



Making the world a better place through clothing



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

A World Where Everyone Can Achieve Their Potential

Global is local, Local is global.

Our world is increasingly global and digitized—information is constantly at our fingertips. People can interact online as if they were physically standing next to each other, and anyone can be part of virtually anything they want, and pursue dreams regardless of their physical location. This epitomizes our driving belief that Global is local, and Local is global.

With this reality comes increased interdependence. Whether it is the tragic collapse of a garment factory in Bangladesh, a revolutionary new product developed by a start-up on the other side of the planet, or crop prices inflated by unseasonal weather in South America, news now spreads in an instant, and often the related events directly impact every one of us.

Connecting the World

The world is intimately connected, and many people contribute to the lifestyles that we live today. It is important to recognize this and work responsibly to help improve the lives of others. Fast Retailing's mission is to:

- Create truly great clothing of unprecedented 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 unique corporate activities, and develop our company in unity with society

We connect with people around the world precisely because everything we do is underpinned by this central mission.

We strive for a corporate culture where the profits we achieve allow everyone connected with us, directly and indirectly, to grow and develop. That is the responsibility to society that we aspire to.

Eliminate Discrimination, Champion Human Rights

At the core of Fast Retailing's management philosophy is our commitment to eliminating discrimination, championing human rights, and helping people maximize their growth and happiness. The All-Product Recycling Initiative is but one example of this commitment in practice. We collect second-hand clothing donated by our customers and distribute them to those in need, with the help of the United Nations High Commissioner for Refugees (UNHCR) and various NGOs.

At the end of August 2014, Fast Retailing employed 1,372 people with disabilities across 12 countries and regions, and our Japan operations boasted the highest ratio of employees with disabilities of any large company in Japan, at 6.36%. We aim for a working environment suitable to a diverse workforce, and actively promote diversity and advancement.

Stores Managed by Locals, for Locals

At Fast Retailing, our staff are the stars. Employers have a responsibility to provide their employees with opportunities to develop the business, and realize their potential. By hiring staff from their local community, our management system empowers stores to effectively connect with their local customers. We want our employees to feel that they are contributing, so they can pursue their dreams.

We host charitable shopping initiatives in our stores outside Japan for people with disabilities, as well as supporting the Special Olympics. We encourage all of our staff to embrace our corporate mission with pride, and help make the world a better place through clothing.

Responsible Procurement —Monitor Raw Material Supply Sources

Recently, we have witnessed several heart-wrenching tragedies such as factory fires and building collapses in Bangladesh. We are committed to working environments and finished products that are absolutely

safe, across our entire supply chain. We help to ensure worker health and safety by working closely with our partner manufacturing facilities on processes, and by carefully monitoring working conditions—including for child and forced labor, fair wages, and reasonable working hours. We conduct first hand checks of every single source for our raw materials, such as cashmere, cotton, and wool. This active commitment to responsible procurement has created a safer, more efficient supply chain, to the benefit of all.

Sustainable Social and Environmental Development

Society demands that businesses do their part to protect the environment, and we constantly seek ways to minimize our impact on the environment. We work directly with fabric producers and by January 2020 aim to completely eliminate the release of harmful chemicals across the entire lifecycle of a product. We are also working to develop the environmentally conscious products our customers want.

Transparency and Accountability

Everything we do is underpinned by a clear commitment to social responsibility and full compliance, and to instilling these values in each and every employee. Fast Retailing stands by strict ethics, including a thorough check-and-balance system and sound, fair corporate governance. We listen to all of our stakeholders, and amend our business practices swiftly whenever necessary. We promote a global management style—fully accountable, and highly transparent.

Fast Retailing remains resolutely committed to helping make the world a better place through clothing, and to fulfilling our corporate statement: Changing clothes. Changing conventional wisdom. Change the world.

FAST RETAILING WAY (FAST RETAILING Group Corporate Philosophy)

Corporate Statement

Changing clothes. Changing conventional wisdom. Change the world.

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 & 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 company believes that giving people the opportunity to experience the joy, happiness and satisfaction of wearing exceptional apparel is the key to achieving its core CSR aim: to "make the world a better place".



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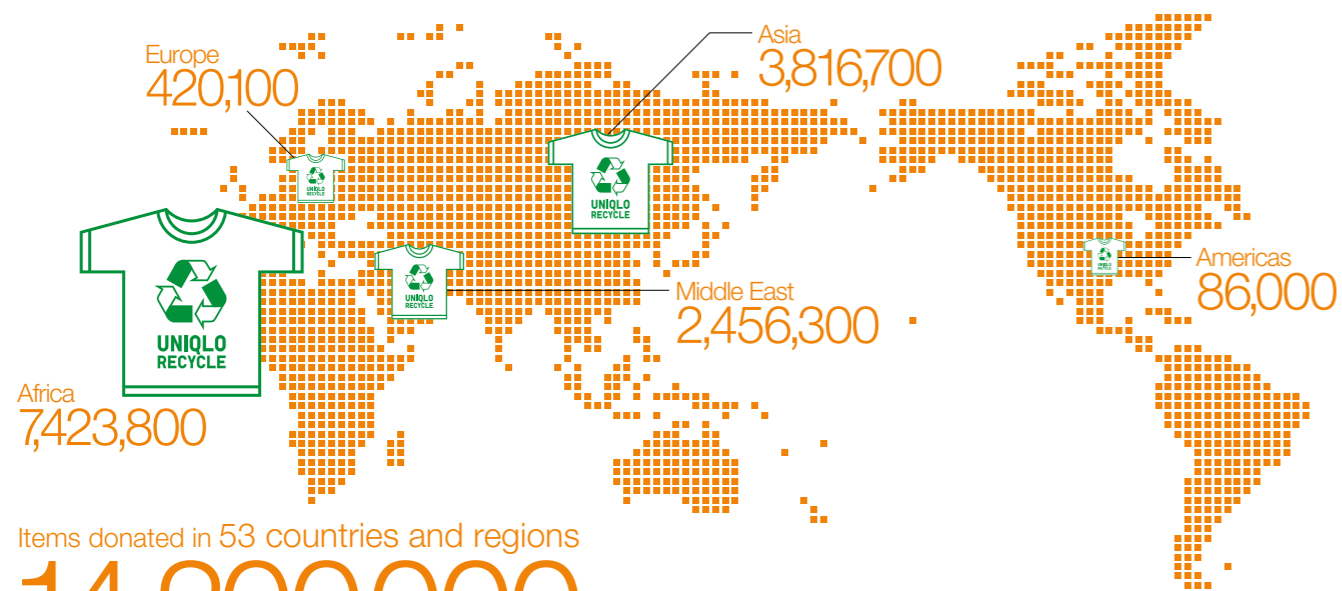


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CSR Challenge Data 2014

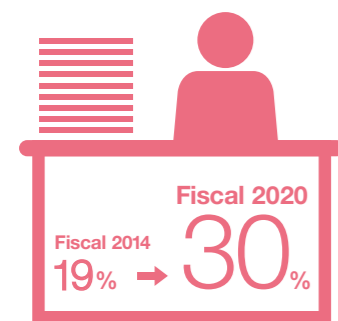
Clothing donated worldwide through All-Product Recycling Initiative (as of September 30, 2014)



Items donated in 53 countries and regions
14,200,000

Items collected in 11 countries and regions 32,500,000

Percentage of female managers by 2020



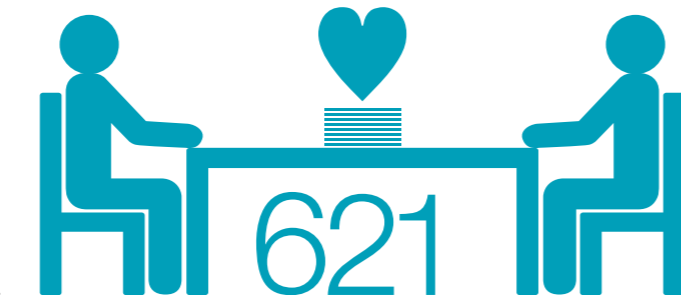
Destination of clothing collected through All-Product Recycling Initiative



Number of environmental inspections conducted



Number of workplace inspections conducted



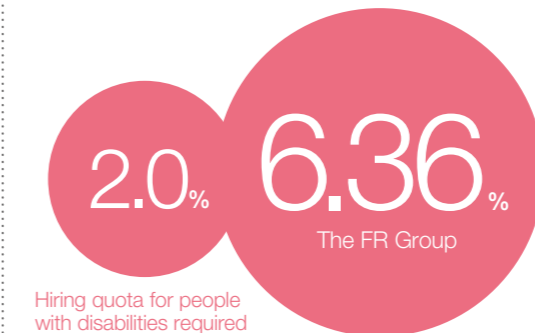
Target number of contract changes from part-time to full-time at UNIQLO Japan (Regional Regular Employee System)



Number of persons with disabilities employed worldwide

1,372

Percentage of employees with disabilities in Japan



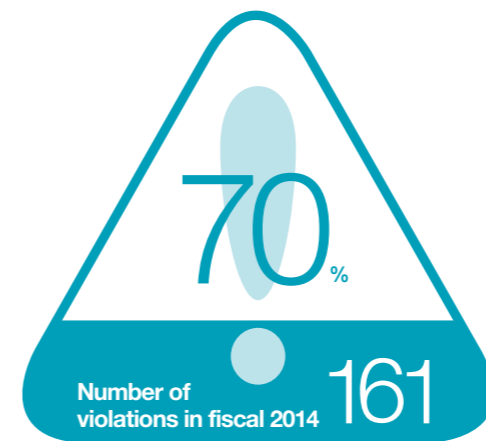
Global partnership with the United Nations High Commissioner for Refugees



Global partnership with the United Nations Children's Fund



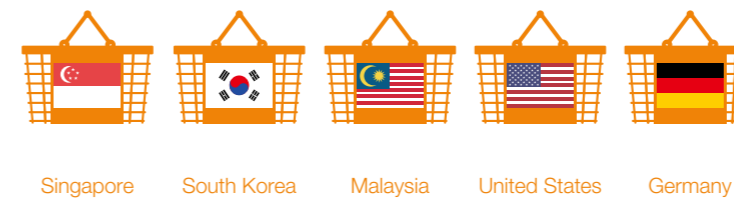
Progress following independent inspections to improve fire prevention and building safety in Bangladesh



