Priority Area 2  Products

Working to make innovative and high-quality clothing

Recognizing the importance of more sustainable products

Attaining sustainability through products means considering the impact of products on the environment and communities over their entire lifecycle—from the planning and development stages through to recycling—while ensuring the traceability of raw materials along with product safety and quality. Fast Retailing (FR) recognizes that cooperation and collaboration with the global apparel industry as a whole is vital for tackling the common challenge of producing more sustainable clothing.

Approach to products

UNIQLO, the FR Group’s largest brand, markets clothing under the concept of LifeWear, which accounts for about 80% of the Group’s sales. Made to reflect the individuality and personal preferences of customers, LifeWear products are comfortable and functional, high-quality clothes that are simple and basic yet smartly designed. UNIQLO offers a new lineup every season, and works with customers in an effort to advance LifeWear and enhance their lives with good-value clothes that can be worn for a long time. In this way, UNIQLO has been laying a foundation for sustainability. The FR Group is striving to ensure that every company in the Group makes products more environmentally and socially sustainable over their entire life cycles. Toward that end, FR has been selecting raw materials in consideration of the environment and human rights, establishing strict quality control and traceability systems, reflecting customer feedback in product development, and recycling used products.
Working to make innovative and high-quality clothing

Considering sustainability at the product planning and development stage

Procuring raw materials responsibly in consideration of animal welfare

As an international apparel manufacturer and retailer, the FR Group strives to procure raw materials for its products in the most responsible way possible. Accordingly, FR is carrying out initiatives for protecting animal rights.

UNIQLO, for example, prohibits its merino wool suppliers from procuring wool from farms that practice mulesing, which involves the removal of wool-bearing skin of merino sheep to prevent parasitic infestation by flies, leaving scars on the animals. The company has been promoting procurement from farms that use medicine or other alternatives to mulesing for preventing this infestation.

In addition, for its products made with down, UNIQLO only uses bird feathers collected as byproducts at the food processing stage, and does not source from producers that force-feed birds or harvest the feathers of live birds. Moreover, UNIQLO prohibits the use of animal fur in its products.

Supporting people in need through UNIQLO’s Upcycling Project

UNIQLO is carrying out its Upcycling Project in an effort to turn scrap materials into valuable items by reusing and recycling them. As part of these efforts, led by UNIQLO Philippines, an initiative has been introduced to give formerly homeless people and refugees the opportunity to make tote bags and other accessories using denim scraps left over from alterations of jeans at local UNIQLO stores. In cooperation with a local NGO, the company is aiming to help people in need improve their sewing ability under the guidance of UNIQLO’s takumi experts (textile artisans) in order to eventually gain needed skills for securing employment and becoming self-reliant.

In 2017, 20 people made a total of 2,400 items, which UNIQLO purchased and offered to customers as novelty items. In the same year, other companies supporting the initiative provided materials, such as zippers. Looking ahead, UNIQLO will broaden this initiative together with other companies.

Strict quality control and safety management

UNIQLO’s quality control and safety management

UNIQLO has created its own Global Quality and Safety Standards, which are stricter than most safety standards established in the countries and regions where it operates. The company’s standards were formulated by its Quality Assurance Committee, which is led by the executive officer in charge of production. In cooperation with partner factories, UNIQLO’s production departments confirm that all of its products comply with the standards, and the information is shared among relevant departments.

Inquiries from customers regarding product quality are primarily handled by the company’s Product Quality and Customer Care Team, and the customers’ concerns are shared among factories and relevant departments in an effort to improve product quality and prevent quality-related problems from recurring. Reports on product defects and measures for improvements are compiled every month based on customers’ opinions and requests collected by customer service centers and customers’ complaints handled by the Product Quality and Customer Care Team. These reports are made known to all personnel of the company’s production offices around the world, where they are useful for improving quality.

Passing down expertise to partner factories

UNIQLO sends takumi experts (textile artisans) to its partner factories to provide assistance with technical instructions, production management, or human resources training. The takumi have many years of experience and specialize in either fabrics or sewing. They also provide support whenever necessary at the partner factories of other FR Group companies, including GU.

This takumi system provides a unique way for UNIQLO to pursue its goal of producing innovative and high-quality clothing. It also plays an important role in raising product quality, improving productivity, and maintaining safe workplace environments. At the same time, it is an effective system for building capacity in the supply chain overall. The skills, improved processes, and training provided by the takumi enable partner factories to develop independently, especially given that most manufacture products besides UNIQLO branded goods. Furthermore, the takumi help raise the standards of the apparel manufacturing industry as a whole by overseeing many factories in the region.

Spotlight

Good Wool hits the market

Fast Retailing Group company Theory launched Good Wool as a sustainable fashion collection in October 2017. The company procures wool from responsible sheep farmers in Tasmania, Australia, and has it woven into fabric using renewable energy at a textile mill in Italy. As a light and soft fabric with outstanding breathability, Good Wool is particularly suitable for clothes requiring both practicality and elegance. The fabric was developed for the Good Wool collection of suits for men and women, which are priced on par with comparable Theory products. Suits in the collection also feature biodegradable cellulose linings, buttons made from ivory nut palm, and quality labels and tags made from recycled paper. After debuting in the United States, the Good Wool collection was put on sale at Theory stores worldwide.

Spotlight

Developing sustainable denim products at the Jeans Innovation Center

In November 2016, FR opened the Jeans Innovation Center as a denim research and development facility in Los Angeles, which is widely regarded as the denim capital of the world. The center creates designs with an emphasis on quality, while reducing environmental impacts during manufacturing and pursuing safe and efficient operations. An example of one of its innovations is the production of pre-faded and pre-ripped jeans. Large amounts of water and chemicals for fading the denim along with manual labor to make the tears and rips are generally required when producing such jeans. By adopting a laser process and other cutting-edge technologies, the Jeans Innovation Center aims to shorten manual processes and greatly reduce chemicals, water and waste.

