



2017

S U S T A I N A B I L I T Y R E P O R T

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Making the world a better place

Making the world a better place starts with us, in every aspect of our business.

It means making sure every factory worker has the opportunity to improve his or her life. It means striving for a continual improvement in our environmental performance. And it means making our retail stores and offices places that welcome diversity and foster inclusion.

Because when we treat people with the respect they deserve and when we create products that are universally loved, our business keeps growing. And will continue to do so.

We are only at the start of our sustainability journey and the road ahead is challenging. But working closely with our partners means we can build a business that is fit for the future and that helps to make the world a better place.

About this report

This report covers fiscal year 2016 (Sept 2015 – Aug 2016) and provides an update on our last report, published for FY2015. The content in this report was guided by the Global Reporting Initiative's (GRI) G4 Core Guidelines, and it provides data, examples and an explanation of our approach to managing our material environmental, social, and governance (ESG) issues. Additional information can be found on the Fast Retailing website: fastretailing.com/eng/csr

It's Now or Never

Our society is in crisis. Social problems such as global environmental degradation, poverty, refugees, and regional conflict require urgent action. If we want to maintain the core fabric of our society for future generations, we must act now or it will be too late. In my opinion, "crisis" is not too strong a word; it is the stark truth.

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

This corporate statement epitomizes our earnest commitment to use the apparel business to make the world a better place.

We strive to make a profit partly because we need funds to achieve and expand our corporate social commitment, but it doesn't end there. We are constantly asking what action we can and should take to address increasingly serious environmental issues and help people in difficulty around the world. We start with the things we can do right here, right now.

**Helping the people most in
need, worldwide**

The refugee crisis is one of the most urgent issues facing the world today. All over the world, people have had to flee their homeland and seek refuge in other countries. If we truly want a sustainable society, we must face the refugee crisis head on.

In 2011, Fast Retailing became the first company in Asia to form a global partnership with the United Nations High Commissioner for Refugees (UNHCR). In 2015 we committed to donate US\$ 10 million over three years from 2016, part of which is being used to encourage refugee independence, such as literacy, handcraft and technical courses in Malaysia.

UNIQLO Japan's refugee internship program offers refugees the opportunity to learn

valuable work skills and build independence, readily employing applicants at the end of the program to help them further expand their horizons and become active participants in society.

We also provide clothing support for refugees. In 2006, we expanded our recycling program to include all UNIQLO products, and today all UNIQLO and GU stores in 16 countries accept used clothing from customers for distribution via UNHCR to refugees worldwide. Our '10 Million Ways to HELP' global recycling campaign, launched in 2015, collected close to 13 million items. That brought the total number of items collected since 2006 to over 54 million, and the total number of items delivered to refugees to over 20 million.

**Protect workers' rights and
professional development**

The key to realizing a sustainable society is to build an environment in which everyone can co-exist and prosper. Protecting workers' rights and providing opportunities for personal growth are vital parts of a healthy social cycle.

As a global apparel company, the Fast Retailing Group takes this responsibility seriously. One of our approaches to protecting workers' rights is to strengthen and uphold our Code of Conduct for Partner Factories. The well-being of our workers is also important to us. Since many people working in partner factories have only a limited knowledge of sanitation, nutrition and financial management, they are not able to effectively treat or prevent illness in the home, or amply plan for the future. To help address this, in 2015 we expanded our Factory Worker Empowerment Project to include Bangladeshi and Indonesian partner factories. Participating workers have created collections inspired by traditional Bangladeshi and Indonesian designs. And part of the profits from these collections help fund worker education programs.

Health and job motivation improved dramatically at a Bangladesh factory after we implemented six educational programs for female workers, including nutrition, hygiene and health management.

Reducing environmental burdens

If we are to create a sustainable world, companies must double their efforts to reduce the environmental impact of their operations. Fast Retailing is doing everything in its power to achieve zero use of harmful chemicals across the entire lifecycle of all of our products by 2020. We offer long-term beneficial partnerships to factories and materials suppliers, which satisfy strict compliance standards, and take steps to alleviate the regional environmental impact of their operations. Conversely, we will never knowingly do business with factories that inflict damage on society.

**Pursuing personal, corporate,
and social change**

It is up to us to align the vectors of all Fast Retailing Group operations and strive to achieve greater sustainability from a variety of angles. The Group is all about evolving ideas, taking quick action to encourage positive corporate and social change, and accepting responsibility for the outcome. Our business is motivated by an earnest desire to make the world a better place by helping resolve social problems. Our employees aim for the same horizon, and I am committed to steering a steady path from the helm towards a more sustainable future.



Tadashi Yanai
Chairman, President and CEO
Fast Retailing Co., Ltd.
January 2017

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We are constantly asking what action we can and should take to address increasingly serious environmental issues and help people in difficulty around the world.”

TADASHI YANAI
CHAIRMAN, PRESIDENT AND CEO,
FAST RETAILING CO., LTD.



About Fast Retailing

As a global apparel retailer, our business is comprised of three major segments: UNIQLO Japan, UNIQLO International and Global Brands. Global markets are now our key drivers of growth. The first UNIQLO International stores opened in the United Kingdom in 2001. By August 2016, UNIQLO International constituted approximately 45 percent of total UNIQLO sales, with 958 stores (versus 837 stores in Japan).

Fast Retailing brands



Theory

COMPTOIR DES
COTONNIERS

PRINCESSE tam•tam
PARIS

J BRAND



UNIQLO strengths



1

Quality Materials

UNIQLO offers world-class cashmere, supima cotton, merino wool, premium down and other materials by procuring the very best raw materials at source. We work directly with natural materials producers worldwide, to secure a stable, long-term supply of high-quality materials.



2

Innovative Materials

Our unique heat generating HEATTECH and cool-feel AIRism innerwear ranges are constantly being improved thanks to our long, close partnership with leading synthetic materials manufacturer Toray Industries.



3

LifeWear

UNIQLO creates LifeWear: innovative, high-quality clothing that is universal in design and comfort and made for everyone, everywhere. Through LifeWear, UNIQLO is constantly bringing more warmth, more lightness, better design, and better comfort to the lives of customers.



4

Takumi-driven Quality

UNIQLO quality derives from our unrivaled expertise of Japan's textile industry and teams of *takumi*, highly skilled artisans. They visit partner factories directly to build technical expertise and strong mutual trust, and to ensure committed and thorough quality management.

Our global economic impact

	2014	2015	2016
Revenue	¥1,382.9 billion	¥1,681.7 billion	¥1,786.4 billion
Operating profit	¥130.4 billion	¥164.4 billion	¥127.2 billion
Number of employees (Full and Part time)	89,580	99,500	100,130
Stores	2014	2015	2016
UNIQLO Japan	852	841	837
UNIQLO International	633	798	958
Global Brands	1,268	1,339	1,365
Total	2,753	2,978	3,160

Corporate governance and compliance

Our governance structure ensures a responsive and transparent corporate structure.

Under our entrusted operating officer system, the Board and CEO devolve power over a given area of business to a specific entrusted officer. This separates the decision-making and executive functions of management. The majority of directors on the Board are external, to heighten the Board's independence and its surveillance ability.

The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. Separate governance committees oversee human resources, sustainability, disclosure, IT investment, our Code of Conduct, and business ethics.

CSR Committee

Discusses and directs Fast Retailing's overall sustainability strategy, and ensures the business objectives align with corporate responsibilities. The head of the Sustainability Department chairs the

committee. Members include outside experts, external statutory auditors and Fast Retailing Group officers.

Business Ethics Committee

Ensures the Group does not use an advantageous position to exert undue pressure on business counterparts, such as partner factories and suppliers. The Business Ethics Committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee is chaired by the head of the Sustainability Department, and includes auditors and legal advisors.

Code of Conduct Committee

Considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and when to make improvements to it. The committee offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential employee hotline. The committee is chaired by the Legal Department, and includes auditors and legal advisors.

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's perspective
- Embracing innovation and 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

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

Our approach to sustainability

As a global citizen, our focus has grown from corporate social responsibility to sustainability. And for us, sustainability is not just about the environment; it extends to social and economic issues as well. And that means it touches all aspects of our business.

We are currently working alongside our senior leaders, individual business units and brands to develop a comprehensive, Group-wide sustainability strategy.

Our strategy and targets – which will grow as we grow – will allow us to focus on a number of topics such as raw material sourcing, labor, community and logistics, with both internal and public facing targets to drive internal momentum

and communicate progress to our stakeholders. We look forward to disclosing our strategy in 2017.

We are moving towards a shared vision of sustainability, from customers to NGOs to investors. And we wish to explore ways in which we all have equal ownership of our social responsibilities.

For the purposes of this year's report, we have identified the issues that are critical to the success of our business and important to our stakeholders. Our priority issues are categorized into four broad areas, which we call challenges. These are four areas where we are best positioned to create a positive impact, and where our stakeholders expect us to be operating responsibly.