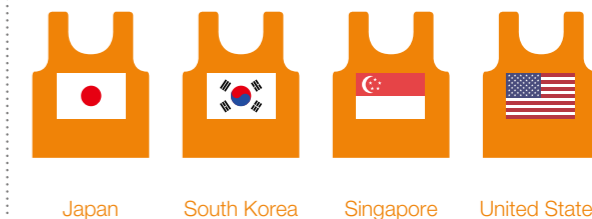
Number of Grameen UNIQLO social business stores in Bangladesh



Countries conducting In-Store Shopping Experience events to promote social inclusion for those with disabilities, or other challenges



Countries supporting Special Olympics activities



Hazardous chemical emissions by 2020

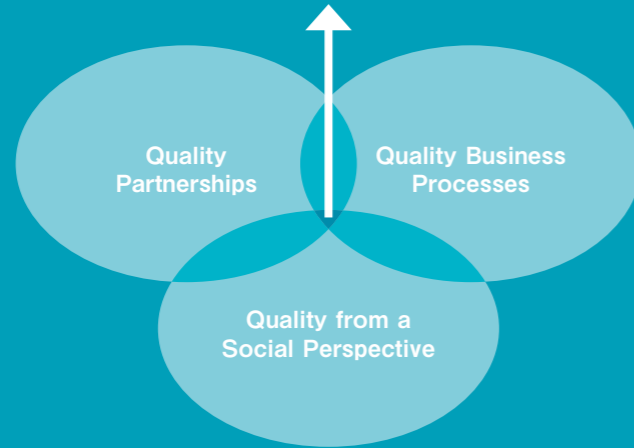


Number of employees worldwide

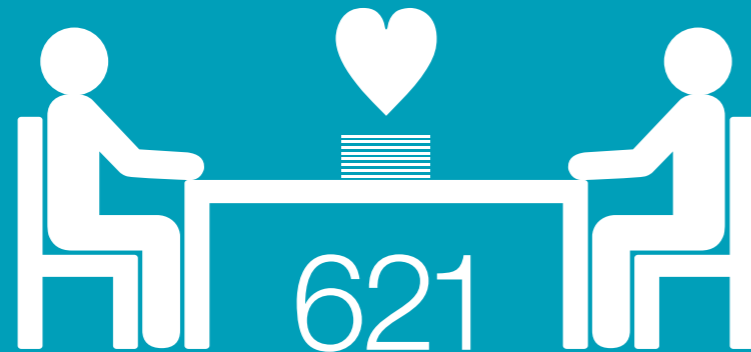


Production Policy: Quality in Three Areas

Clothing that Meets the World's Highest Quality Standards



Number of workplace inspections conducted



Progress following independent inspections to improve fire prevention and building safety at partner factories in Bangladesh



Challenge 1

Production

Responsible Sourcing and Production Processes

At Fast Retailing, making clothing that meets the world's highest standards means ensuring quality across our supply chain: for the people who wear our clothes, and the people who make them. Ensuring proper working conditions and responsible production processes is one of the many responsibilities to our customers and the communities we serve. FR is deeply involved in every process of its supply chain to ensure that the highest standards are maintained. Valuing long-term interests over short-term gain, together with business partners that share our sense of mission and ideals, and with customers, we strive to make the world a better place.

Commitment

Responsible Supply Chain

Meeting the world's highest standards for clothing requires quality in three key areas: quality partnerships, quality business processes, and quality from a social perspective. We strive for manufacturing processes that are safe for partner factory employees, while addressing social challenges, including environmental issues and animal welfare. Aiming to operate with maximum precision and efficiency, we pursue long-term, sustainable growth with partner factories that meet the highest standards. FR monitors the workplaces of its partner factories worldwide to ensure high standards. We have a zero tolerance policy for child and forced labor, and strict controls to ensure fair wages and prevent excessive working hours. This monitoring goes beyond evaluations to include guidance on improvements, turning the process into a key differentiator for the business.

Achieving quality in these three areas requires our production team to work closely with the CSR department and integrate CSR activities into our daily operations. At our production offices in Shanghai, Ho Chi Minh, Dhaka, Jakarta, and Istanbul, FR has some 400 employees in charge of production quality and process management who work with partner factories to help them achieve their goals.

Equally important are efforts to minimize our environmental impact. This is done in collaboration with partner factories and through dialogue with NGOs and other stakeholders. Verified at monthly meetings attended by senior officers, we are making steady progress in entirely eliminating emissions of hazardous chemicals—a commitment announced in 2012. We also survey environmental risks across the supply chain to determine which of the many environmental issues FR should focus on. By immersing ourselves in all supply chain processes and collaborating with trusted partners, FR is achieving quality in the three areas needed to make the world's highest-quality clothing—and in turn, make the world a better place.



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



Collaboration between CSR and Production

Ensuring a Responsible Workplace

Integrating CSR into Supplier Operations

The Fast Retailing Group recognizes that safe and proper working conditions at partner factories are an essential part of producing responsibly. FR has established CSR sourcing teams in the CSR department at the Tokyo head office and at various production centers whose core task is to work with partner factories to identify and resolve problems. The CSR sourcing team at the Shanghai Production Office, FR's largest production hub, visits partner factories on a daily basis to monitor working conditions, such as safety and working hours, as well as the environmental performance of textile facilities.

FR's production department also integrates CSR in its operations. Roughly 400 employees in charge of production quality and process management in our production offices around the world conduct weekly visits to partner factories. To sustain the mutual growth

of both FR and its suppliers, these teams observe site conditions firsthand and work with them on improvements, when necessary.

When starting new business relationships, the production department always conducts workplace monitoring before deciding whether to place an order. As of 2013, FR's production policy states that business will not be conducted with factories that fail to meet workplace monitoring requirements, regardless of how well they can deliver on quality and pricing. FR also provides CSR training for production staff to promote greater understanding and awareness.

Addressing Industry Challenges

After the Rana Plaza factory collapsed in Bangladesh in 2013, FR re-inspected its own partner factories to make sure there were no serious issues. This exercise underscored our conviction that verifying factory

conditions in person and keeping track of suppliers' management practices can significantly reduce the risk of fatal accidents. FR's due diligence is driven by its CSR and production departments routinely visiting supplier factories to make improvements. Enabling this is the strong, trusted partnerships FR has with supplier factories.

FR is also acutely aware of industry-wide challenges that come to light in many of our production regions, such as China. We believe we have a responsibility to help solve these local issues, not just those at our own partner factories.

For factories in China, promoting better working environments is critical to meeting increasingly strict laws and regulations. We work with the production department to visit suppliers and improve conditions with them.



Toshiyuki Tanaka
CSR Department
Fast Retailing (Shanghai) Enterprise
Management Consulting Co., Ltd.

Even from a business risk and quality standpoint, appropriate working conditions are a minimum requirement. Through daily meetings, training, and factory visits with the CSR sourcing teams, we work to build greater awareness and share information within our department.



Tomoya Utsuno
Department Manager
Production Department
Fast Retailing (Shanghai) Enterprise
Management Consulting Co., Ltd.

Workplace Monitoring

Safe Working Conditions across the Supply Chain

Workplace Monitoring

At Fast Retailing, workplace monitoring is essential to generating value for both FR and its partner factories, as it helps to ensure safe and appropriate working conditions and improvements in productivity, quality, and employee satisfaction. FR works with third-party agencies to verify that partner factories satisfy our Code of Conduct for Production Partners—a set of standards established in 2004 stipulating the provision of safe working environments and prohibitions of child and forced labor. Sites that require improvement are provided on-site guidance by CSR department employees. The monitoring results for 2014 are presented in the table below.

Guidance provided by FR is tailored to the unique issues that can arise in each factory. These include practical advice for acquiring construction and fire prevention safety certifications, validating payroll calculations, or registering employee work hours. FR also implements pre-contract monitoring for all new business partners. In 2014, monitoring standards were raised and rules were reinforced. Early improvements resulting from this pre-contract monitoring led to a decline in the percentage of factory violations after operations began. Many factories that received guidance also saw their evaluation scores improve.

FR has also expanded its training program and curriculum for partner factories to ensure that they fully understand the company's standards. Training is practical, so partner

factories can immediately address site-specific problems, such as a contract termination due to false reporting, or inappropriate work hour management.

● Three Goals of Workplace Monitoring

To maximize the effectiveness of workplace monitoring, a dedicated CSR sourcing team ensures responsible procurement and drives improvements toward the following three goals:

1. Identify and resolve issues related to working conditions and environmental impacts in the supply chain
2. Collaborate with the production department and partner factories to implement industry best practices
3. Communicate with customers, partner factories, NGOs, local communities and other stakeholders in a fair and timely manner

