments supporting the personal and professional development of every employee worldwide.

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Providing Good Work Environments

The FR Group offices take full advantage of the information technology to create work environments where employees can perform their duties comfortably and efficiently. The Group also provides support so employees can confidently perform their jobs.

The FR provides comfortable work environments designed to maximize productivity with group-based seating to facilitate communication and offices equipped with video conferencing systems and the latest information technologies to enhance administrative efficiency. The FR Group has designated four days per week as “no overtime days” at its headquarters in Japan to prevent excessive working hours. Departments and individuals that frequently engage in overtime work are monitored, and guidance is provided to the employees and their managers by the senior management team. FR consistently encourages its staff to take days off and, in addition to normal paid leave, provides regular employees with 16 special leave days. FR also encourages employees to manage their health. The FR provides comfortable work environments designed to mean the same level of compensation. The Group uses globally uniform standards for the remuneration system for certain positions with high grades, and comparable standards based on remuneration system principles modified to reflect local conditions. The Group uses these together to form a global remuneration system aimed at providing fair compensation based on fair evaluations of employee performance.
The Fast Retailing Group strives to act as a responsible corporate citizen by tackling issues affecting the global community. At the same time, the Group is equally committed to conducting CSR activities that address local needs. Global Leaders discuss FR's CSR activities in relation to local issues in their communities and countries and share their views on the meaning of social responsibility.

**Fast Retailing Global Leader Commitments**

**Global Leaders Discuss Fast Retailing’s CSR Goals**

**UNIQLO Japan**

As the core brand in the Fast Retailing group, UNIQLO Japan's mission is to provide customers with a strong social conscience and execute bold CSR initiatives that become a model for other countries to follow. To this end, we strive to create greater awareness of CSR so that all employees come to view business and CSR as one and the same and feel proud to work at FR. Since UNIQLO is a retailer, store staff are perhaps our most important employees, and we want to create an environment where high job satisfaction and personal growth are evident. For instance, within our CSR initiatives, their full potential will not be realized if employees do not take pride in their work. In my view, our efforts to encourage the personal growth of employees have been too generic. We need to try different ideas, including more varied personnel programs, and create a system with the flexibility to accommodate different working styles and ways to grow. I think this will be important as we continue developing CSR initiatives in line with FR's mission to make the world a better place.

Employee participation in CSR activities is also key to making CSR a core part of our DNA. Participation allows them to feel that they are playing a positive role in socially just jobs. When a person is proud of their company, they stay with it and both the individual and the company grow.

**UNIQLO China and Hong Kong**

CSR is essential to business success in China. We consider CSR a dynamic imperative. As the company has created a CSR dedicated budget. The CSR department and top management in China are creating concrete places to address local social needs. We have complex social systems and diverse local conditions, yet speed is critical in emergency situations. The CSR budget varies according to priorities. Something not easily implemented in mainland China can be done with relative ease in Hong Kong. Employees are people with disabilities, for example, is difficult in the mainland; however, in Hong Kong we are rapidly advancing plans to launch a program this year.

**UNIQLO South Korea**

In South Korea, businesses are increasingly called on by the public to address social issues. Reaching the trust of customers requires a genuine commitment. Our CSR team is working hard to ensure that our employees are aware of and believe in it. We are preparing to launch the All-Product Recycling Initiative and considering how we can offer support for local schools, such as ways to upcycle clothing and which charities to donate to. We hope to make a social contribution during Malaysia’s growth.

**UNIQLO Malaysia**

Malaysia’s growing population and economic indicators suggest a healthy future for the country. As a local corporate citizen, we are expected to use our business to create jobs, help raise the standard of living, and contribute to the country’s economic growth. CSR is essential to the retention and nurturing of employees proud of where they work. Hiring people with disabilities raises CSR awareness among all employees, and we believe everyone benefits. We are preparing to launch the All-Product Recycling Initiative and considering how we can support local schools, such as ways to upcycle clothing and which charities to donate to. We hope to make a social contribution during Malaysia’s growth.

**UNIQLO Thailand**

In Thailand, which has steady economic growth and low unemployment, CSR is critical to appeal to potential employees. Our All-Product Recycling Initiative launched in 2013 collects clothing at all of our stores, and the number of collection bins is on the rise. We believe we can raise the number by educating the customer about how their donation helps those in need. We also started our own scholarship and intern program for 20 students from two colleges in Bangkok and plan to expand to Chiang Mai where we have opened a new store and need to attract local students and provide financial support for the form of scholarships and provide opportunities to gain working experience in our stores.