1

Production

Approach

Enable our partner factories to operate a safe and fair workplace

Material issues

- Working conditions & wages
- Workers' safety
- Supply chain standard & engagement system



2

Environment

Approach

Use best practice tools, industry collaboration, and consumer engagement to minimize our environmental footprint

Material issues

- Chemicals & toxics
- Environmental management system
- GHG emissions & climate change
- Water use



3

People

Approach

Implement policies and provide programs to create a fair and ethical work culture

Material issues

- Ethical behavior & business partnership
- Work-life balance & job satisfaction
- Talent recruitment & retention



4

Community

Approach

Leverage our financial and human capital to make a difference in our global and local communities

Material issues

- Social business
- Local community impact

Involving stakeholders in making the world a better place

Our sustainability strategy is built around identifying areas where we can create the most positive social and environmental impact. From there, we develop strategies to deliver on these objectives. Because we believe that ongoing dialogues with our stakeholders is a vital component of being a socially responsible company, we engage with a variety of stakeholder groups in many ways. Engaging with a number of different stakeholders allows us to see different perspectives and improve our practices to become closer to our goal of making the world a better place.

KEY STAKEHOLDER GROUPS



Customers



Suppliers



Supply Chain Workers



Employees



Communities



Shareholders



NGOs



Governments

TOPICS RAISED AND RESPONSES

Stakeholder engagements, both formal and informal, cover a wide range of topics depending on who we are in discussion with. Below are two examples of topics raised this year by our stakeholders, which also represent two organizations that we belong to, and how we responded:

Priority Topic

Working Conditions in Our Supply Chain

1. Translating our Code of Conduct with suppliers into local languages
2. Enhancing grievance mechanisms at supplier factories

Who raised this topic?

How we responded

NPO
The Fair Labor
Association
(FLA)

As a result of these discussions we are translating our Code of Conduct into local languages to ensure our expectations are clearly understood. We are also upgrading our agreement with suppliers to report on how many grievances were raised by workers, the nature of the grievances, and what was done to address them. We feel these additional features will strengthen the ability of our business and partners to more effectively provide a fair and safe working environment for workers.

Priority Topic

Environmental Impact in Our Supply Chain

Reducing Energy, Waste, and Water Effluent Impact

Who raised this topic?

How we responded

NGO
The Sustainable
Apparel Coalition
(SAC)

This year we reassessed our approach to managing the environmental impact of our strategic second-tier suppliers. We are transitioning to using the SAC's HIGG Index, which recommends measuring and improving impacts across multiple areas especially energy use. This new approach will help us more effectively monitor our supplier's environmental impact and recommend targeted improvements in the future.

Endorsing the UN Sustainable Development Goals (SDGs)

When the UN established the Sustainable Development Goals in September 2015, it marked a major step forward in the global sustainable development movement.

The SDGs clearly identify the sustainability agenda for governments and businesses. As a company that endeavors to be a good global citizen, the SDGs are an important reference point for our work.

Our sustainability efforts contribute to multiple goals. Here is a snapshot of how our sustainability strategy aligns with the global sustainable development agenda.



THE GLOBAL GOALS

For Sustainable Development



GOAL 1

NO POVERTY

COMMUNITIES

We run various initiatives that support livelihoods, and contribute to bringing people out of poverty, from refugees to the homeless.



GOAL 3

GOOD HEALTH AND WELL-BEING

ENVIRONMENT

Safe management of chemicals in production, and eliminating discharge of hazardous chemicals across the lifecycle of our products by 2020.



GOAL 8

DECENT WORK AND ECONOMIC GROWTH

PRODUCTION

Code of Conduct requirements to ensure a safe and fair working environment, strengthened by the FLA.

PEOPLE

Creating opportunities for employment of people with disabilities, including various training programs to grow professionally.



GOAL 17

PARTNERSHIPS FOR THE GOALS

GLOBAL PARTNERSHIP

Engage in multi-stakeholder partnerships like the Sustainable Apparel Coalition to share knowledge and support for effective partnership models like the United Nations High Commissioner for Refugees (UNHCR).

INTRODUCTION


Great clothing starts with people. People who make clothes in factories that are safe, where their legal rights are respected and their human rights upheld. Through strong partnerships with our supplier factories, we strive to make this a reality for all the people who make great clothing possible.

CHALLENGE

P R O D U C T I O N

OUR COMMITMENTS

- Identify and resolve issues related to working conditions in the supply chain, by collaborating with partner factories and implementing industry best practices.
- Communicate with stakeholders in a transparent and timely manner.

A woman with dark hair, wearing a blue hairnet and a white short-sleeved polo shirt, is smiling broadly at the camera. She is standing in a garment factory, with her hands resting on a grey sweatshirt laid out on a table. In the background, other workers and factory equipment are visible but out of focus. She is wearing a red lanyard with a clear ID badge around her neck.

We establish strong partnerships with our suppliers, with the aim of maximizing production quality in three ways:

- 1. QUALITY FROM A SOCIAL PERSPECTIVE**
adopting production processes that ensure proper working conditions and address environmental impacts as well as animal welfare.
- 2. QUALITY PARTNERSHIPS**
pursuing long-term, sustainable growth with partner factories that meet the highest standards.
- 3. QUALITY BUSINESS PROCESSES**
operating with maximum precision and efficiency.

Ensuring responsible, reliable and safe workplaces



Our approach to workplace monitoring

Workplace monitoring is essential to ensuring safe and secure working conditions, better protection of rights, employee well-being, and improvements in productivity and quality. We achieve this by building strong relationships with our partner factories based on trust.

Our responsibility begins before we sign a contract with a new supplier. Improvements from early monitoring – known as “pre-contract monitoring” – lead to fewer violations and higher evaluation after production begins.

External auditors conduct regular unannounced audits on our first-tier sewing factories. In September 2015, we started monitoring some of our second-tier fabric manufacturers, covering 70 percent of UNIQLO's production

volume. And in December 2015, we joined Better Work, a partnership between the UN's International Labor Organization (ILO) and the International Finance Corporation (IFC). The program aims to reduce audit and follow-up duplications for factories and build up factories' capability to implement sustainable improvements.

Whenever we find violations, we act quickly. For example, in October 2015, our supply chain sustainability team found working hours and overtime payment issues in a Bangladesh factory. Payment for overtime was delayed because of the lack of a management system and working hours were higher than expected: up to 75 hours a week in September.

We ensured the factory understood our expectations for paying workers on time and

Key memberships

minimizing extra working hours. In response, managers paid their workers the money owed and revised the management of overtime capacity planning, including hiring new employees where necessary. As of August 2016, the factory has steadily reduced working hours, maintaining weekly working hours within 60 hours (the stipulated maximum by Fast Retailing), and employees are no longer allowed to work after 7pm.

Working in partnership with our supply chain

In addition to production functions within Fast Retailing Group HQ offices in Tokyo, New York, Paris, and Los Angeles, we have production offices in Shanghai, Ho Chi Minh, Dhaka, Jakarta, Istanbul and Bangalore that employ 450 people in total who work with partner factories on production quality and process management.

Our supply chain sustainability team works with production office team members, to monitor partner factories and provide guidance for workplace improvements.

Contributing to industry change

We believe all garment workers have the right to safe and fair working conditions. This is why we work with groups that are driving change across the whole industry.

We are a member of the Sustainable Apparel Coalition, an industry group that strives to improve the environmental and social responsibility performance of the apparel industry.

In July 2015, we also became an affiliate of the Fair Labor Association, an international nonprofit organization committed to protecting the rights of factory workers.