CSR Employees at Partner Factories

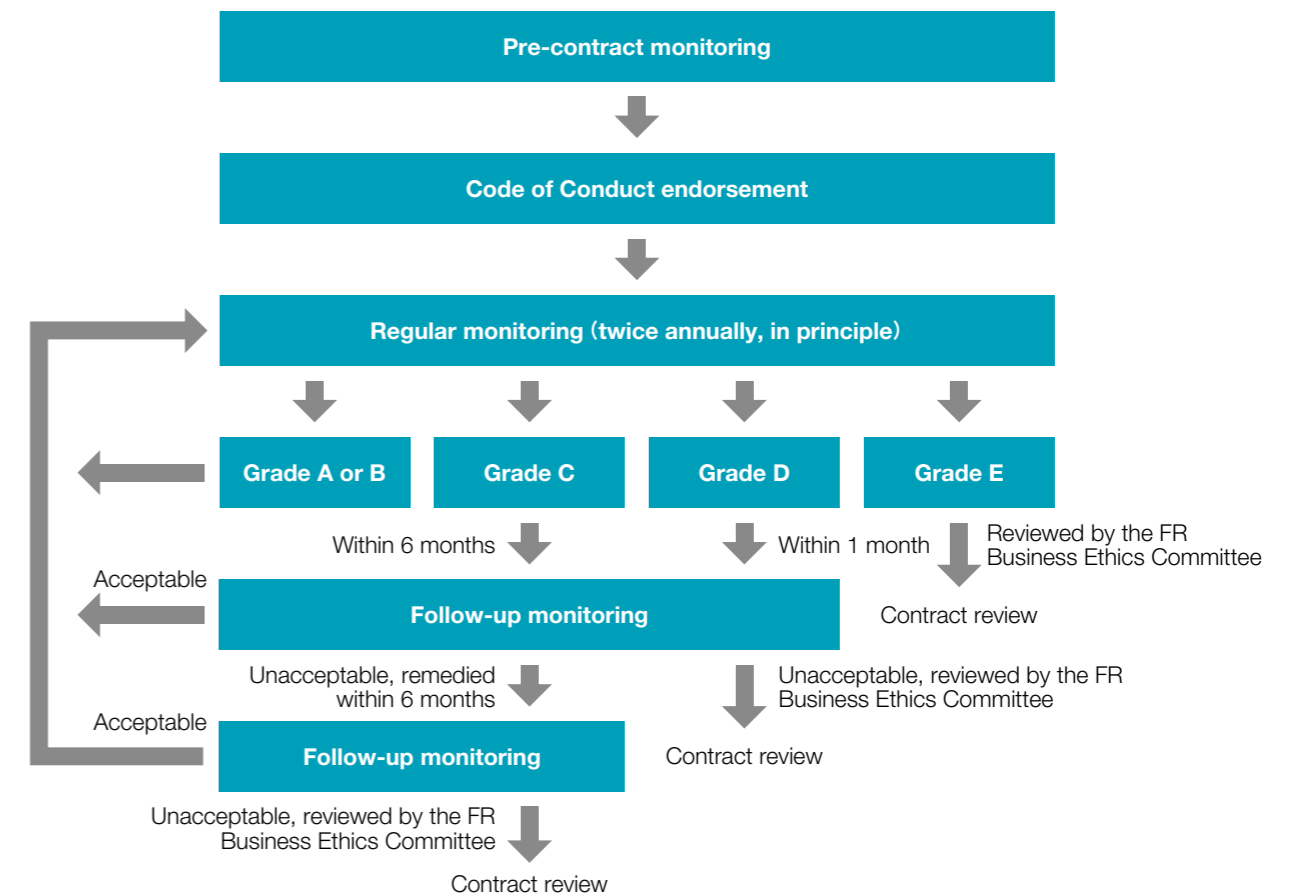
FR is also working with partner factories to improve their management capacity for more effective workplace monitoring. These efforts include requiring the appointment of on-site CSR employees and creating systems for self-auditing. FR also provides internal training for production department employees on general CSR topics, procurement-related ethical issues, and workplace monitoring standards and goals. FR is always seeking ways to further improve its training.

Regular Workplace Monitoring Results (as of August 31, 2014)

Grade	Description	Number of Factories Regularly Monitored (UNIQLO)		
		Fiscal 2012	Fiscal 2013	Fiscal 2014
A	No violations	9 (8)	11 (10)	1 (1)
B	One or more minor violations	87 (59)	134 (95)	175 (115)
C	One or more major violations	69 (51)	97 (45)	72 (32)
D	One or more serious violations	56 (34)	48 (19)	77 (17)
E	Highly unethical, serious offenses subject to immediate review of contract	8 (7)	4 (1)	7 (3)
Total		229 (159)	294 (170)	332 (168)

- Workplace monitoring was conducted at 332 factories in fiscal 2014.
- "Grade D" evaluations increased across FR's operations from fiscal 2013; most were given to new business partners. FR will work to prevent violations through early instruction and guidance.
- "Grade E" evaluations increased from fiscal 2013. The number of contracts that underwent review due to a lack of improvement after the stipulated number of inspections also increased.
- Contracts with factories that received a "Grade E" evaluation in fiscal 2014 were reviewed. Contracts were terminated with factories that showed no improvement.

Workplace Monitoring Framework



● Pre-Contract Monitoring

Pre-contract monitoring determines whether a factory is eligible to do business with FR. The procedures and criteria are essentially the same as those used for regular monitoring, with added emphasis on particularly important concerns, such as previous violations of child labor laws.

● Regular Monitoring

Third-party auditors regularly conduct on-site inspections. The inspections include an initial meeting, tours of the factory and related facilities, such as cafeterias and dormitories, interviews with factory workers, examination of required documentation, and occasionally, sampling inspections. Monitoring concludes with a wrap-up meeting, at which the auditors review the findings with factory representatives and provide feedback for improvements.

● Factory Grading System

FR grades the monitoring results from A to E. Factories with highly unethical or serious offenses are given E grades and FR immediately reviews its contracts with the facilities 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 sends the CSR team on fact-finding missions and reviews the partnership contract. FR makes its final decision based on its findings, while taking into account the factory's business conditions and the local employment situation. After implementing the review, FR works with the factory to prevent the recurrence of the violations. If the required improvements are fulfilled, FR reviews the business relationship, including the viability of reinstating the original contract conditions.

For more about Fast Retailing's Code of Conduct, please visit our CSR website at: www.fastretailing.com/eng/csr/business/supplier.html

Improvements from Monitoring Efforts

● Inadequate Working Hour Records (China)

An initial follow-up inspection in April 2013 found a record of keys borrowed from the security office on a day recorded as a holiday in the factory's time sheet. The records were judged unreliable, resulting in a C grade.

The CSR team visited the factory to investigate and discovered that an employee had borrowed keys to open doors for a construction crew. Since a trip to work to hand over keys should result in a work hours entry, FR advised the business partner to re-instruct employees on attendance management rules. Prior to the second follow-up inspection, both the CSR and production teams met with the partner factory and confirmed that improvements had been made and instruction provided. The second follow-up inspection in December 2013 verified the improvements.

● Missing Overtime Wages (China)

The CSR team found missing overtime compensation, missing work hour entries, and inadequate chemical storage conditions when visiting a partner factory to confirm improvement of violations discovered in an initial follow-up inspection in May 2013.

The missing overtime compensation was the result of a payroll accountant's misunderstanding, which had been mistakenly converted into compensatory time off. The CSR

team provided guidance on the correct calculation method and on paying all overtime work. For other violations, including the missing work hour entries, the CSR team encouraged increased diligence, explaining the importance of correct management at the start and end of each workday. They visited the factory repeatedly thereafter to monitor and provide guidance. They later confirmed that all unpaid wages had been paid and all violations resolved.

Serious Offenses

● False Reporting (China)

An initial follow-up inspection in December 2013 uncovered a discrepancy between production records and attendance records.

In June 2014, the CSR team visited the factory to verify improvements, but found further discrepancies between the attendance records and employee interviews.

In later discussions, when FR requested an explanation as to why punched time cards and hand-written attendance records submitted by the factory were not the same, it came to light that the time cards and attendance records submitted to that point had been false.

When FR insisted on an action plan to correct the attendance record-keeping system, no convincing method of improvement was presented by the factory. FR judged that the factory had no desire to improve, and terminated the contract.

Addressing Industry Challenges in China

New Initiative with a Valued Business Partner

Leading Chinese apparel manufacturer the Chenfeng Group is one of the FR's most valued business partners, with a 21-year history of working together. Exempted from third-party inspections due to its high reliability in quality, the Chenfeng Group is also an active proponent of social responsibility—being the first supplier member of the Fair Labor Association, an international organization that conducts third-party assessments of factories worldwide. Toshiyuki Tanaka, CSR department manager at FR's Shanghai production office, comments on the partnership. "The biggest challenge, for us and for our partners, is teaching factory employees about the importance of social responsibility. The Chenfeng

Group has a CSR department and CSR staff for each region and factory and implements very site-specific activities. The company puts special emphasis on the first three months of work, when they explain and provide evidence for why rules exist, to prevent ethical issues such as poor working conditions and wage calculation problems. Their basic approach is to foster an understanding that the employees can then act upon. I would like other partner factories to learn from them—especially their communication with employees." FR and the Chenfeng Group have agreed to a new initiative to spread best practices to other factories. To start, the FR CSR department held meetings in August 2014 with the Chenfeng

Group Chairman, CSR staff, and others at a Chenfeng Group factory in Jiangsu. Chairman Yin Guoxin comments, "Our current reputation as a benchmark is the result of improvements we made with FR throughout the years. We want to take this special partnership with FR to the next level and offer examples that will help the entire industry develop and grow. We also believe it's our responsibility as industry leaders to help solve local challenges, such as employment, to improve technology and management standards, and to raise the bar for the Chinese apparel industry as a whole." FR and the Chenfeng Group will take on new challenges that help advance the entire Chinese apparel industry.



Improving Fire Prevention and Building Safety in Bangladesh

Prompted by the garment factory fires in November 2012 and the Rana Plaza building collapse in April 2013 in Bangladesh, Fast Retailing is not only working to promote new industry standards, but also began conducting its own independent inspections in May 2013 to maintain appropriate working conditions for factory employees and improve fire and building safety in the country. Through site visits by the CSR team and improvement reports from partner factories, FR confirmed that, of 351 violations identified by December 2013, 190 had been resolved as of March 31, 2014. Building safety inspections by an experienced Japanese inspection agency are also complete and found no issues. In August 2013, FR signed the Accord on Fire and Building Safety in Bangladesh as further commitment to safeguarding workers from any accidents. Initiated by the IndustriALL Global Union and the UNI Global Union, the Accord has been endorsed by international NGOs and more than 190 companies as of 2014. Since February 2014, 38 global teams of experts have begun inspections on fire prevention, electrical systems, and building safety. They plan to perform inspections at some 1,500 factories to guarantee a safe environment.

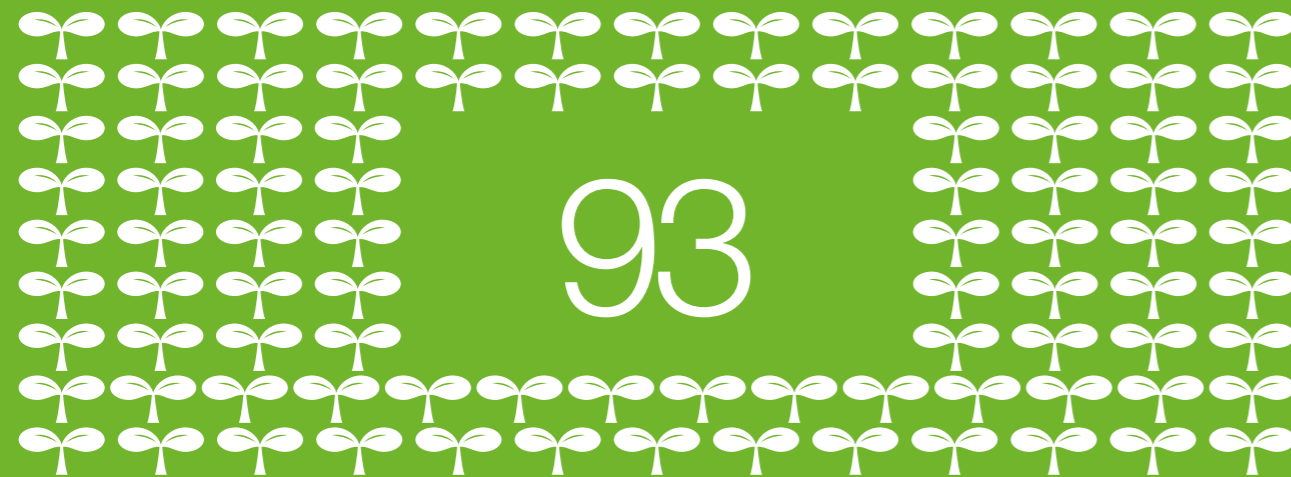
For the latest updates on safety initiatives in Bangladesh, please visit our CSR website at: www.fastretailing.com/eng/csr/business/bangladesh.html