**UNIQLO Indonesia**

We see in the early stages of our business in Indonesia and our first step is to provide as many jobs as possible. Labor laws make it difficult for a company to dismiss people. Hiring and training is a huge commitment. At the same time, the retail industry is not well perceived. We see this as an opportunity for UNIQLO to become a corporate leader in the promotion of social causes. We want to share our efforts to create a global program like the All-Product Recycling Initiative and employing people with disabilities. We plan to link our business as a clothing retailer with social support initiatives in Indonesia.

**UNIQLO Singapore**

CSR in Singapore generally involves financial donations and companies do not often get involved in direct outreach. FR's is an example one disabled person at every store is not just to provide employment, but also to provide an environment where the employee is independent and active in society. We also encourage all employees to participate in Special Olympics programs. These experiences help staff understand the needs of people with disabilities, which improves communication and understanding among employees. While promoting the UNIQLO CSR properties, our second goal is to learn to have our activities firmly rooted in the country and contribute to local communities. We want to be one of the best companies to work for in Singapore.

**UNIQLO USA**

The US offers great opportunities but many also struggle, and their numbers have increased. In the face of great hardship, America's youth unemployment is a major issue in the UK, but UNIQLO is busily addressing the problem among young people. We started an employment program for young people with disabilities and were thrilled to see their journey begin. These efforts are a mix of global and local activities. This year, we conducted a Clothes for Smiles shopping experience event for children refugee in Serbia. We also donated HEATTECH products and partner with local organizations to support the homeless. Unemployment is another challenge. Our efforts to create new jobs and provide training for young people helps address the unemployment problem, as does our hiring of people with disabilities. Recently, we added a team member with the sole responsibility for CSR, and plan to be even more active in developing and implementing CSR initiatives.

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**UNIQLO Europe**

Europe is increasingly conscious of CSR, and a company’s CSR reputation is a factor when people evaluate business opportunities. Our CSR strategy is a mix of global and local activities. This year, we conducted a Clothes for Smiles shopping experience event for children refugee in Serbia. We also donated HEATTECH products and partner with local organizations to support the homeless. Unemployment is another challenge. Our efforts to create new jobs and provide training for young people helps address the unemployment problem, as does our hiring of people with disabilities. Recently, we added a team member with the sole responsibility for CSR, and plan to be even more active in developing and implementing CSR initiatives.

**Grameen UNIQLO (Social Business) Bangladesh**

Bangladesh has the world’s second largest apparel industry, and we want to use that infrastructure to increase employment, boost the industry, and contribute to people’s well-being. The social business model is key to the success of our CSR initiatives, and the Grameen Ladies selling products mainly in rural villages are indispensable. Understanding local needs enables us to provide attractive products at prices visible even in the poorest areas, where we can do the most to improve people’s lives. We opened urban stores in 2013 to expand the business scale and ensuring profits will be reinvested to grow the business in the country. We are creating training systems to cultivate local managers and growing the operation to provide quality clothing for the people of Bangladesh.

**UNIQLO Philippines**

In the Philippines, where roughly one-third of all children do not finish elementary school, society expects companies to go beyond simply providing employment opportunities and take real action to address social issues. I believe UNIQLO can help by supporting education. The Philippines is one of the countries that UNIQLO and UNICEF target with the Clothes for Smiles program. Together with UNICEF, we plan to visit the schools we are supporting to better understand their needs and make plans for future support activities. Other initiatives include working with supporting agencies to begin hiring people with disabilities in 2014. Finally, we are also developing projects to enable our employees to participate in CSR programs at the local level.

**UNIQLO Malaysia**

Malaysia’s growing population and economic indicators suggest a healthy future for the country. As a local corporate citizen, we are expected to use our business to create jobs, help raise the standard of living, and contribute to the country’s economic growth. CSR is essential to the retention and nurturing of employees proud of where they work. Hiring people with disabilities raises CSR awareness among all employees, and we believe everyone benefits. We are preparing to launch the All-Product Recycling Initiative and considering how we can support local schools, such as ways to upcycle clothing and which charities to donate to. We hope to make a social contribution during Malaysia’s growth.

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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 responsible 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.

- **Code of Conduct Committee**
  - The Code of Conduct Committee is responsible for handling deliberations related to responses to violations of the FR Code of Conduct, providing advice on running the Compliance Hotline. It also addresses and accommodates whistleblowers and the employee consultation office, while raising officials’ and employees’ awareness of the Code of Conduct. The committee is chaired by the head of the General Administration and the Employee Satisfaction department, which includes statutory auditors and legal advisors. The Code of Conduct Committee met eight times in fiscal 2013.

- **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 the business. It convened 12 times in fiscal 2013.

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. 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, and 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.