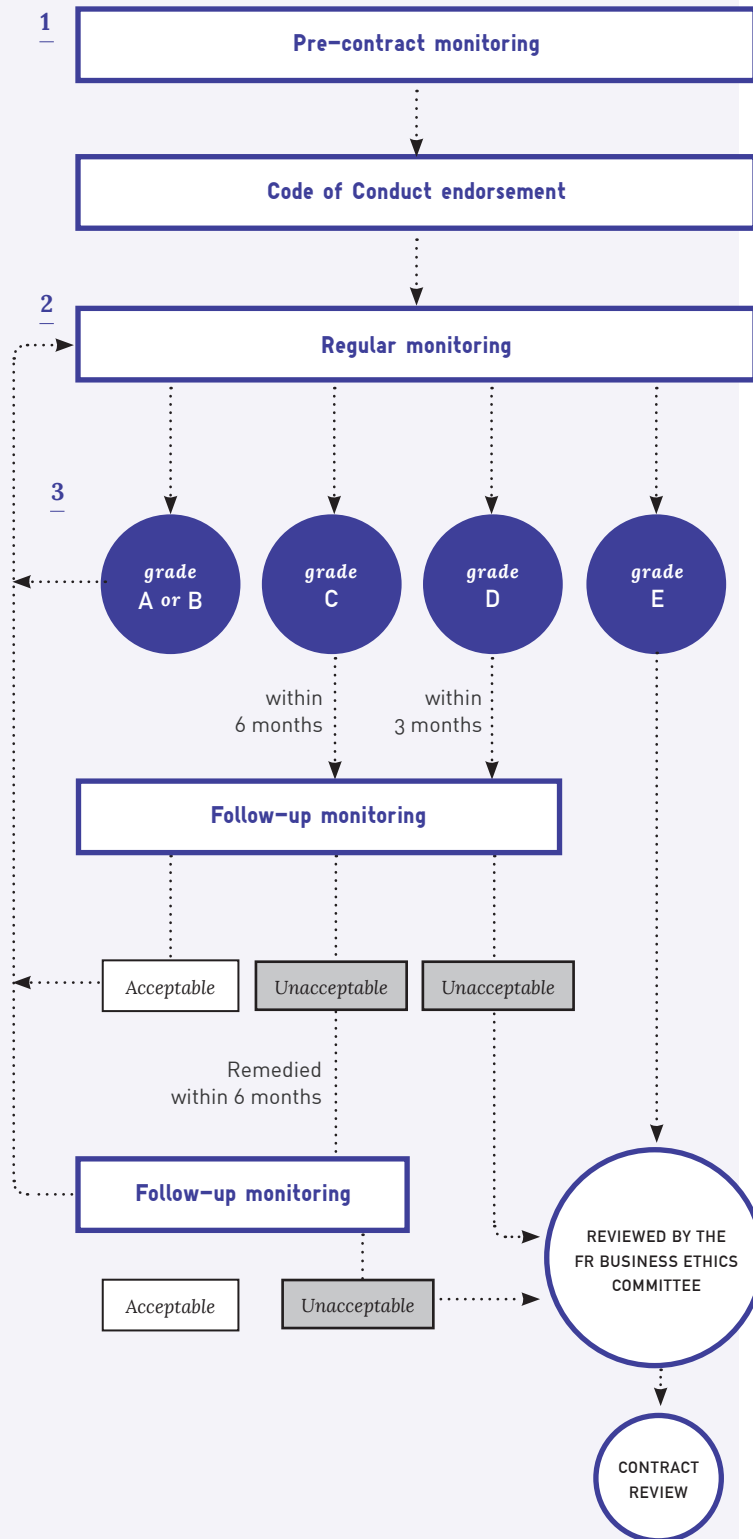
ORGANIZATION	MISSION	FOCUS OF ENGAGEMENT
ACCORD (FIRE AND BUILDING SAFETY IN BANGLADESH) See page 19	Enable a working environment in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.	Evaluate and monitor best practices to improve factory fire, electrical and building safety to meet nationally agreed standards.
BETTER WORK See page 14	A partnership between the United Nation's International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group, strives to improve working conditions and promote competitiveness in garment supply chains.	Encourage factory participation in assessment, advisory and training services to improve conditions and profitability while supporting ILO and IFC efforts to strengthen national institutions.
FAIR LABOR ASSOCIATION (FLA) See pages 10, 19	Combine the efforts of business, civil society organizations, colleges and universities to promote and protect workers' rights to improve working conditions globally through adherence to international standards.	Gain independent expertise on how to improve our implementation of standards of fair and safe working conditions in the supply chain.
SUSTAINABLE APPAREL COALITION (SAC) See pages 10, 28-29	Create an apparel industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.	Upgrade environmental and social audit procedures and tools to meet industry best practices.

Addressing concerns in regards to working conditions

When NGOs call attention to the working conditions at our partner factories, we take it very seriously. We conduct follow up investigations, work towards improvements as necessary, and respond accordingly.

For more information please refer to our webpage:
fastretailing.com/eng/csr/news

Workplace monitoring in detail



left
 Partner
 factory product
 inspection,
 China

1

Pre-contract monitoring

Pre-contract monitoring determines whether a factory is eligible to conduct business with Fast Retailing. We use our standard monitoring procedures and criteria, with added focus on key concerns such as previous violations of child labor laws.

2

Regular monitoring

External auditors regularly conduct unannounced on-site inspections of first-tier sewing factories, with follow-up audits conducted by external auditors or supply chain sustainability team members. The inspections include an opening meeting, tours of the factory and related facilities (such as cafeterias and dormitories), interviews with factory workers and management, and examination of required documentation. Monitoring concludes with a wrap-up meeting, at which time the auditors review the findings with factory representatives and provide feedback for improvements, if required.

3

Factory grading system

We grade the monitoring results from A to E.

Factories that do not improve within a set timeframe are subject to strict scrutiny, including a Business Ethics Committee review of the business relationship. The supply chain sustainability team undertakes root-cause analysis of the issue, ensures that the factory develops appropriate improvement plans, and seeks commitment from factory top management to make improvements, as well as confirm any actions that have been taken by the factory before the review. As part of the business relationship review, Fast Retailing also takes into account the factory's business conditions and the local employment situation.

Factories with highly unethical or serious issues are given E grades, and Fast Retailing immediately reviews its contract with them. Regardless of the grade, we provide guidance for improvement to factories with non-compliance identified by an audit, and conduct follow-up monitoring to verify that the improvements have been made.

After implementing the review, Fast Retailing works with the factory to prevent the recurrence of the violations. If the required improvements are fulfilled, we review the business relationship and remove penalties that were put in place in the form of ceilings on our orders.



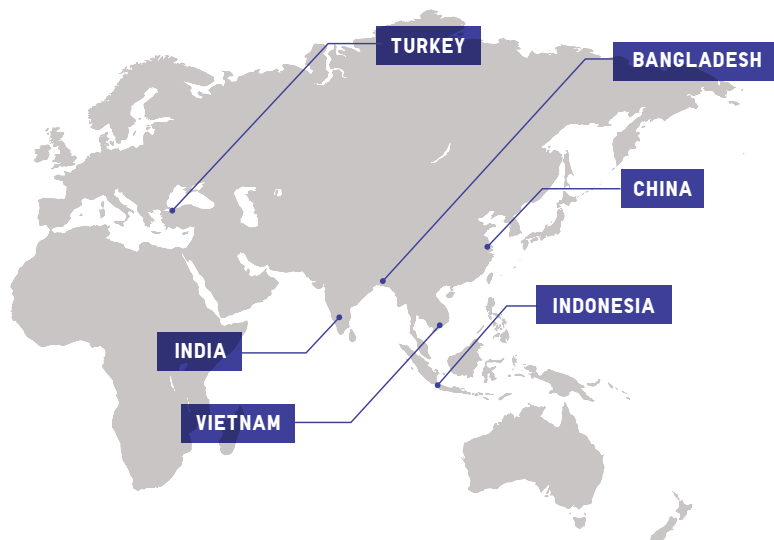
above
Partner factory
product inspection,
China



above
Partner
factory safety
inspection,
China

Here is some of the work we have done in 2016 to ensure our clothing meets the world's highest standards.

UNIQLO Key Production Countries



90%

of UNIQLO production takes place in the countries where we have production offices – namely China, Vietnam, Indonesia, Bangladesh, Turkey and India.

Factory Worker Empowerment Project

At UNIQLO we continuously look for ways to create clothes that can change lives. This starts with empowering people, for life.

In Bangladesh and Indonesia, inadequate education systems mean that educational opportunities are particularly limited for garment workers, the majority of whom are female. It means workers often lack knowledge that could improve their health, safety and management of finances – for themselves and their families.

In April 2015, UNIQLO began selling a women's collection in 14 countries that was inspired by the traditional clothing of Bangladesh. And in June 2016, we launched a collection that features traditional motifs of Indonesian batik, a heritage that was included on the UNESCO list of Intangible Cultural Heritages of Humanity in 2009 for its technique, symbolism and culture.

UNIQLO allocated a proportion of proceeds from the sale of these products to the Factory Worker Empowerment Project. This program helps women who work in our partner factories in both Bangladesh

and Indonesia to acquire a range of living skills including basic nutrition, hygiene and healthcare. To date, it has changed the lives of over 17,000 women for the better.

In the first Bangladeshi factory that completed the program, the project has resulted in a

36 percent decrease in sick leave.

Looking ahead, as we evaluate the impacts of these programs,

we aim to further expand worker empowerment initiatives throughout the supply chain.



36%

drop in sick leave in one factory

A portion of proceeds contributed to training on:

- 1 nutrition
- 2 hygiene
- 3 healthcare



The collection took inspiration from traditional Indonesian batik patterns

17,000

women have benefited from the partnership

Upgrading our Code of Conduct

Since becoming a member of the Fair Labor Association (FLA) in 2015, we have been on a journey to strengthen our workplace monitoring program.

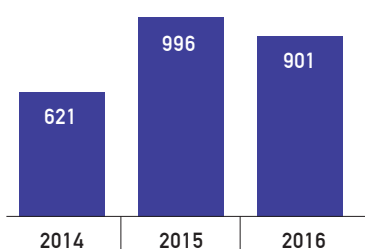
One of the stages in our journey was to refresh our Code of Conduct (CoC) for Production Partners. The FLA recommended we assess the effectiveness of factories' grievance mechanisms, which we are working towards. Another recommendation was for us to ensure the new CoC is translated into local languages, so that workers and management can fully understand our expectations, improving health, safety and workers' rights.