Fast Retailing CSR website
<http://www.fastretailing.com/eng/csr/>

For Our Customers
For Our Business Partners

- UNIQLLO's Product and Safety Control System
- Standardized Clothing Production Processes
- Workplace Monitoring
- Safety Initiatives in Bangladesh
- Voluntary Product Recalls
- Fast Retailing's Code of Conduct
- Collaboration between CSR and Production
- Fair, Equal Partnerships

Number of environmental inspections conducted



Destination of clothing collected through All-Product Recycling Initiative



Project Meetings to Eliminate Hazardous Chemical Emissions



Challenge 2

Environment

Reducing Environmental Impacts across the Supply Chain

Fast Retailing aims to be environmentally conscious and responsible. We actively address environmental and social issues worldwide through impact reduction efforts in all processes across the supply chain. One important way we do this is searching for ways to maximize efficiency, using fewer resources. FR also listens to its stakeholders, to help devise solutions and effectively protect the environment, for a more sustainable society.

Commitment

Clearer Environmental Policies

As an SPA retailer (Note), Fast Retailing strives for sustainable operations that minimize our impact on the environment—assessed through our carbon emissions, and use of water and energy. We work to measure and reduce the impact of all processes in our supply chain.

In 2014, FR formulated an environmental policy to clarify its responsibilities for more environmentally conscious operations. (See page 18 for further information.) Production accounts for one of the largest environmental impacts in the FR supply chain. We conduct workplace monitoring at sewing factories, our first tier suppliers, and environmental monitoring at fabric manufacturers, our second tier suppliers and the biggest users of energy and water. Going forward, we also plan to conduct environmental monitoring at fabric suppliers for group businesses. Starting in 2015, we will assess the status of specific impacts, decide which to focus on, and take rigorous steps to set targets and promote reduction. We have already committed to completely eliminating emissions of hazardous chemicals from the entire product lifecycle by January 2020.

Our retail stores, which we operate directly, are also part of our environmental impact reduction efforts. We have set clear policies and measures, as well as targets for 2020 to reduce energy use and carbon emissions.

Through the reuse and recycling of clothing from our All-Product Recycling Initiative, the life of our products is extended, yielding both social (reuse) and environmental (recycling) benefits.



Yukihiro Nitta
Group Senior Vice President in Charge of CSR
Fast Retailing Co., Ltd.

Note: 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, logistics, sales, and warehouse management.

Reducing Our Environmental Impact

Working with Stakeholders to Reduce FR's Environmental Impact



Formulating a New Environmental Policy

Fast Retailing works with all stakeholders—customers, business partners, local communities, NGOs, and employees (including those of partner factories)—to minimize environmental impacts throughout the supply chain. In production, this means developing processes that are more efficient and yield higher quality, and implementing them not only at first tier sewing factories, but at all supplier operations involved in raw materials and fabric processing. In 2014, FR established an environmental policy to clarify its goals and drive progress.

Environmental Policy

Fast Retailing seeks to comply with all laws and regulations and to respect the natural environment and the challenges facing the international community in its aim to be an environmentally responsible company. FR aims to minimize its impact and to operate efficiently, eliminating waste and searching for ways to extract more value from fewer resources. We also:

- Actively work to minimize environmental impacts in all processes, from product planning and production to logistics, sales, recycling, and disposal
- Set environmental impact reduction targets for stores, the mainstay of our business
- Work with partner factories to reduce the environmental impact of production processes
- Actively promote dialogue and collaboration with customers, our most important stakeholder, to foster awareness and positive impacts for the environment.

Reducing the Environmental Impact of the SPA Processes



Product Planning

FR designs and develops clothing with numerous objectives in mind, including material safety, responsible procurement, environmental impact, efficient production, enhanced features (such as thermal-insulating and quick-dry technologies), and other elements that benefit customers; all the while considering the environment.

Raw Materials

FR visits suppliers of key raw materials such as cotton in an effort to more directly manage the use of such materials. In 2013, FR verified that cotton farms in China's Xinjiang Uyghur Autonomous Region were operating in a sustainable manner, including the proper use of water and pesticides. FR continues open dialogue with local businesses, while regularly verifying conditions.

Production

Fabric production has the greatest environmental impact in the SPA processes 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 ways to reduce environmental impacts and energy consumption. The results will be used to plan projects for other factories.

Logistics

Logistics is a significant source of environmental stress within the SPA supply chain, especially in the form of carbon emissions. FR is working to streamline its global distribution network and to reduce impacts by adopting more efficient transport modes, streamlining deliveries from warehouses to stores, optimizing warehouse layouts, reusing and reducing the weight of packaging, and developing more efficient loading methods.

Sales

FR sets environmental impact reduction targets for the stores it operates. FR first set a target for UNIQLO stores in Japan, aiming to reduce CO₂ emissions per floor area 10% from fiscal 2013 by the end of fiscal 2020. From fiscal 2015 onward, FR will advance these efforts across the entire FR Group.

Reuse and Recycling

The All-Product Recycling Initiative collects second-hand clothing at UNIQLO and GU stores in 11 countries and regions worldwide. About 90% of all collected clothing is donated to refugee camps and others in need, while the remaining 10% is converted into fuel or fiber. FR is also collecting and devising ways to make effective use of product packaging materials and other waste generated from stores.

Environmental Guidelines for Fabric Production

Environmental Monitoring of Fabric Manufacturers

Fast Retailing understands the importance of reducing its environmental impacts across the supply chain. Fabric production—a broad area of activity that includes spinning, weaving, knitting, dyeing, and drying—has an especially large impact on the environment due to the chemicals, waste, and emissions involved throughout the process. In 2010 FR began environmental monitoring at fabric producers for UNIQLO products.

Environmental monitoring is conducted based on the FR Environmental Guidelines for Fabric Production, composed of six themes, with five to ten specific standards for each: 1. Environmental management system, 2. Chemical substances management, 3. Waste management, 4. Asbestos and PCBs, 5. Pollution control and measurement, and 6. Health and safety of employees.

Environmental monitoring begins with detailed on-site inspections against the guidelines by a third-party agency. The results are reported to FR and the partner factory, which then goes about making necessary improvements by the agreed-upon deadline, subject to verification by FR and the agency. For factories with numerous violations, FR provides guidance, visits the sites when necessary, and conducts follow-up inspections.

FR Environmental Guidelines for Fabric Production

1. Environmental management system

Company leaders are to publicly express their commitment to environmental stewardship and appoint a staff member in charge of environmental management. Management systems for collecting information, implementing measures, and monitoring progress are essential to ensuring sustained and effective efforts.

2. Chemical substances management

Effective management and emergency treatment of dyes, processing aids, and other chemicals used in the production of apparel fabric is critical to the protection of employee health and the surrounding environment.

3. Waste management

Appropriate management and processing of waste helps prevent the risk of leaks, encourages recycling, and leads to the effective use of resources. The treatment of waste transferred outside the factory for final disposal or recycling must be verified.

4. Asbestos and PCBs

Asbestos and PCBs are particularly hazardous

substances that can have a serious impact on employees and the surrounding environment.

5. Pollution control and measurement

Wastewater from dyeing and processing, boiler exhaust, and noise from heavy machinery are among the various pollutants generated in the process of making apparel fabric.

6. Health and safety of employees

The provision of site facilities, such as those related to fire prevention and evacuation routes, and routine education and training on the prevention of work injuries and occupational illness are critical to working in a safe and secure environment.

Results of Environmental Monitoring

In fiscal 2014, FR monitored 62 supplier factories that had been monitored since June 2010. (See page 20 for compliance.)

Compliance rates improved for environmental management systems, chemical substances management, and waste management as a result of the guidance provided through meetings and site visits. The compliance rate for employee health and safety declined, with one follow-up inspection discovering that employees were

supplied with gloves and other protective gear but failed to use them. FR is working with factory managers to address the root causes of these issues and make sure they are resolved.

Examples of Issues Identified and Resolved

● Chemicals and Waste Management (Thailand)

A follow-up inspection in March 2013 found inadequate disposal of chemicals and waste that were not stored in designated facilities. FR discussed improvements with the supplier, and in December, the CSR team visited the site together with *takumi* (Note) and third-party dyeing and fabric production experts to evaluate the progress. A follow-up inspection later confirmed that the issue was resolved.

● Child Labor (China)

Environmental monitoring includes inspections to prevent child labor. An initial audit in May 2014 found that two people under 16 years of age, the legal working age, were hired by a partner factory. The CSR team visited the site and learned that the human resources department failed to properly verify age and that the two were employed at the discretion of factory floor managers. Based on FR's feedback, the partner factory implemented improvements, including changes to its hiring system.

The CSR team visited the site again in July 2014. They confirmed that HR system training had been provided for employees of all ranks, improvements made to the hiring process enabling age verification, and thrice-monthly comparisons begun between the payroll and employee work status in the HR department. They also recognized more stringent management practices from employee interviews. Nonetheless, considering the seriousness of doing business with a company that previously hired children, FR reduced its order volume following a review by the Business Ethics Committee.

Note: Since 2000, UNIQLO has sent *takumi* experts, highly skilled technicians with extensive experience in Japan's world-renowned textile industry, to factories to provide technical assistance and develop skills.