Products
Improving products by incorporating feedback from customers

Recording customer feedback at customer service centers
To stay on top of consumer needs as they change with the times, the FR Group has set up customer service centers all over the world. In addition to being contacted by telephone and email, the centers in Japan launched an online chat service in 2017, making it easier and faster for customers to make inquiries. The feedback from customers is relayed to relevant stores and departments usually within a few business days. Store supervisors then work with customer service center personnel to respond and take whatever actions are necessary, ensuring that customer feedback is reflected to improve products and services. Recognizing that complaints are especially valuable feedback, all personnel involved promptly share details with relevant stores and departments so that their root causes and solutions can be determined in order to prevent any recurrence.

In addition, with the aim of improving customer service, FR has evaluated its customer service centers through questionnaires, which also include valuable feedback, all personnel involved promptly share details with relevant stores and departments so that their root causes and solutions can be determined in order to prevent any recurrence.

The centers plan to make use of this customer feedback when training representatives in the future.

Analyzing data in order to improve products and services
FR reviews customer feedback in detail in order to improve products and services. The Global Digital Commerce Department collects and analyzes data in real time. Drawing from information collected by customer service centers and product reviews, the department analyzes the main reasons why customers exchange or return products purchased online, and examines ways of reducing such cases.

The Global Digital Commerce Department has developed a mobile member service smartphone app that manages customer data using barcodes, allowing customer data to be collected on what items were purchased, where and when, by scanning the bar code on a customer’s smartphone at the point of purchase in the store. With such data, the department can recommend the most suitable products to a customer through the service based on his or her age and personal tastes.

The Global Digital Commerce Department can also identify products that a customer seeks online, see product ratings, and improvement requests by analyzing the customer’s purchasing history, product reviews, questionnaire responses, and responses to the unavailability of products at stores. All this information is shared by relevant departments for the purpose of improving and developing better products.

Taking responsibility as an apparel manufacturer and retailer

Collecting used company products at stores
People can continue benefiting from clothing right up until garments wear out. Therefore, in addition to its activities of manufacturing and selling new apparel products, the FR Group recognizes the importance of reusing and recycling clothing. Accordingly, it donates second-hand clothing collected from customers at UNIQLO and GU stores to refugees and other people in need around the world in partnership with the United Nations High Commissioner for Refugees as well as NGOs and NPOs in various countries. The clothes collected at the stores are first sorted (about 80% are wearable) and then donated after clarifying the quantities and types of clothes needed by people in need.

FR employees regularly travel to refugee camps to confirm that donated clothes are properly distributed and to speak directly with the recipients about what clothing and daily items they need. As of August 31, 2017, the FR Group had collected clothing in 16 countries and regions.

In a similar initiative, Group company Comptoir des Cotonniers has been collecting and donating non-sellable factory stock to people in need since 2015 in collaboration with an NGO in France. Together, they have also been processing heat insulation materials for reuse as cloth and other items. In 2016, about 9.5 tons of clothing was collected, of which more than 60% was donated and over 30% was recycled.

Recycling unwearable clothing into solid fuel pellets
After sorting, about 20% of the clothes collected from customers at stores are deemed unwearable. In Japan, these clothes are recycled into refuse paper and plastic fuel (RPF) pellets by cutting the clothes into fine pieces using a shredding machine, removing any metal pieces, mixing in paper and plastic, and then compressing the materials. This high-calorie solid fuel is used by large paper manufacturers as an alternative to fossil fuels such as coal.

Number of customer feedback instances handled by UNIQLO in Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Total received by telephone, email, post, or feedback cards distributed in stores</th>
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<tbody>
<tr>
<td>2015</td>
<td>273,400</td>
</tr>
<tr>
<td>2016</td>
<td>390,890</td>
</tr>
<tr>
<td>2017</td>
<td>650,997</td>
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</tbody>
</table>

* Feedback obtained via websites, postcards, questionnaires, telephone calls, emails, and chat services.

Breakdown of feedback received by UNIQLO customer service centers in Japan

Total received feedback: 650,997 instances

- Complaints 91
- Compliments 301
- Requests/Inquiries 564

<table>
<thead>
<tr>
<th>Compliments</th>
<th>Complaints</th>
<th>Requests/Inquiries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Store-related (38)</td>
<td>- Store-related (3)</td>
<td>- Store-related (15)</td>
</tr>
<tr>
<td>- Online store-related (38)</td>
<td>- Products (3)</td>
<td>- Online store-related (17)</td>
</tr>
<tr>
<td>- Products (38)</td>
<td>- Store-related (3)</td>
<td>- Products (20)</td>
</tr>
<tr>
<td>- Promotional campaign (2)</td>
<td>- Promotional campaign (2)</td>
<td>- Other (2)</td>
</tr>
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Spotlight

UNIQLO Update website debuts
UNIQLO launched a new Japanese website called UNIQLO Update in September 2017. The website features product improvements made in response to customer feedback. Various products showcased on the site have been improved. For example, fabric used for underwear was made softer to the touch after customers remarked that the material felt clingy, and a down vest was changed to a V-neck style so that the collar would not be seen when worn under a coat.

The total volume of garments collected annually rose greatly in 2016 due to the contribution of the 10 Billion Vests to Help Global Recycling campaign, which boosted support of second-hand clothing donation to refugees.