Ensuring building safety

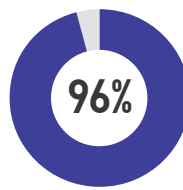
Building safety, which can be taken for granted in more advanced economies, is a key concern for the garment industry. To ensure we are keeping our supply chain workers safe, we signed The Accord on Fire and Building Safety in Bangladesh in 2013. The Accord is an independent, legally binding agreement between global brands and retailers and trade unions designed to create a safe and healthy Bangladeshi garment industry. Other initiatives include conducting building inspections at our partner factories in Cambodia, a country which sometimes faces challenges in this area, and requiring new production partners to provide us with the building inspection report before they begin to work with us.

Number of workplace inspections

Fewer follow up inspections were necessary due to an increase in A and B grades, resulting in fewer overall inspections in FY2016. This in spite of the fact that the total number of workplace monitoring results rose (see graph to right of page).



Worker representation



of factories have worker representation

which ensures that workers elect their own representatives and engage in meetings with management, in FY2016.

Workplace monitoring results (partner factory grades)

Despite a decrease in the number of overall workplace inspections (see graph bottom left), we monitored more individual partner factories than ever before. By increasing the number of local supply chain sustainability team staff, our overall grades have improved, with A and B grades increasing. We have seen a decrease

in D grades from the prior year due to more rigorous pre-contract monitoring. Within C grades, where issues related to occupational health and safety are most common, we are continuing to strengthen factory management systems.

GRADE A
No violations

GRADE B
One or more minor violations

By increasing the number of local supply chain sustainability team staff, overall grades have improved, with A and B grades increasing significantly.

GRADE C
One or more major violations

C grades, where issues related to occupational safety and health are the most common, FR will continue working to strengthen factory management systems.

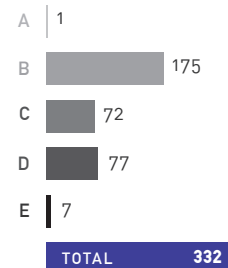
GRADE D
One or more serious violations

D grades decreased from the prior year due to more rigorous pre-contract monitoring.

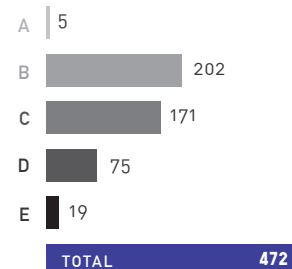
GRADE E
Highly unethical, serious offenses

By increasing the number of local supply chain sustainability team staff, E grades decreased.

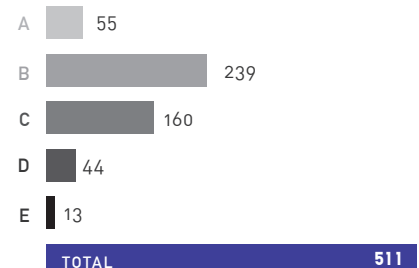
2014



2015



2016





Making great clothing starts with people. That is why we are committed to making sure everyone across our production supply chain works in a safe environment, is respected and paid fairly.

Jothi Kandaswamy, Director of UNIQLO Production in Bangladesh, explains our approach to making this happen.



Keeping our people safe starts with having a responsible supply chain. Having strong relationships with our partner factories allows us to achieve our goal by doing two things: preparing and helping of our partner factories to manage labor issues on their own, and operating an auditing system to ensure our Code of Conduct and standard for management are being upheld.

Empowering and supporting partners

As Bangladesh develops into a major hub of global apparel production, UNIQLO has an opportunity and a responsibility to help today's garment production leaders achieve global best practices for sustainability. By collaborating with partner factories and the supply chain sustainability team, we ensure garment production provides a safe and prosperous way for both factory managers and workers to thrive.

We conduct regular training sessions to teach supplier representatives the importance of workers' rights, health and safety management and the value of improving working conditions. Our supply chain sustainability team also supports partner factories on specific legal requirements and shares best practices.

**KEEPING
THE PEOPLE
BEHIND OUR
PRODUCTION
SAFE**

“

We choose partners for the long term, so that relationships between partner factories and the people and communities around them are able to develop and keep growing.”

As Kandaswamy explains:

“One of the biggest challenges in this industry is education. That means it's our responsibility to coach, train and develop our workers so they become better at everything they do. I feel no retailer or manufacturer can exist without the workers' wellbeing.”

Operating an audit system

Working with partner factories, and various external parties, we conduct both announced and unannounced audits. These audits help us to identify problems related to excessive working hours, worker safety, wages, and building safety.

Kandaswamy continues: “If a violation is found, the supply chain sustainability team is immediately informed. Then an unannounced audit will review the violation in more detail. The team, the factory and I will do our best to fix the problem permanently.

We very clearly say that if you cannot handle the size of the order, then let's reduce business for three to six months to better align supply and demand. And then we can come back when you're in stipulated working hours. If this does not solve the problem, then there is a re-evaluation.”

And time is something that is incredibly important. We choose partners for the long term, so that relationships between partner factories and the people and communities around them are able to develop and keep growing.

As Kandaswamy concludes: “The industry is at a point where an abundant labor force is available and we are growing our business to contribute to uplifting society. We are a very focused business. If we are sincere about the way we approach situations and the aim is to make the world a better place, we will definitely succeed.”



right
Factory Worker
Empowerment
Project participant,
Bangladesh



Partner factory
product inspection,
Bangladesh

INTRODUCTION

We depend on nature to produce clothes of the highest quality. Respecting the natural environment is vital to our business success. In our journey to create a sustainable business that works in harmony with the natural world, we have committed to minimizing our environmental impact, eliminating waste, and continuously searching for ways to create more value from fewer resources.

CHALLENGE

ENVIRONMENT

OUR COMMITMENTS

- Measure and minimize environmental impacts in all processes across the supply chain.
- Show leadership by collaborating with stakeholders, including industry groups and NGOs.
- Communicate with customers through our store and product messaging and retail staff.



The journey to environmental sustainability



Approach to reducing our direct environmental impact

Environmental challenges affect us all – businesses, people and future generations. We are committed to reducing our impact on the environment we all depend on. We engage with stakeholders to identify key focus areas where we can drive the most impact, like responsible chemical use and reductions in our greenhouse gas emissions. As we continue to develop our sustainability strategy, we will launch targets in 2017.

We are on a journey to reduce the environmental impact across our entire supply chain.

Minimizing our direct operational impact

It starts by addressing the environmental impact of our own operations. We have set a target to reduce our CO₂ emissions per unit of floor space in UNIQLO stores in Japan by 10 percent by FY2020 (compared to FY2013). We are making the transition to LED lighting in stores, and we are on track to meet our CO₂ reduction target.

Working together with our suppliers to reduce their impact

While we are taking steps to reduce our direct impact on the environment, we believe that we have a responsibility to influence the impact of our supply chain. We estimate that the majority of our carbon footprint comes from our second-tier fabric



right
Partner
factory fabric
inspection,
China



manufacturers. From 2017 onwards, we will collaborate with our strategic suppliers to benchmark their environmental performance data and share best practices to improve their collective performance.

We also recognize that the safe use of hazardous chemicals is one of our most important responsibilities. This is why we have committed to eliminating hazardous chemicals from all of our production processes by January 2020.

“
We are on a journey
to reduce the
environmental
impact across our
entire supply chain.”



Here is some of the work we have done over the past year to help minimize our environmental impact.

Making sure our products are safe

Chemicals can be a key component in ensuring that clothing meets customer expectations, such as fit and performance. Yet hazardous chemicals can be present in natural and synthetic fibers, dyes and processing agents. That is why we regularly review and comply with the latest scientific guidelines to make sure we are using these chemicals safely. In fact, we are in the process of eliminating the discharge of all hazardous chemicals across the entire lifecycle of our products by January 2020.

To meet our goal, we set stringent quality standards against current best practice guidelines. For example, we ask our partner factories to perform wastewater testing and take immediate action when hazardous chemicals are detected.

In the spirit of transparency, we have decided to publish a number of the key tools we use to manage production processes for stakeholders to review online. This includes our [Restricted Substances List](#).

0 discharges of all hazardous chemicals from the lifecycle of our products by 2020.

Reporting to the Carbon Disclosure Project

In 2016 Fast Retailing began reporting to CDP, a nonprofit that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Fast Retailing received a B Grade result and will work to improve the level of disclosure and environmental performance going forward.