Compliance with the FR Environmental Guidelines for Fabric Production

(As of August 31, 2014, FR has monitored 62 fabric manufacturers since the program began in June 2010)

Category	Compliance Rate	Example Requirements
1. Environmental management system	90%	<ul style="list-style-type: none"> Person in charge of environment appointed Environmental management plan in place Training on environmental management provided
2. Chemical substances management	35%	<ul style="list-style-type: none"> Detailed chemical restrictions list Safe storage of chemicals (secondary container installed to prevent leaks, chemical labeling, person in charge of chemicals management appointed, chemical safety information collected and posted)
3. Waste management	34%	<ul style="list-style-type: none"> Waste transferred to qualified vendors Waste separation (e.g. chemical waste and non-chemical waste) and labeling Safe storage of waste
4. Asbestos and PCBs	97%	<ul style="list-style-type: none"> Asbestos and PCBs appropriately checked and managed
5. Pollution control and measurement	74%	<ul style="list-style-type: none"> Environmental licenses from the relevant authorities, such as pollution emission permits Emission from facilities measured and controlled to comply with legislation
6. Health and safety of employees	27%	<ul style="list-style-type: none"> Personal protection equipment (masks, earplugs, gloves) distributed and worn Installation of emergency exits and fire safety equipment Occupational health checks conducted



Eliminating Hazardous Chemicals

Eliminating Hazardous Chemical Emissions

Working with Stakeholders

Fast Retailing has committed to completely eliminate the emission of hazardous chemicals from our entire product lifecycle by January 2020. While eliminating all hazardous chemicals poses some real challenges, we are not only participating in an industry-wide initiative, but also working independently with business partners, chemical manufacturers, NGOs, industry peers, and various other stakeholders to achieve this goal.

For example, we require partner factories to comply with the FR guidelines and perform product and wastewater testing. Prompt action is taken to resolve any violations. This involves meeting with the factory and chemical manufacturer, visiting the site to identify the causes and advising on alternative materials.

The Project to Eliminate Hazardous Chemical Emissions has three main components: 1. Product testing, 2. Wastewater testing, and 3. Communication with NGOs.

Regular Project Meetings with Senior Managers

FR holds monthly meetings to ensure the effectiveness of this project. Officers and operations managers from the CSR, production, and product development

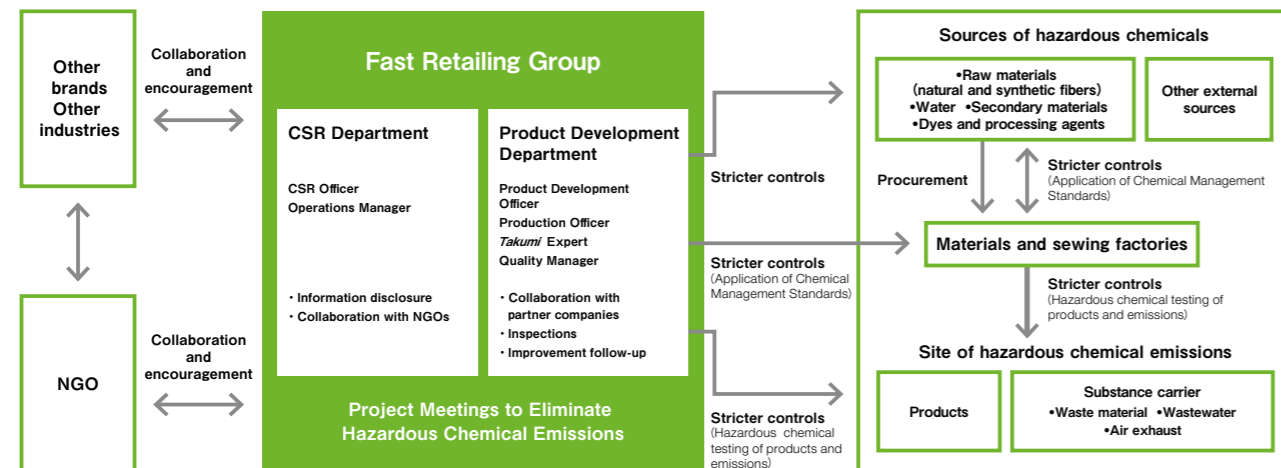
departments, as well as *takumi* experts on dyeing and fabric production and quality team managers, attend in person, while Tokyo head office and production offices worldwide participate virtually, by way of videoconferencing.

The meeting primarily addresses the three main components of the project: 1. Match the list of hazardous chemicals detected in products against FR's standards, and identify products and substances that require action. Identify the causes and discuss countermeasures. 2. Report on wastewater conditions and actions taken based on test data. 3. Hold regular meetings with participating NGOs. In addition, participants discuss changes to environmental guidelines in response to legislative developments in each country.

FR also recognizes the need to provide accurate and transparent information relevant to the health and environment surrounding customers and communities where partner factories are located. FR has created a system for disclosing information and ensuring transparency related to hazardous chemicals used in its supply chain. In April 2013, FR released its list of restricted substances. The list is regularly reviewed and the latest updates posted on the company's CSR website.

FR continues to work to eliminate all hazardous chemical emissions.

Zero Emissions of Hazardous Chemicals



For more on the latest progress in the Project to Eliminate Hazardous Chemical Emissions, please visit our CSR website at: www.fastretailing.com/eng/csr/environment/zero.html

Working with Stakeholders to Reduce Environmental Impacts

The FR Group aims to collect quantitative data on the environmental impact generated by all processes in its SPA supply chain. Because production creates the largest environmental impact, as evident from the figures below, both first tier sewing factories and second tier fabric manufacturers are working to monitor impacts. Because fabric production uses particularly large amounts of energy and water, FR has begun dispatching third-

party specialists to fabric manufacturing sites to assess their usage and assist with setting targets for reductions. Leveraging the solid partnerships it has built with suppliers, FR is also helping partner factories lower costs and raise efficiency. Another top priority for the FR Group is to reduce energy use at its stores. At UNIQLO stores in Japan, FR aims to reduce CO₂ emissions relative to floor area 10% from fiscal 2013 by

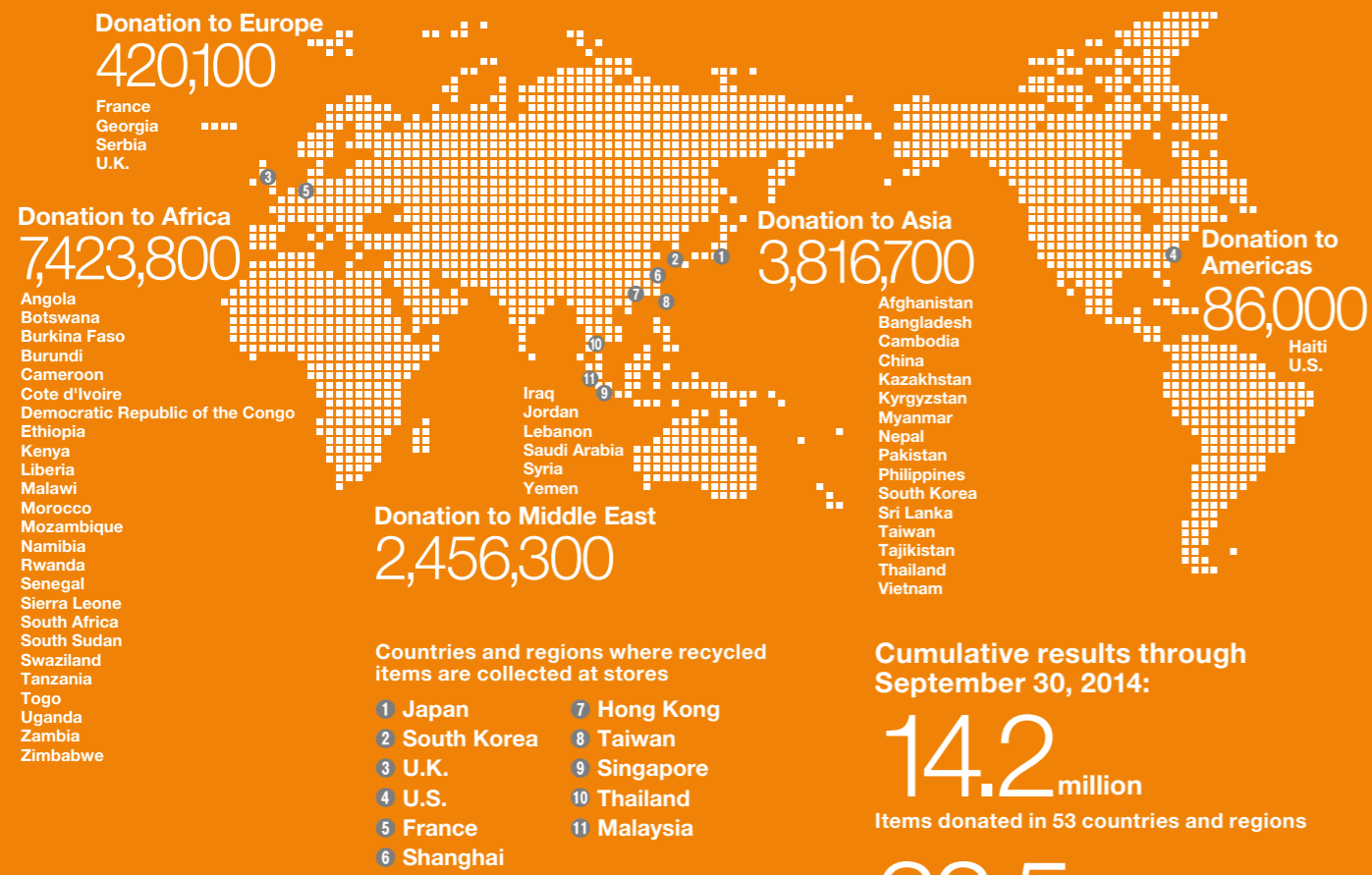
2020. This involves upgrading all lighting to LEDs, introducing energy-efficient HVAC systems with thermostat control, reducing lighting levels during pre-opening hours, and raising staff awareness by distributing energy manuals at the stores. The FR Group, with its business partners and other stakeholders, continues to work to minimize its environmental impact by using fewer resources and operating more efficiently.