### Breakdown of Hotline Cases

**FR Group Companies in Japan**
- **FY 2013**
  - **Total Hotline Cases**: 1,520
  - **Rule violations**: 3.0%
  - **Fraud allegations**: 3.8%
  - **Employee relations**: 4.6%
  - **Wages and evaluation results**: 7.2%
  - **Communications in work hours**: 3.0%
  - **Communication problems with supervisors**: 26.8%

**FR Group Companies overseas**
- **FY 2013**
  - **Total Hotline Cases**: 392 cases
  - **Rule violations**: 4.4%
  - **Fraud allegations**: 0.0%
  - **Employee relations**: 0.9%
  - **Wages and evaluation results**: 3.0%
  - **Communications in work hours**: 2.1%

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**Theory Global**

Theory initiated and was joined by the Council of Fashion Designers of America and the New York City Economic Development Committee to found a breakthrough grant program for fashion manufacturing. The Fashion Manufacturing Initiative looked to fund in September of 2013 and has already raised over US$2,500,000. The first grants totaling US$1,000,000 will be given away.

**Theory Japan**

Theory is a brand for working women, and most of our customer and employees are female. It is therefore important that we create an environment conducive to women succeeding and thriving. Health is absolutely fundamental to this. The percentage of people who regularly take their health checkups has always been low in the apparel industry. We require all employees to undergo a health examination, and their superiors are responsible for ensuring all employees do so. We also found several cases where women’s health improved as a result of getting a second opinion through our checks. We are also exploring other ways in addition to our products that we can contribute to women’s health.

**Comptoir des Cotonniers Global**

Comptoir des Cotonniers has a rich history of supporting causes related to mothers and daughters, and our activities go beyond donating to charities. In 2013, we formed a new partnership with MencareGlobal, an organization that empowers indigenous women living in impoverished communities in Guatemala. Many women in these communities are highly talented weavers, and they design products incorporating indigenous weaving techniques that are sold in our stores, with the proceeds used to set up daycare centers in these communities. We look forward to strengthening such win-win initiatives which touch customers through excellent products and empower the women who make them.

**GU Global and Japan**

GU’s business model producing low-cost clothing makes it all the more important that our brand is trusted, especially in places where we manufacture the products. That is why we never compromise on the Fast Retailing Standards and communicate with suppliers and work together to improve processes and working conditions. The All-Product Recycling Initiative is vital to our business. Our styles keep pace with the latest fashion and our designs are constantly changing, so recycling clothing is essential. CSR activities have top priority and we believe that it is important for employees to actively participate in various activities. The GU customer is very information savvy, and we seek to engage in CSR activities with a clear conduit for feedback and support.

**Princesse tam.tam Global**

Princesse tam.tam believes in providing clothing and underwear that allows every woman to reveal her inner nature, feel more beautiful and self-confident, and feel free to express who they really are. Our company’s roots are in Madagascar, and we supported construction of a school near our factory there to promote education in the community. In 2013, we created a girl’s pajamas collection designed for the popular singer-songwriter Ayra to raise funds for a new arts and athletic facility at the school. The pajamas are produced in Madagascar, thereby encouraging local employment, and all sales proceeds will help fund the new facility. The project’s success is due to the deep engagement of our suppliers, manufacturers, employees, and customers.

**J Brand Global and Japan**

J Brand set out to create timeless, classic and sophisticated jeans made locally in Los Angeles with an emphasis on fit and making women look and feel beautiful. J Brand is known for its denim as well as for the resources and other support it provides to emerging designers. We support the City/Year program, where graduates from local urban school districts return to support younger students. Meeting people from similar communities who have overcome challenges and achieved success gives students real examples to follow and helps improve graduation rates. We also support the Special Olympics and cancer research institutions, such as City of Hope. Our CSR activities seek to make a difference in ways that only we can.

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**Global Leaders Discuss Fast Retailing’s CSR Goals**

Andrew Rosen

Global CEO

Theory LLC

Nancy Pedot

CEO

CREATIONS NELSON S.A.S.

Jeff Rudes

CEO

J Brand Holdings, LLC

Pierre Arnaud Grenade

CEO

PETIT VEHICULE S.A.S.

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**Fast Retailing CSR website**

http://www.fastretailing.com/eng/csr/

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**Corporate Governance**

Our Approach to Corporate Governance

Outline of Corporate Governance

Corporate Governance from External Directors and Auditors

Composition of Committees

Corporate and Other Responsibilities
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 2014

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 at UNIQLO stores and online in Japanese, English, Korean, Traditional Chinese, and Thai. The Power of Clothing

Leaflets and In-store Posters
Fast Retailing actively promotes information 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.