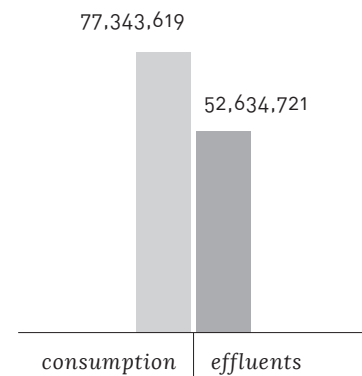
Environmental impact of strategic production partners

One of the ways we can make an impact on our industry is by identifying areas of improvement at our partner factories and building their capacity to respond in a timely manner. Environmental audits are a crucial element of this strategy.

We conducted 93 environmental audits in FY2014 and 118 in FY2015. In FY2016, we revised our auditing approach to improve social and environmental outcomes. For second tier fabric manufacturers we introduced our Code of Conduct for Production Partners that includes environmental criteria and follow-up activities to promote improvements. At the same time, we transitioned to in-depth environmental assessments using the Sustainable Apparel Coalition's Higg Index tool. For more information on the Higg Index see pages 28-29.



Water (m³)



Note:
Production impact measurement approach was reset in 2016 in an effort to align with Sustainable Apparel Coalition Higg Environmental Module protocol. Production measurement period has changed from FY to Calendar Year (Jan 2015-Dec 2015). Methodology has changed from calculating UNIQLO's share of production to including total energy/water volume at factories. Production scope has changed from all UNIQLO garment and fabric manufacturers to strategic UNIQLO fabric manufacturers.

42,601,116 (GJ)

TOTAL ENERGY USE

2,917,069 (tCO₂e)

CARBON EMISSIONS

Environmental impact of logistics (Japan)

258,321 (GJ)

TOTAL ENERGY USE

17,707 (tCO₂e)

CARBON EMISSIONS

Note:
Logistics measurement period is from April 2015 to March 2016

Environmental impact of stores & HQ (Japan)

Energy Use

STORE ELECTRICITY	214,045,172 kWh
HQ ELECTRICITY	4,259,323 kWh
STORE - CITY GAS AND LPG	2,737,918 m ³
HQ GAS	5,823 m ³

Carbon Emissions (tCO₂e)

STORE GAS	11,436
HQ GAS	38
TOTAL SCOPE 1	11,474
STORE ELECTRICITY	123,932
HQ ELECTRICITY	2,466
TOTAL SCOPE 2	126,398

Waste (tons)

STORE	56,837
HQ	156

Note:
Stores represents UNIQLO stores in Japan.
Headquarters refers to Tokyo and Yamaguchi offices in Japan.

10%

reduction of CO₂ per unit of floor space in UNIQLO stores by 2020

Garments collected and recycled

Most of the items collected through our recycling program are in good condition and redistributed to refugees and others in need.

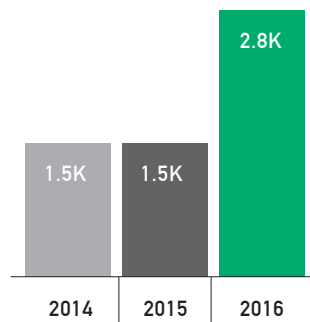
For those collected items that are not wearable, we recycle them.

In 2016 we could increase the amount of garments recycled by 87 percent thanks to success of our 10 Million Ways to Help recycling campaign.

87%

increase in amount of non-wearable garments recycled

(tons)



Changing lives, one bag at a time

On February 15 2016, UNIQLO Philippines held an Upcycling Project event in cooperation with local NGO, ABS-CBN Lingkod Kapamilya Foundation (ALKFI).

Scrap denim fabric generated by UNIQLO jean alterations was used to design and create 500 tote bags – essentially “upcycling” material that was discarded as waste.

The project showcased the work of 15 formerly homeless women from a local community in Manila, who are supported by ALKFI. These women created the bags, which in turn were purchased by UNIQLO.

To ensure high quality – and to build the women’s skills – UNIQLO’s *takumi* experts provided on-site instructions. The bags are being distributed to customers as novelty items during UNIQLO events in the Philippines.

This initiative will continue to expand in the Philippines, with plans to roll out upcycled products in more countries in the year ahead.



Upcycled UNIQLO Philippines bags made from scrap denim



One of our greatest environmental impacts comes from our fabric manufacturing. This is why we are committed to working with our fabric suppliers to improve their environmental performance. Yukihiro Nitta, Fast Retailing Group Senior Vice President and Sustainability Director, explains why joining the Sustainable Apparel Coalition is a vital step in making this happen.

CREATING A SUPPLY CHAIN THAT WORKS IN HARMONY WITH NATURE



In recent years, our sustainability journey has picked up pace. As our operation started to grow rapidly and globally, we realized the importance of prioritizing environmental sustainability and started to make dramatic changes.

After understanding that our biggest environmental impact is with our suppliers, we are now looking to baseline and set targets for our strategic fabric suppliers.

One way to do this was to join the Sustainable Apparel Coalition (SAC) in 2014. SAC is an independent multi-stakeholder initiative with a bold vision: for the apparel, footwear and home textiles industry to produce no unnecessary environmental harm, and make a positive impact on people and communities.

At the core of this vision is the Higg Index. As Nitta explains: "It's a very effective tool that helps us set goals for environmental reductions, while at the same time allowing us to measure the performance of our suppliers."

“

Natural resources are essential, if we want to continue on with our sustainable growth.”

The Responsible Mill Program

One of the greatest areas of environmental impact comes from fabric manufacturers, or mills, which is why we are starting to roll out the Higg Index with these suppliers first.

We have pinpointed a number of strategic fabric manufacturers covering 70 percent of UNIQLO's production volume, to improve environmental performance. Using the Higg Index, we will track and benchmark factory performance across seven different environmental themes, including emissions and wastewater, energy use and chemical use. It means we will be able to identify which factories need support, and the best ways to make improvements.

Nitta says: “We will see where the gaps are and what factories we have to prioritize. We will go in and conduct technical assessments with engineers and see where the reductions can be made.”

The business of environmental data

A study conducted by the Natural Resources Defense Council shows that by implementing just five energy conservation best practices included in the Higg Index, a fabric manufacturer could reduce fuel use by 11-19 percent and electricity use by up to 4 percent. These practices are not just good for the environment: they also increase factory resource productivity, making them good for the bottom line.

Nitta concludes: “For us, environmental sustainability is so important to the business. Natural resources are essential, if we want to continue with our sustainable growth.”

right
Partner factory
water treatment
facility, China



“

We are now looking to baseline and set targets for our strategic fabric suppliers.”



above
Partner factory
fabric inspection,
China



above
Partner factory
dyeing inspection,
China

INTRODUCTION

We believe that a sustainable business is one that enables people to reach their full potential. Any business that does not continuously strive to be sustainable, particularly with regards to its people, is not viable in the long term. That is why respecting human rights and diversity is at the heart of our business philosophy. We aim to provide supportive workplaces that enable a better work-life balance, and environments that empower ambitious people to generate unique value so they can take pride in their work.

CHALLENGE

P E O P L E

OUR COMMITMENTS

- Protect employees' basic human rights, respect diversity, and create value through teamwork.
- Minimize the number of work-related accidents.
- Link employee growth to company growth through fair and transparent evaluations.
- Continue to support the hire, training and development of people with disabilities, and refugees.



Creating a diverse and safe workforce



above
UNIQLO Japan
Women's Direct
Meeting

Keeping our people safe

We take the utmost care to protect our employees' health and safety. We focus on preventing injuries and accidents by providing safety training to staff and coordinating safety measures through our Central Safety and Health Committee in Japan.

Embedding ethics across our business

Our Code of Conduct (CoC) is a set of guidelines and basic requirements for all employees to follow from a compliance, human rights and business ethics standpoint. After receiving an explanation of the CoC, employees must confirm their understanding and sign a pledge declaring their intention to comply in full. We also conduct regular training on compliance violations to continually promote understanding and prevent violations.

The Code of Conduct Committee discusses potential CoC violations and lays out specific actions. Since September 2015, we have set up CoC committees in South Korea, Taiwan, and China in addition to the one at the Fast Retailing Tokyo headquarters.

Bridging the gender gap

The majority of our customers and employees are women. But right now, women are underrepresented in senior positions at Fast Retailing.

This is now one of our Human Resources (HR) Department's highest priorities. In Japan, HR identified potential female leaders and provided them with special training and supervisor support to prepare them for promotion within a few years.

While encouraging women to take senior leader positions, we understand there is the perception that occupying a senior position leads to a loss of work-life balance. So our Diversity and Inclusion Office in Japan spearheads women empowerment efforts to promote a work-life balance. These include Women's Direct Meetings, a dialogue of more than 180 female store and senior managers from UNIQLO Japan; training for female store managers supported through mentoring by female senior management; and a conference for female store managers with children.

Developing our next leaders

Fast Retailing biannually hosts conventions to enable as many employees as possible to build relationships with leaders and learn more about the Group's vision and business mission. Conventions are held in Tokyo and in 2016, we added regional conventions around the world.

Fast Retailing offers universal training opportunities for employees. To make sure training is tailored to

our employees' unique career goals, we have developed a new training curriculum. It has been designed to turn new employees into business leaders within 10 years.