Fast Retailing's Environmental Impact

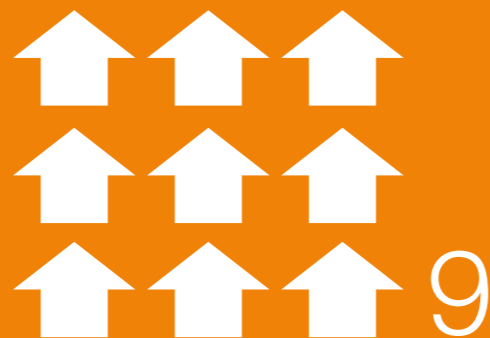
	Planning	Production	Logistics	Sales	Use/Disposal
Energy and Raw Materials Usage	In	Sewing Factories and Fabric Manufacturers Energy consumed (calories) 18,577,035 GJ Electricity 498,628,225 kWh LPG 2,050,836 kg LNG 3,067,414 kg Natural gas 17,961,193 m ³ Heavy oil 150,237,139 ℓ Light oil 2,434,134 ℓ Gasoline 16,988,813 ℓ Coal 227,991,115 kg Steam 736,076 t Water usage 20,212,318 t		Logistics Energy consumed (calories) 260,474 GJ	Stores Electricity consumed 214,140,968 kWh City gas consumed 1,453,680 m ³ LPG consumed 1,297,710 m ³
		Headquarters Electricity consumed 4,952,667 kWh Gas consumed 5,350.9 m ³ (Tap) Water usage 13,111 t		Headquarters Copy paper consumed 11,718,000 sheets	
		Materials		Stores Packaging 5,429 t	
CO ₂ Emissions and Waste	Out	Headquarters CO ₂ emissions (electricity and gas) 2,759 t-CO ₂			
		Sewing factories and fabric manufacturers CO ₂ emissions 1,836,166 t-CO ₂	Logistics CO ₂ emissions 17,862 t-CO ₂	Stores CO ₂ emissions (electricity) 117,777 t-CO ₂ CO ₂ emissions (gas) 11,806 t-CO ₂	
Waste and Recycling		Headquarters Combustible waste (paper waste, etc.) 117 t Noncombustible waste (plastic waste, etc.) 21.9 t		Stores General waste 43,750 t	
				Customers Items collected through All-Product Recycling Initiative: 1,462.3 t	

Notes: Logistics figures are for the period from April 2013 to March 2014. Logistics and store data represent UNIQLO stores in Japan. Data from headquarters are figures in Japan (Tokyo head office and Yamaguchi headquarters). Packaging refers to the paper and plastic shopping bags that UNIQLO and GU use in Japan. Items received through All-Product Recycling Initiative at clothing sorting centers as of August 31, 2014.

Worldwide All-Product Recycling Initiative items donated and collected



Number of Grameen UNIQLO social business stores in Bangladesh



Challenge 3

Community

Contributing to Communities through Our Business

Every community around the world faces its own unique array of social issues. Companies, along with governments and others, have a responsibility to understand those complex issues and work together to address them.

The Fast Retailing Group believes it should use its business to give back to communities and help create a world where future generations have high hopes.

To achieve this, we are committed to working with stakeholders to address social issues and establish a network of like-minded partners.

We are constantly looking for new ways to make a difference in the communities we serve.



In-Store Shopping Experience

New Community Initiatives

A Shopping Experience to Remember

Alongside its global CSR initiatives, the Fast Retailing Group values local, community-based efforts to address social issues. In Singapore, for example, UNIQLO visited special schools to explore ideas for a new initiative to support people with disabilities. In an effort to provide them with more opportunities to participate in mainstream society, in early 2014, it began a series of In-Store Shopping Experience events, where UNIQLO store employees assist people with disabilities to experience something that most of us take for granted: shopping for clothes.

The FR Group continues to address the needs of the communities where we do business, and develop best practices in partnership with NGOs, governments, and other stakeholders. By sharing these practices across the group, we aim to create positive change in communities around the world.

Supporting Children with Disabilities (Singapore and Malaysia)

In Singapore, UNIQLO regularly holds In-Store Shopping Experience events for children with intellectual disabilities. Children are each given a voucher worth 100 Singapore dollars (around US\$80) and invited to shop at a UNIQLO store. The experience helps them develop important life skills and confidence around deciding what to wear and calculating what they can afford within a given budget—activities they rarely put into practice in everyday life. UNIQLO held six such events in Singapore in 2014. It has also made a detailed record of operational procedures and results, created a pre-event training manual, and promoted the initiative within and outside the company, to encourage more stores and employees to participate.

Taking after Singapore, UNIQLO Malaysia held its own event in June 2014. It invited 20 children with intellectual disabilities to a store and provided vouchers worth 300 ringgit (around US\$80). Forty employees assisted the children in selecting products and making their purchase.

The In-Store Shopping Experience event is taking on a global dimension, expanding to UNIQLO stores

in the U.S., South Korea, Germany, and other group operations, where it is being adapted in ways to best address specific local needs.

Supporting Homeless Children (United States)

In December 2013, UNIQLO stores in New York City and San Francisco teamed up with local NGOs to hold In-Store Shopping Experience events during the holiday season to support the homeless. The project gave 300 children living in homeless shelters the opportunity to choose and purchase new clothes, while also providing them with clothing essentials. The US\$100 vouchers given to the children were supported in part by donations from UNIQLO customers.

Supporting Orphaned Children (South Korea)

UNIQLO in South Korea has partnered with The Salvation Army Korea, a UN-associated NGO working for social justice. Together, they held an In-Store Shopping Experience event for children from Namsan Orphanage at the UNIQLO Myeongdong Central Store in April 2014. Targeting those who normally cannot afford to buy their own clothes, 100,000-won vouchers (about US\$90) were given to 80 children at the event. Seventy-three employees helped the children choose their outfits, and calculate what they could buy within the given budget.

Supporting Disadvantaged Children (Germany)

In August 2014, UNIQLO in Germany invited 26 children from Die Arche, an NGO supporting disadvantaged children, to its Berlin store. Many had never left their own neighborhood. Through the experience of shopping in an unfamiliar environment and interacting with new people, the event helped them build interpersonal skills and manage a limited budget. The children received vouchers worth 40 euros (around US\$50) and were offered advice from store employees. Shopping was followed by a trip to the Berlin Zoological Garden.

Note: Currency conversion amounts are general estimates based on exchange rates at the time of the activity.



The All-Product Recycling Initiative

The Power of Clothing— Bridging Communities



Extending the Value of Clothing

To fulfill its responsibility as a clothing retailer, the Fast Retailing Group is advancing the All-Product Recycling Initiative, a program that collects second-hand clothing from customers at UNIQLO and GU stores and delivers them to people in need.

The initiative began with the intention of recycling unused clothing into industrial fiber or energy. Most articles collected, however, turned out to be in good condition. Hearing from the United Nations High Commissioner for Refugees (UNHCR), FR's global partner, about the urgent need for clothing among refugees, FR began delivering the clothes to refugee camps. The initiative has thus underscored the valuable role that clothing plays, and has evolved into an effort to redistribute clothes to people in need. Since its inception, UNIQLO and GU stores in 11 countries and regions have collected some 32.5 million articles of clothing. In collaboration with UNHCR and local NGOs, 14.2 million articles have been donated to 53 countries and regions.

In 2014, UNIQLO Japan and South Korea held a campaign called "Share the Warmth" to collect winter clothes and deliver them to Syrian refugees facing a harsh winter in Jordan. Participating stores also distributed message cards in the shape of hearts, so that customers could send their best wishes along with their donated clothes. More than 11,000 cards were collected and, in partnership with international NGO JEN, delivered together with 250,000 articles of clothing before winter set in.

Partnering with Schools

FR believes stores serve a vital role in communicating with stakeholders to drive positive change.

In Japan, the Power of Clothing Project is teaching school children about the global refugee crisis. In fiscal 2014, some 16,100 students at 120 schools across the country attended lectures given by FR employees. The children hold their own All-Product Recycling initiative, where they present the project to their community, gather donated clothing, and have the items shipped to a refugee camp. Children hear about the difference they made from reports sent back from the refugee camps.

FR Connects Customers with People in Need (store poster)



Social Business

Social Business Strengthening Communities in Bangladesh



Localized SPA Model

FR has teamed with the Grameen Bank Group, a leading proponent of social business, and together launched Grameen UNIQLO Ltd. Since 2010, Grameen UNIQLO has operated its own SPA business model to help combat poverty, develop local industry, provide employment, and support the self-sufficiency of workers in Bangladesh, an important production region for FR.

Drawing on UNIQLO business expertise, Grameen UNIQLO manages all processes domestically, including product planning, material procurement, production, and sales. Profits earned on clothing sales are reinvested into the business.

The goal is to create new markets and address social problems that will then contribute to improved livelihoods and self-sufficiency for the people of Bangladesh. As such, the venture is an important step toward executing the FR mission of enriching people's lives through unique corporate activities.

In Dhaka, Nine Stores and Counting

Profit and business growth are essential to the success of any social venture. Initially, sales of Grameen UNIQLO products in rural communities failed due to differences in purchasing power and values concerning dress. In 2013, there was a shift in strategy, with Grameen UNIQLO launching a network of stores in the capital city of Dhaka, to market to urban customers and widen its brand recognition. As of August 2014, the network has grown to nine stores and is also creating synergies in transmitting retail know-how to local communities. Product strategy is also key to meeting local needs. Traditional garments such as punjabi and salwar kameez were added to the lineup to meet demand for such items, especially during the biggest shopping season after Ramadan.

FR considers its social objectives in Bangladesh accomplished when its products become affordable to everyone. We continue to take on new challenges with local partners to achieve this goal.



Clothes for Smiles

Inspiring Hope for a Better Future



UNIQLO has teamed with professional tennis player Novak Djokovic in launching Clothes for Smiles, a project to inspire hopes and dreams in children. A portion of the sales of HEATTECH items and Ultra-Light Down jackets from the fall and winter of 2012 were devoted to a project fund totaling ¥1 billion (approximately US\$10 million). The fund continues to support two areas: First, the implementation of eight projects chosen from 739 proposals, solicited from the general public worldwide. And second, support of educational improvement programs for children with its global alliance partner, UNICEF.

The eight projects supported by UNIQLO focus on helping children in various countries build important life skills through educational programs and self-empowering activities such as sports. Six of the eight projects were executed by year-end 2013. Fiscal 2014 saw the start of a library project intended to extend educational

opportunities in Cambodia. The project encompasses a range of activities, from the creation and distribution of hand-made picture books, to the construction of a community library, which opened in November 2014.



Nurturing the Leaders of Tomorrow

A Force for Social Change

FR believes that supporting young people with the potential to become the next generation of leaders can be a powerful way to bring about positive social change.

In 2013, FR committed to donate US\$1 million over a five-year period to the Asian University for Women in Bangladesh. By providing ambitious, talented women the opportunity to study regardless of their economic circumstances, FR is supporting the university's mission to foster global leadership and social advancement among women. In 2014, four students took part in internships at Grameen UNIQLO in Dhaka, where they learned about the workings of its store and head office, and conducted market research for the company.

Since 2012, FR has also supported the TOMODACHI Initiative. The public-private partnership was created to support Japan's recovery from the 2011 earthquake and strengthen cultural and economic ties between

Japan and the United States by investing in their next generation of leaders. By providing scholarships to Japanese students at top universities and graduate schools in the U.S., FR is helping them achieve their dream on the global stage.



Growing and Developing Together

The UNIQLO Recovery Assistance Project

FR has established a recovery assistance fund combining ¥300 million (around US\$2.5 million) from the March 2012 revenue of UNIQLO stores in Japan with donations from customers across the globe. The fund is assisting five NGOs in their work to promote self-reliance, job creation, and economic recovery in northeastern Japan, which was hard hit by the March 2011 earthquake. In March 2014, the temporary UNIQLO Sea Plaza Kamaishi Store in this region became a permanent establishment and has since been serving customer needs, while

also contributing to local employment. FR is also implementing a job-shadowing program to support high school students in the earthquake impacted area. Fourteen freshmen from Futaba High School near the Fukushima nuclear power plant who were forced to relocate to a temporary building experienced working at a UNIQLO store. FR is posting promotional posters, distributing leaflets, and issuing other communications at UNIQLO stores in Japan to stress the need for continued support for recovery.



Supporting Craftswomen through an Accessories Collection

In 2014, Comptoir des Cottonniers worked with local craftswomen in Guatemala, one of the countries where its products are made, to launch a handmade women's accessories collection for the spring and summer seasons.

It also deepened its partnership with Mercado Global, an organization that not only employs craftswomen but also supports their autonomy by teaching

them business skills and introducing their products to international markets. 121 women from 21 communities participated in the project, spending 20,000 hours on the creation of unique products crafted from pure cotton and natural leather. They were sold in nine countries: Belgium, China, France, Germany, Italy, Japan, Spain, Switzerland, and the U.S.



Princesse tam.tam Returns to Its Roots, with CSR in Madagascar

In 2004, Princesse tam.tam opened a manufacturing facility in Madagascar, where the brand's founders grew up. It also covered 30% of the cost for the building of the first Sekool Madagascar—a school for children of low-income, single-mother households in the area that also provides employment opportunities, health services and educational programs for the mothers of the students. In addition, Princesse tam.

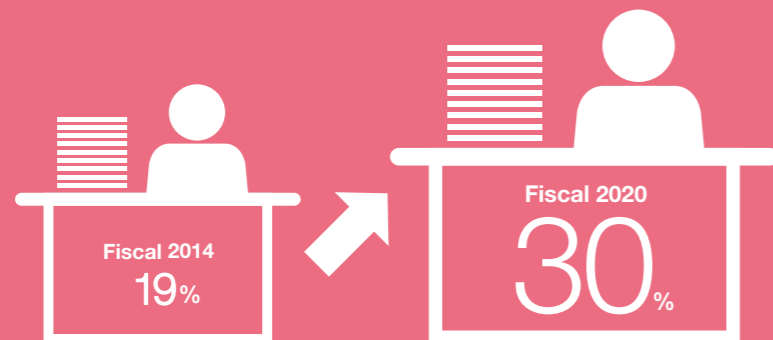
tam has donated furniture to support the school, which now has 242 students. In September 2013, the brand began to market in France children's nightwear produced in Madagascar. All proceeds from the line, which is designed by Ayo, a popular performing artist in Europe, are donated to Sekool Madagascar. Princesse tam.tam is proud of its heritage and of the CSR work it is doing with its customers and business partners.



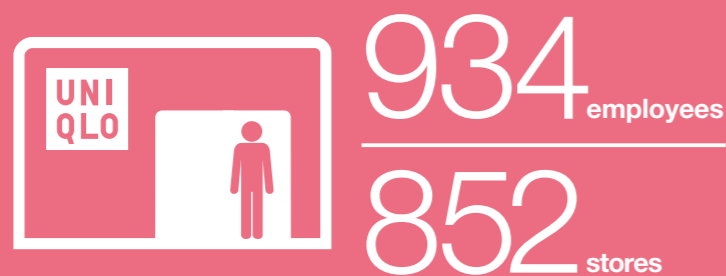
Fast Retailing Group employees by country and region



Percentage of female managers by 2020



Number of persons with disabilities employed by UNIQLO stores in Japan



Challenge 4

Human Resources

Creating Value through Diversity

Respect for diversity is at the heart of Fast Retailing's business philosophy. This goes beyond protecting human rights and preventing discrimination in all its forms. It also means providing a workplace where ambitious people can come together and realize their full potential. A workplace where the best teams generate unique value, and employees take pride in what they do. By creating win-win connections between personal and business growth, FR aims to benefit society and be valued by people.

Commitment

Strength through Diversity

The Fast Retailing Group respects and appreciates the individual as the core component of its human resources philosophy. We practice fairness and transparency as absolute requirements of employee evaluations and promotions. We also believe that embracing various work styles can be a competitive advantage. In 2014, the FR Group implemented reforms in Japan to promote this. Our new regional regular employees, who have been transferred from part time contract to full time with all of the related benefits, will help raise customer satisfaction, as they stay with the company longer and gain expertise in the region or store of their choosing. They can also switch back and forth to other positions in Japan to take on a more global role, based on their career goals and personal circumstances. Career advancement for women is also an important goal. The FR Group recognizes as a serious issue the low representation of women among its senior management. We have set a target to increase the share of female managers to 30% by 2020 and are implementing various measures to achieve this. Meanwhile, the FR Group has shown clear leadership in Japan in employing people with disabilities. This is creating positive change, as disabled employees contribute to store operations and their colleagues endeavor to create a welcoming workplace. FR operations in 12 countries and regions actively employ people facing disability, and we plan to expand this. Lastly, the Global HR Conference gathers HR managers to share regional data on key trends, such as recruitment, employee turnover, and promotions. They pay special attention to employees' reasons for resignation and use the information to develop more secure work conditions that encourage work-life balance.

As these examples demonstrate, the FR Group is working to bring about mutual appreciation and growth with its employees, and become a truly globalized company.



Noriaki Koyama
Group Executive Vice President in Charge of Human Resources
Fast Retailing Co., Ltd.

Fostering Diversity

Diversity as an Engine for Growth

The Fast Retailing Group has made some important policy shifts to promote workplace diversity. One new program allows employees to switch mid-career between nationwide and region-specific positions. For example, an employee may want to continue working for FR but in a location close to their family. When circumstances later change, he or she may want to again work in a broader capacity and move back to a broader role. By allowing each person to choose their work style in line with their life plans, this program broadens the possibilities for using one's skills long-term.

Career advancement for women is another important challenge for the FR Group. More than half of our products are made for women, and those women form the majority of our customers and employees. Certain FR brands based in Europe and the U. S., such as Comptoir des Cotonniers and Princesse tam.tam, are largely directed and operated by female managers and employees. Nonetheless, FR recognizes the pressing

need for a working environment that empowers women at UNIQLO Japan, and is developing HR programs that accommodate marriage, childbirth, and other life events for women, while supporting long-term career goals. As a first step toward this, the FR Group began Women's Direct Meetings, a dialogue of more than 300 female store and senior managers from UNIQLO Japan with external experts.

The proportion of women in management roles is a global indicator of performance in this area. As of August 31, 2014, women accounted for roughly 19% of managers at FR, including executive positions. We are determined to raise this figure to more than 30% by 2020. We also set clear targets for female sales managers, to increase the number of supervisors to 50% and "superstar" store managers to more than 30%. We will actively promote women internally to positions where their leadership is particularly appreciated.

Addressing Local Employment Challenges

Flexible Career Options, Broader Employment Opportunities

Regional Regular Employee Program (Japan)

Underemployment is an urgent problem outside urban centers in Japan, particularly among young adults. In 2014 in Japan, UNIQLO launched a new regional regular employee program aimed at improving labor conditions outside urban centers and stabilizing store operations, by retaining local talent for the long term. The program allows temporary store employees to rise to permanent employee status, within a limited geographical area of their choice. It thus extends opportunity to those who, for personal reasons, have difficulty relocating for a full-time job, a common requirement in Japan. It also offers multiple career plans to suit different working styles: gaining store management experience before moving to a more international role, staying as a regional manager, or specializing in a specific field. FR aims to hire 16,000 regional regular employees by promoting existing non-permanent workers and by recruiting from outside the company.

Employer Awards (South Korea, USA)

In South Korea, UNIQLO is earning recognition as a steady job creator. In 2013, it was chosen among the top 100 companies contributing to employment, and in 2014 received the Prime Minister's Award in a national award program. UNIQLO continues offering part-time and student internship programs in the country as well as employing homemakers and people with disabilities, to meet the expectations of local employees and society.

At UNIQLO in the USA, a division advisor received the 2014 Department of Rehabilitation Employee of the Year award from JVS, a non-profit with the mission to transform lives by helping people build skills and find jobs to achieve self-sufficiency. The employee had experienced difficulty fitting into society due to physical and emotional challenges, and UNIQLO hired and trained him. Promoted twice based on objective evaluation, he is now playing an important role in the team.



Employing Persons with Disabilities

Working, Learning and Growing Together

To learn and grow together as a team, transcending physical and intellectual differences—this is the FR Group's basic, universal approach to employing persons with disabilities and what drove FR to begin an active hiring program at UNIQLO stores in Japan in 2001.

By 2012, FR had just about reached its initial target of employing one person with a disability per store in Japan. In January 2014, we began efforts to go further, by employing at least two people at large stores. In fiscal 2014, the percentage of employees with disabilities in the FR Group was 6.36%, by far the highest among companies with more than 5,000 employees in Japan. Expanding this to group brands and overseas, in 2013 we introduced similar initiatives in the U.S., France, and Russia. Persons with disabilities now account for 1,372 employees in 12 countries and regions.

FR believes it has a responsibility to be a leader in the employment of people with disabilities, including at its headquarters. Since 2013, FR has focused on employing people facing emotional disorders in Japan. Despite how common this specific disability is, stable employment has been difficult for many who face it, creating a significant social problem. The FR Group has hired seven people with emotional disorders at its

Yamaguchi headquarters.

Our goal is to raise employee awareness. As they work and grow with their disabled colleagues, employees learn about disabilities and their implications. In addition to having a place to work, disabled people need a sense of purpose in their work. To achieve that, FR is integrating group policies on the employment of disabled persons into training curriculum for all employees—not just for managers, as in the past. The FR Group continues to take on new challenges worldwide, through initiatives such as these.

Number of Employees with Disabilities in the Fast Retailing Group

(Number of people)			
Japan	1,164	Malaysia	11
South Korea	83	United Kingdom	9
Taiwan	34	Thailand	8
Singapore	25	Hong Kong	4
United States	18	Russia	3
France	11	Indonesia	2
Total			1,372

Yamaguchi Headquarters Initiative

To further increase the number of employees with disabilities, we need to create job opportunities beyond our stores. FR has mainly been hiring people with intellectual disabilities, and would like to extend opportunities to a broader range, including at the head offices.