Our Future Global Leaders (FGL) Program, made up of 50 employees that mostly have the title of Manager or Director – and one third being women – aims to develop our most talented workers who are seen as potential successors to the executive management team, and resolve key business issues across the group

or a specific country.

The Mirai Project launched in 2014 (Mirai meaning future in Japanese) and is designed to challenge talent to create a new business proposal and execute it. Sixty employees are involved, with 70 percent from outside Japan.

The Future Global Leaders Program and Mirai Project include active participation and direction from top management including the Fast Retailing CEO.

“

We believe in giving all employees, regardless of background, the opportunity to fulfill their goals and aspirations.”

Our goal is to maximize participation in these initiatives and others, helping women to thrive and advance across the company.

Supporting personal career development

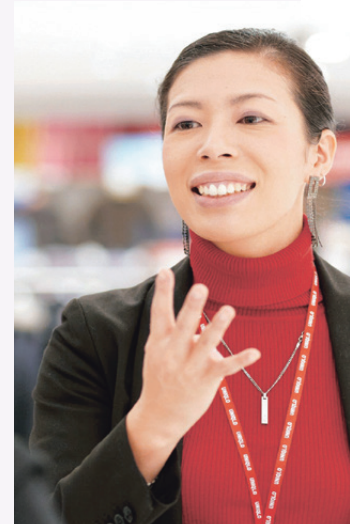
We believe in giving all employees, regardless of background, the opportunity to fulfill their goals and aspirations. To ensure our workplaces help our people reach their full potential, we started with globally fair and transparent evaluations. We have developed a global grading system so that all our employees are evaluated by the same standard, which leads to fairer evaluations and more opportunities for growth.

Promotions and transfers within the company are conducted on a global level, across business divisions, to make the most of each person's experience. Finally, Japan's Regional Regular Employee Program allows temporary store employees to rise to permanent employee status within a limited geographic area of their choice. The program offers a variety of work schedules, such as reduced work hours and four-day work weeks. Moreover, many of these employees have strong ties to the community, and are able to provide insight on how to better meet the needs of local customers and the community at large.

right
UNIQLO
Retail
Associate,
Japan



below
Fast Retailing
Director and
FGL Program
participant, Japan



Here is some key information on our efforts to create a healthy, diverse, and safe work environment in 2016.

Healthy employees

At our Wellness Center at Fast Retailing's Tokyo Headquarters, we give employees easy access to healthcare. The Wellness Center is home to occupational physicians and nurses who provide medical advice and daily consultation. They also periodically distribute health information.

Alongside this, all employees in Japan have access to mental health guidance from a counselor, and receive mental health training that is tailored to their job role. We also ask employees to complete a stress questionnaire and we send their results back to them. Where any stress-related issues arise at stores or in departments, we ask senior managers to submit an analysis and an improvement plan.

Going forward we will work to expand health support services in all of our markets worldwide.

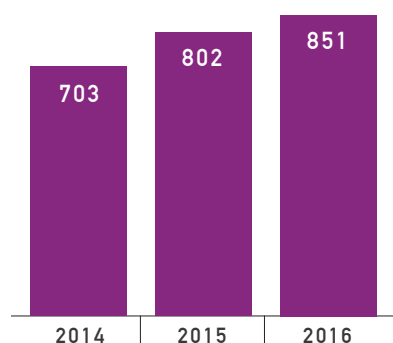
Health and Safety at Fast Retailing Japan

In Japan, the Industrial Safety and Health Act requires businesses of more than 50 employees to have nationally certified health supervisors and occupational physicians on staff.

Activities are supervised by the Central Safety and Health Committee.

Our supervising physician chairs a monthly committee meeting that brings health and safety managers from each business segment together to share information and establish improvement plans.

Number of work-related accidents in Japan



We acknowledge the number of accidents is increasing year-on-year and are putting measures in place to ensure greater safety. This includes proactive dissemination of preventive measures to stores, such as the use of ladders and the moving of fixtures during layout changes, which are the two most prevalent reasons for workplace accidents.

Improving work-life balance in Japan

How we encourage Tokyo HQ employees to enjoy a work-life balance:

- 1 Office lights out at 6pm every day
- 2 Fitness training and yoga classes
- 3 Family days
- 4 Happy hour food and drink at subsidized rates every Friday in the company cafeteria

Employees Using Infant* and Nursing-Care** in Japan

	INFANT-CARE		NURSING-CARE	
	Leave	Reduced work hours	Leave	Reduced work hours
Full-Time	660	451	22	5
Other	692	28	11	0
Men	6	2	2	1
Women	1,346	477	31	4
Total	1,352	479	33	5

*Infant-Care is six weeks prior and up to two years after birth of child

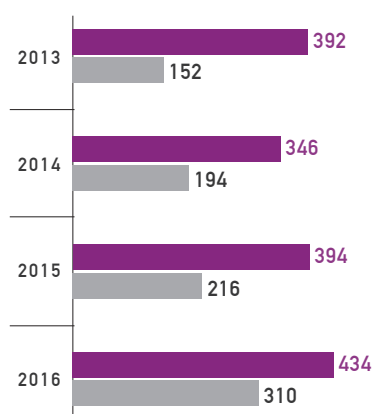
**Nursing-Care consists mainly of caring for elderly or disabled family members

Employee hotlines

Our employee hotlines offer a confidential way to discuss work-related issues, and to report any Code of Conduct violations.

TOPICS DISCUSSED	JAPAN	CHINA TAIWAN S. KOREA
Communication problems with supervisors	35.7%	30.2%
Consultations on operational tasks, careers	21.7%	13.9%
Attendance management violations	5.5%	13.7%
Rule violations	3.1%	12.0%
Employee relations	12.1%	5.8%
Consultations on breach of contract	10.2%	3.4%
Consultations on work hours and paid holidays	2.1%	3.7%
Other compliance violations	2.0%	3.1%
Sexual harassment allegations	1.7%	2.1%
Wages and evaluation results	2.4%	4.5%
Fraud allegations	0.3%	7.6%
Emotional issues	3.2%	0%

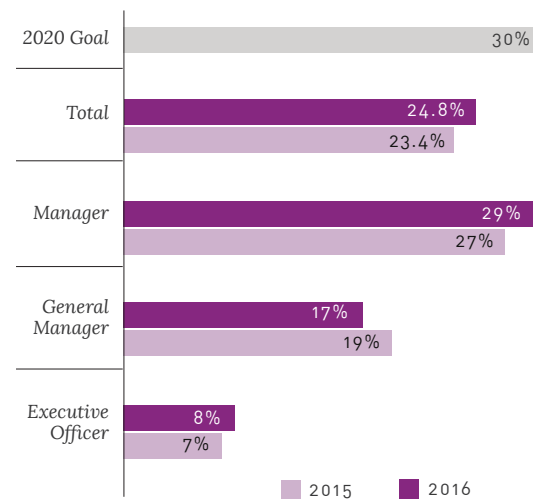
Number of hotline cases



■ JAPAN
■ CHINA
TAIWAN
S. KOREA

Note:
The combined total of hotline cases in China, Taiwan and South Korea showed a significant rise in part due to increased awareness of the hotline system, and the expansion of business in those markets.

Increasing female leaders



24.8%

of our senior leaders are women

1.4

point increase compared to 2015

Employees worldwide

Japan	56,300
China	17,200
United States	4,600
South Korea	4,000
Taiwan	3,100
Hong Kong	2,900
France	2,300
Thailand	1,500
Australia	1,300
Philippines	1,300
Singapore	1,300
Russia	1,100
Malaysia	900
United Kingdom	800
Indonesia	700
Germany	300
Bangladesh	200
Belgium	90
Spain	80
Italy	70
Switzerland	40
Vietnam	40
Turkey	10

29,830
MEN

70,300
WOMEN



23
COUNTRIES
AND
REGIONS

Employees with disability

Japan	1,256
South Korea	115
United States	45
Taiwan	44
Singapore	30
Thailand	26
Russia	17
Malaysia	16
France	14
Hong Kong	7
Germany	5
United Kingdom	4
Indonesia	4
Philippines	1
Belgium	1

100,130 TOTAL EMPLOYEES

1,585 TOTAL EMPLOYEES WITH DISABILITY



Jason Goh,
left.
Masaki Goto,
right.

As a global retailer, we are in a unique position to use our business to change lives. One of the ways we are doing this is by creating opportunities for people who are sometimes overlooked. Masaki Goto, Fast Retailing Store Operations and Sustainability Manager in our ASEAN regional office in Singapore, explains why UNIQLO has actively employed people with disabilities, across multiple global regions.

ENSURING OUR WORKFORCE IS STRONG AND DIVERSE

▼
We believe in the power of clothing and our mission is to grow our business in unity with society. Every UNIQLO store worldwide employs talented and skilled people from all walks of life. These people provide value to customers and society every day.

In fact, as Goto explains: “We have a worldwide goal to hire the equivalent of at least one person with disabilities per store. The company’s ambition is strong as is the store’s commitment to the goal. There is a significant percentage of the population here in Singapore with special needs. By committing to make our workplace more diverse, we can maximize hiring opportunities and be a role model to other companies.”

“

Every UNIQLO store worldwide employs talented and skilled people from all walks of life.”

UNIQLO Singapore has been a pioneer in the ASEAN region for employing people with disabilities and is now working to raise standards across the industry. In partnership with SG Enable, an agency dedicated to enabling persons with disabilities, UNIQLO Singapore gives more people with disabilities the opportunity to work in the retail industry.

We have also been making rapid progress in other countries.

“Our programs were created to support people with disabilities in Singapore. But once we identify best practice we try to expand elsewhere,” Goto adds.

In Japan, UNIQLO is one of the top employers of people with disabilities. This is one of the ways we can help to create a more diverse society.

Goto concludes: “We knew it was our responsibility to create engagement between people with special needs, our staff and our customers. I think this is not limited to satisfaction in my work, but in my life too. I can feel the potential that our business has to create positive change now.”

By respecting individuals and creating a diverse and inclusive working environment, we can play our role in giving people – no matter who they are – the opportunity to take pride in their work.



► “I am a Retail Associate at the Singapore UNIQLO Ion Orchard store and have been working here for four years. I joined through an organization called MINDS (Movement for the Intellectually Disabled Singapore). Every morning I pick up deliveries, carry boxes to the stock room and then replenish the storefront. I enjoy serving customers, helping them and talking to them. Everyone here offers support, and I have learned a lot from my supervisor. I am very happy here.”

NAME:

Jason Goh

POSITION:

Retail Associate,
Singapore UNIQLO
Ion Orchard store

“

Our programs were created to support people with disabilities in Singapore. But once we identify best practice we try to expand elsewhere.”



INTRODUCTION

We wish to use the power of our business to make a positive impact on every person and every community we engage with. From helping to solve global issues, to participating in local community initiatives, and contributing to creating sustainable, local communities that have a better chance of thriving, we strive to establish a business that is in harmony with the global community at large.

CHALLENGE

C O M M U N I T Y

OUR COMMITMENTS

- Leverage our strength as a global apparel retailer to improve and enrich people's lives.
- Enable all of our retail stores and employees to contribute to local communities through volunteering and donation efforts.
- Reach over one million people per year with donated clothing.



Recycled clothing donation
to refugees, Rwanda

Imagining a business seamlessly integrated with the community

We continuously look for ways to make a positive impact on the communities we touch. Our approach to this is based on four main areas:



left
UNHCR
Livelihoods
self-reliance
program for
refugees,
Malaysia

1

Supporting refugees and others through clothing and self-reliance programs

Clothing is the simplest and most effective way for us to reach people in need. Our clothing donation initiatives reach refugees, the homeless and others in need. Our clothing donation partnership with the United Nations High Commissioner for Refugees (UNHCR) aims to bring hope and alleviate some of the hardships that thousands of displaced people face every year. Beyond clothing, we support self-reliance programs to help vulnerable populations gain skills and generate incomes, such as through UNHCR's livelihoods activities in Asia (see page 47).



2

Supporting people with disabilities

Alongside hiring a diverse workforce (see page 35-37), we support people with disabilities in various ways. This includes our ongoing involvement with the Special Olympics by donating uniforms to athletes and supporting their local and national events by providing volunteers and funding. We also partner with local community organizations to assist people with disabilities. One initiative that has continued to gain momentum worldwide is our In-store Retail Learning and Shopping Experience events, where our store employees assist people with disabilities to shop for clothes. The experience not only boosts their confidence,



WATCH VIDEO

but helps them to develop important life skills around what to wear and calculating what they can afford within a given budget.

4

Our Social Business in Bangladesh

Grameen UNIQLO, our social business in Bangladesh, uses the power of business to promote economic development and empower local communities. Its products are made and sold in Bangladesh, by locals for locals – helping provide employment opportunities and develop local industry.

3

Supporting at-risk and disadvantaged youth

Our retail stores worldwide provide opportunities for disadvantaged communities – especially children – to thrive. For example, we have partnered with the New York Department of Homeless Services to give children the chance to create t-shirts with their own original designs.



WATCH VIDEO

In Japan, UNIQLO supports the TSURUMI Children's Hospice, the country's first community-supported, volunteer-run hospice for children with life-threatening conditions. Opening in April 2016, the hospice uses donations to offer free medical, educational and childcare resources, as well as respite care services.



above
Shopping
experience
event for foster
children,
South Korea

right
T-shirt making
event for
children living
in homeless
shelters, USA



Here is some of the work we have done in 2016 to improve the lives of those in our global community.

Our global reach

20

markets
reaching tens
of thousands
of people



4,000,000+
items of clothing
to refugees and
others in need
donated



WATCH VIDEO



Over

400

community
outreach events

Enriching lives through business in Bangladesh

Bangladesh is one of our key production centers, with widespread improvements in both health and education in recent years, and an economic growth rate of 7 percent in 2016.

In 2010, we joined forces with Nobel Peace Prize winner, Muhammad Yunus and the Grameen Bank Group to establish Grameen UNIQLO in 2011, a social business in Bangladesh.

Grameen UNIQLO keeps all business processes – from production to retail sales – within Bangladesh, providing high quality, comfortable clothing at affordable prices. Profits are re-invested back into the business, so as Grameen UNIQLO grows, so does the business of its production partners and skills of its employees.

Using UNIQLO's global expertise to train global standard business leaders, Grameen UNIQLO has expanded to nine stores in Bangladesh, with plans to significantly increase the number of stores over the next year. Like other Fast Retailing brands, it aspires to offer a first-rate shopping experience through attractive store environments, and quality customer service in safe and secure working environments.

Through these initiatives, Grameen UNIQLO aims to enrich the lives of people in Bangladesh.



WATCH VIDEO



photo credit: University of Salford © Nick Harrison



Muhammad Yunus,
Nobel Peace Prize
Winner and Founder of
Grameen Bank Group



Grameen UNIQLO

9

Grameen
UNIQLO
stores in
Bangladesh



Grameen
UNIQLO,
Bangladesh

**As Grameen UNIQLO
grows, so does
the business of its
production partners and
skills of its employees.**

Providing education in Madagascar



600

tote bags sold to help raise money for the school

Founded by two sisters from Madagascar who wanted to find a way to give back to their community, Princesse tam.tam, a Paris-based Fast Retailing brand, established manufacturing in Madagascar in 2004. At the same time, they contributed 30 percent of the building cost of NGO Sekool – a school providing education to children from low-income, single-mother families - while supporting the mothers' own employment, health, and education needs.

In 2016, Princesse tam.tam and Sekool collaborated to make playful and socially responsible tote bags. Malagasy women were taught embroidery, with each woman sewing her first name on a bag depicting the colorful local markets of Madagascar. The bags were sold at select Princesse tam.tam stores and online, with €10 from each sale going back to Sekool. At the end of August 2016, more than €6,000 was raised for the school.

Empowering women through free shopping and beauty advice

Comptoir des Cotonniers (CDC), one of our women's fashion brands, wished to support the empowerment of women in their local communities. Launching in France in 2013, CDC opened a pop-up shop providing new clothes and beauty advice to local women from disadvantaged backgrounds, for free. The effort was a success and was expanded to Spain and Belgium in 2016. Since its launch, more than 300 women have benefited from the pop-up shops.



Comptoir des Cotonniers, France

More than

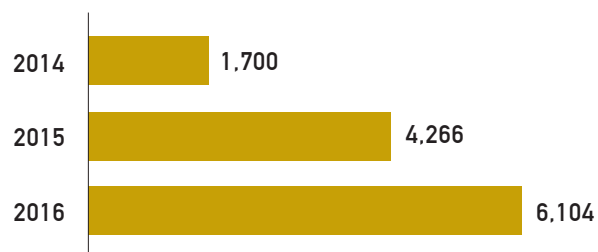
300

women have benefited from the pop-up shops



COMPTOIR DES COTONNIERS

More Fast Retailing employee volunteers than ever before



6,104

employees contributed their time to various volunteer projects in 2016, a Fast Retailing record



photo credit: Flickr/Eric Bridiers

We believe that every person has the right to a safe, happy and healthy life, which is why we have been working with the United Nations High Commissioner for Refugees (UNHCR) for a decade. Together, we have helped to improve millions of lives, and change the narrative around the ongoing refugee crisis. Deputy High Commissioner, Kelly Clements, explains the impact of our partnership and her optimism for the future.

ENSURING A SAFE, EQUITABLE AND PROGRESSIVE SOCIETY

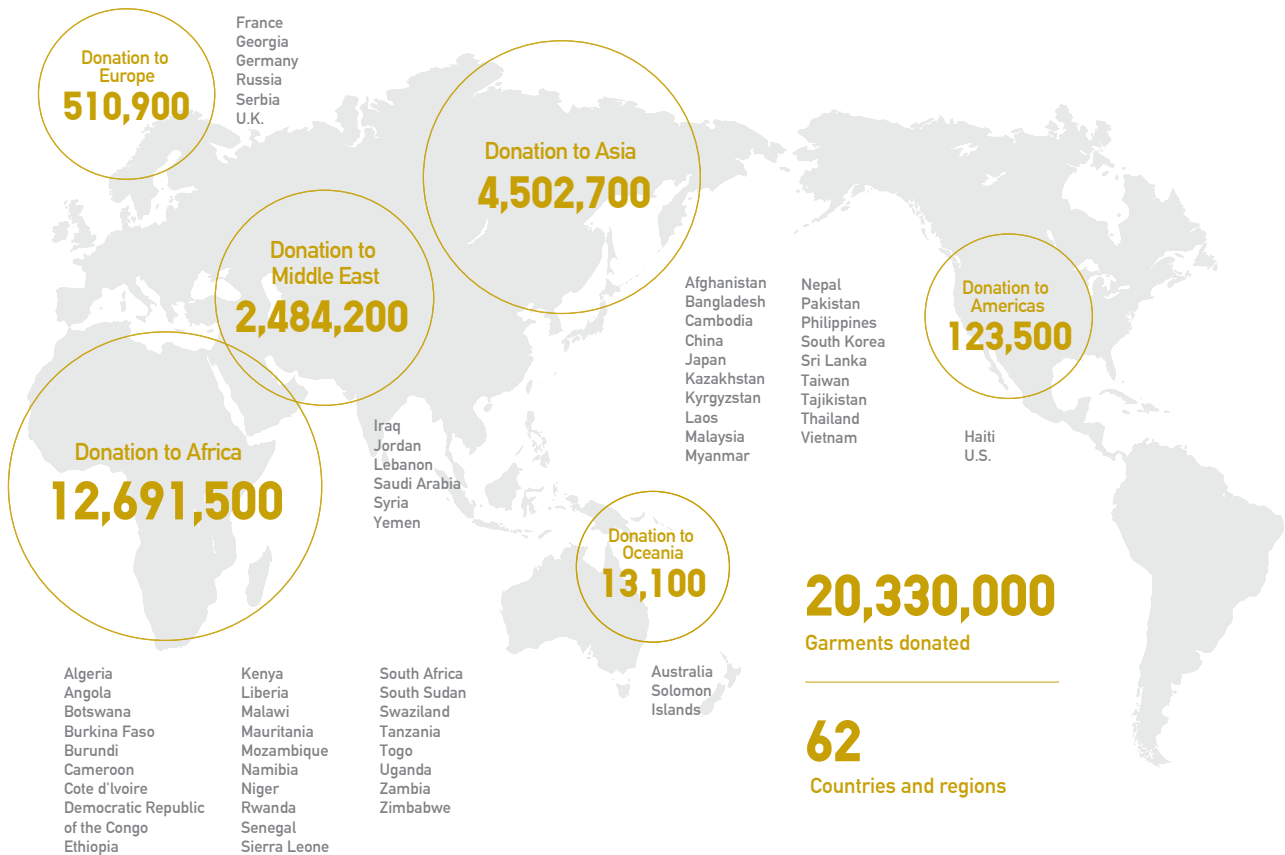


Today's world faces real challenges: there are currently 65 million people who feel so threatened by war and persecution that they have left their homes, often with only the clothes on their back.

As Kelly Clements reminds us, "It's easy to throw numbers like this around, but we have to remember that with every statistic, there is a human being with a story about his or her need to flee. And that is heart-breaking."

We operate as part of the global community, and we believe we have a role to play in helping to alleviate suffering and improve lives wherever possible. Our partnership with the UNHCR has allowed us to do this in a meaningful and impactful way.

Donations Worldwide



54,330,000 garments collected across 16 countries and regions since 2006

Partnering for progress

Since 1950, UNHCR has been protecting the rights and wellbeing of refugees all over the world. It operates in more than 450 locations in 126 countries, and has a 15,000 strong workforce operating alongside 900 partner agencies – all of whom play a role in helping the organization meet its aid objectives.

Fast Retailing started working with UNHCR in 2006. Through our All-Product Recycling Initiative, we have collected and donated millions of garments, which have then been distributed to refugees and displaced people around the world. In 2011, we became a global partner of UNHCR and now work together to respond to global refugee needs.

Clements appreciates the value of this kind of partnership: “Businesses bring levels of expertise, innovation and efficiency that are not necessarily commonplace for a large multinational, multilateral organization like ours.”

Along with this level of expertise, Clements sees the impact of a long-term partnership like the one with Fast Retailing. She continues: “Businesses help us do our job better, and cheaper and more effectively. For example, on the delivery side, just getting things to the field more quickly and cheaper means we can use those dollars elsewhere.”

From donations to doing good

We are continuously looking for ways to use the size and scale of our business

▼
Clothing is an essential human right. The right clothes do not just protect us from the cold and rain, they give us dignity and control over our lives.

to make a positive impact on the world around us. When it comes to our work with UNHCR, our most tangibly impactful project is our clothing donation program. Our most recent campaign – 10 Million Ways to Help, launched in October 2015 – was a huge success. We reached our target of 10 million garments ahead of schedule in May, thanks to our customers' donations and collection drives from companies, schools and other organizations, and our employees. By the end of August 2016, we had collected an incredible 14.9 million garments.

Alongside this, we made a commitment to donate US\$ 10 million over a three-year period starting in 2016, for emergency aid and self-reliance support for refugees. The donation aims to support UNHCR's emergency responses as well as livelihoods activities in Asia.

But our partnership with UNHCR is not just about donating clothes: we are also committed to an extensive program of education and empowerment. We launched the Power of Clothing project in 2012 to help raise awareness among schoolchildren about the refugee crisis and the importance of clothes for children in need. As part of this ongoing project, UNIQLO employees visit participating schools, discuss refugee issues and help students run their own clothing drives.



We also have an innovative refugee support program in Japan – with the prospect to grow worldwide – that gives displaced people in difficult circumstances the opportunity to gain professional experience at UNIQLO stores. To date we have hired 28 staff across our stores in Japan, and we are pursuing hiring more refugees where it is feasible and legal. As Clements explains, “Employment and education are really important tools to allow refugees and displaced people to support themselves and look forward to a better future.”

Advocating for a new narrative

Our work for refugees is not just about donating clothes. We also wish to help change the narrative around how our society perceives this marginalized group of people. It is a commitment that exists throughout our company, brought to life through both long-term aims and refugee awareness efforts – such as posters and recycling boxes to collect clothing for refugees and UNHCR's Face to Face campaign – in hundreds of stores.

Clements describes what happens when a business lives out its values in this way: “Thousands of UNIQLO employees have been inspired to help refugees. It's about being part of the world community and wanting to try and solve some of these problems. When we put out a drive for clothing donations, the response is incredible and truly impactful.”

Pursuing a better world

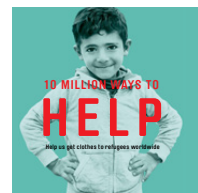
Looking ahead, Clements believes that “this is a year of opportunity – despite the challenges”. We all have a responsibility to help solve this crisis, as governments, businesses and individuals. At Fast Retailing, we will continue our partnership with the UNHCR – it's one of the best ways for us to help make the world a better place.

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As of August 2016, we collected an incredible 14.9 million garments.”

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We are continuously looking for ways to use the size and scale of our business to make a positive impact on the world around us.”



top
Recycled clothing
donation to migrant
children, Thailand

bottom
Refugee family,
UNHCR refugee
camp, Jordan.
Credit: UNHCR



above
UNHCR Livelihoods
activities for
refugees.
Credit: UNHCR
Malaysia



UNHCR
Livelihoods
for refugees,
Olympia
Le-Tan tote
bag project.
Credit:
UNHCR
Malaysia

EMPOWERING WOMEN WITH VALUABLE SKILLS

Living outside one's homeland can be a challenging time. Our partnership with UNHCR has led to unique projects that seek to improve the livelihoods of people while they find new homes. Together with French luxury brand Olympia Le-Tan, we launched the Self Reliance Project to empower refugee women with new life skills.

Refugee women living in Malaysia were given the opportunity to learn new embroidery skills by creating custom tote bags designed by Ms. Le-Tan. The bags were then sold in UNIQLO stores and all proceeds were used to support the self-reliance of refugees through UNHCR. The bags were a great success with all 2,000 selling out in a matter of weeks and fans sharing the project idea widely on social media.



WATCH VIDEO

Disclaimer: This report provides factual information on Fast Retailing Co., Ltd. and its Group companies, as well as plans and items to be reviewed as of the date of publication. The report also includes forecasts based on management policies and strategies. These forecasts are assumptions of judgements based on information available at the time of publication. Actual results and future business activities can and will differ from these forecasts due to changes in business conditions.