The seven employees with emotional disorders now at the Yamaguchi headquarters are helping us get this work started. Despite their ability to do their job, they initially felt anxious about whether they were making a real difference in the company. We have made a special point of talking with them and giving specific examples of their success. Communication is going well, and all are showing enthusiasm. We also recently began a project involving the creation of a weekly newsletter sent to all FR Group stores in Japan. This exercise is important for all of us to learn the value of working as a team. Every day, they try their own solutions and share what they learned through team meetings. These employees also have mentors, so they can grow individually and best contribute to the team.



Ikuo Morita
General Manager
Yamaguchi Headquarters
General Administration and
Employee Satisfaction Department
Fast Retailing Co., Ltd.

Fair and Uniform Standards Worldwide

Empowering the Individual

Globally Transparent Evaluations

Fair and transparent evaluation and remuneration systems are essential. To achieve this, the FR Group has introduced a global grading system with universal requirements for each position. Under this system, all of our roughly 90,000 employees worldwide are evaluated by the same standard, based on set targets. These evaluations, along with promotions, rank adjustments, and other associated decisions, are conducted on a quarterly basis.

Evaluation System and Evaluator Training

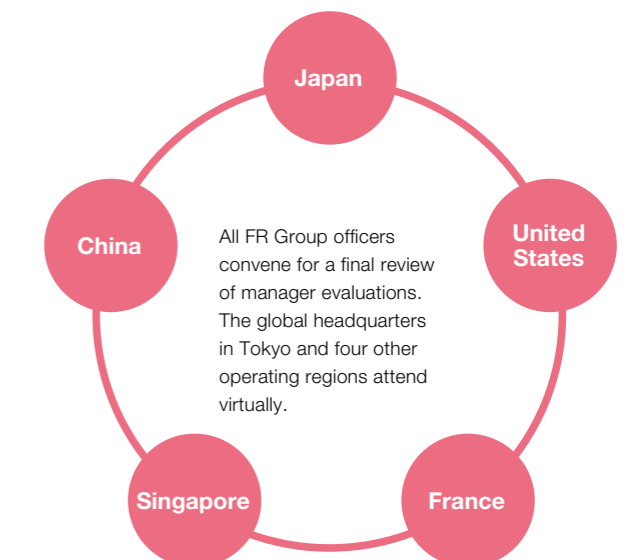
The FR Group regularly holds a Global HR Conference (see photo below) for its human resources managers around the world. The meetings are used to share key data such as new hires, turnover rates, promotions, and gender ratios, and discuss and devise solutions for issues. Special focus is placed on data requiring timely action, such as employee turnover rates. Causal factors and the effectiveness of countermeasures are checked across countries, regions, and businesses, and used as a basis for evaluation, remuneration, and training programs.



Universal standards are most effective when employee performance is evaluated objectively. To ensure this, the FR Group closely monitors the distribution of employee grades for each business in the group and communicates disparities to managers, who then perform a re-evaluation against the group standards. Performance evaluations and rank adjustments for managers or higher, meanwhile, are made by all FR Group officers at a Global Evaluation Board Meeting (see chart below), in which evaluations are calibrated by grade and position across all businesses to ensure fairness and transparency.

FR views evaluation as an important process for developing employees, not simply quantifying their contributions based on set targets. To do that, all evaluators must have the same objectives and employ the same standards and skills. Evaluating an employee ultimately by numbers does little to foster personal growth. Fair assessments that view the individual from multiple perspectives, including the process to achieve results and their business environment, are needed. While evaluator education has been a part of FR's training program for some time, we will expand the curriculum for assessments in all businesses, starting with new evaluators in Japan.

Global Evaluation Board Meeting



Human Resources Strategy

Fostering Global Management Competence

The Fast Retailing Group seeks to provide its diverse employees with opportunities to grow and realize their potential worldwide. We are working with supervisors to create systems that provide full support for this to happen. Our Global Recruitment System encourages all group employees to apply for any position across the global network they may have interest in.

Developing people capable of operating internationally is critical for the FR Group to continue growing. This means more than simply hiring people of different nationalities. It means building teams of people who bring the right skills to the job, and who understand and respect each other's differences—nationality, culture, or customs. Essential to this is the ability to view one's work from both a global and local perspective.

The Fast Retailing Management and Innovation Center (FRMIC) was established to develop employees with a management perspective—a vital resource for the FR Group. As an in-house academic institution, FRMIC provides strategic management training for all group employees, from new hires to executive officers. Trainees

implement management projects and learn from the successes and failures of executives who have played key roles in the group's growth.

Twice a year FRMIC hosts the FR Convention, a gathering of almost 5,000 headquarters staff and store managers from all group businesses. It also frequently holds a Staff Convention, which is a meeting for employees of UNIQLO stores in Japan (57 times from April to November 2014, with some 4,300 employees attending). These gatherings offer valuable opportunities for all employees to align themselves under the mission of making FR the world's leading apparel retailer. The value placed on direct dialogue between management and employees is also evident in CEO Tadashi Yanai's efforts to meet with 30 managers of UNIQLO stores in Japan for two hours each week. Yanai has held more than 20 such meetings and plans to continue them.

Through FRMIC programs and other activities, the FR Group looks to foster acceptance and integration of diverse values and leverage these qualities in its workforce for further growth.



Workplace Wellbeing and Employee Satisfaction

Physical and Emotional Wellbeing

In 2014, FR opened a wellness center at its Tokyo head office, offering health services for employees. The center encourages employees to receive medical checkups, is home to occupational health nurses who provide post-checkup guidance and consultation, and periodically distributes health information.

FR also established a contact for employees to receive mental health guidance from an external counselor. Counselors provide mental health training for employees in a supervisory role, to realize the importance of caring for subordinates and for all employees to learn stress management skills.



Efficient Work Environments, Shorter Working Hours

FR provides comfortable work environments designed to maximize productivity, with group-based seating to facilitate communication and video conferencing systems and the latest information technologies to enhance administrative efficiency. The Yamaguchi and Tokyo offices,

meanwhile, are shifting to a work culture where overtime is the exception. Group announcements are made periodically, and departments and individuals that frequently engage in overtime work are provided guidance by the senior management team. This focuses on both total

and daily work hours. FR has also introduced a mobile phone app to all employees for punching in and out of work. This helps employees not only to remember to punch in and out but also to manage their hours by displaying a reminder to stop work after a designated time.

Work-Life Balance

FR supports a healthy work-life balance, providing programs that help both the company and the individual realize continuous growth and long-term success. Childcare leave, for example, continues until the child's first birthday, and after returning to work, employees can work shorter hours until their child reaches third grade. FR also provides nursing care leave and other benefits. UNIQLO Japan offers a range of

programs supporting a balance between family and work. One program appoints an assistant manager to oversee duties so that

store managers with children up to elementary school can take time off to attend school events, even during the busy seasons.

■ Employees Using Infant and Nursing-Care Leave in Japan

(Number of people)

	Full-Time Employees	Other Employees	Men	Women	Total
Infant-care leave	269	562	0	831	831
Short-term infant care	281	16	0	297	297
Nursing-care leave	8	9	1	16	17
Short-term nursing care	4	1	0	5	5

Preventing Work-Related Accidents

FR takes special precautions to prevent employee injuries and accidents. In fiscal 2014, the number of accidents at work was 544; while commuting was 135. Falls from the stepladders used at stores were a common type of

accident. When an accident occurs, a report describing the circumstances is submitted and necessary steps are taken. FR works to prevent accidents by distributing related information and preventive measures.

■ Number of Work-Related Accidents

- Fiscal 2013 651
- Fiscal 2014 679

Maximizing Customer Satisfaction

Customers drive progress at Fast Retailing.

Responding to Customer Feedback

UNIQLO and GU systems ensure efficient and effective response to customer feedback. Japan, South Korea, and China each have their own customer service center, which communicates feedback to management and the relevant departments and stores. Where a response is appropriate, it is addressed in a timely manner (usually by the end of the next business day), and where action needed, it is managed by the service center or store supervisors.

In 2014, FR trained customer service operators in IT, to meet growing customer mobile device service needs. FR also hosted ten service quality training sessions across six months to reinforce operator education. Taught by veteran employees, they supplemented the standard on-the-job-training, to improve customer service.

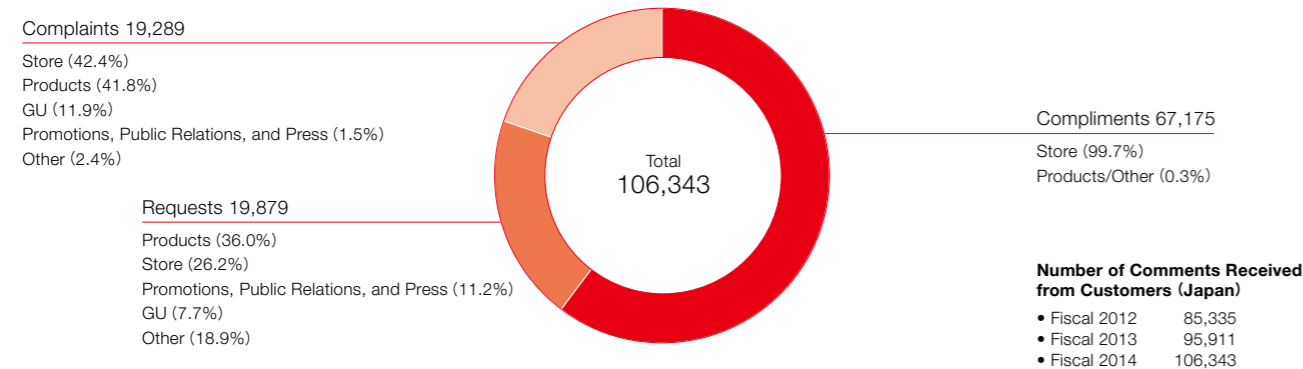
Store Managers Dedicated to Customer Satisfaction

In 2014, FR launched a customer satisfaction (CS) store manager

program, to further enhance the customer experience at UNIQLO stores in Japan. Ranked alongside general store managers, CS store managers are dedicated service professionals, tasked with maintaining service quality standards at the stores in their assigned areas. FR solicited applications from store staff and is training 50 people, with the aim of designating 100 CS store managers (one per area in Japan) by 2016. FR is looking to expand this from Japan to the FR Group worldwide.

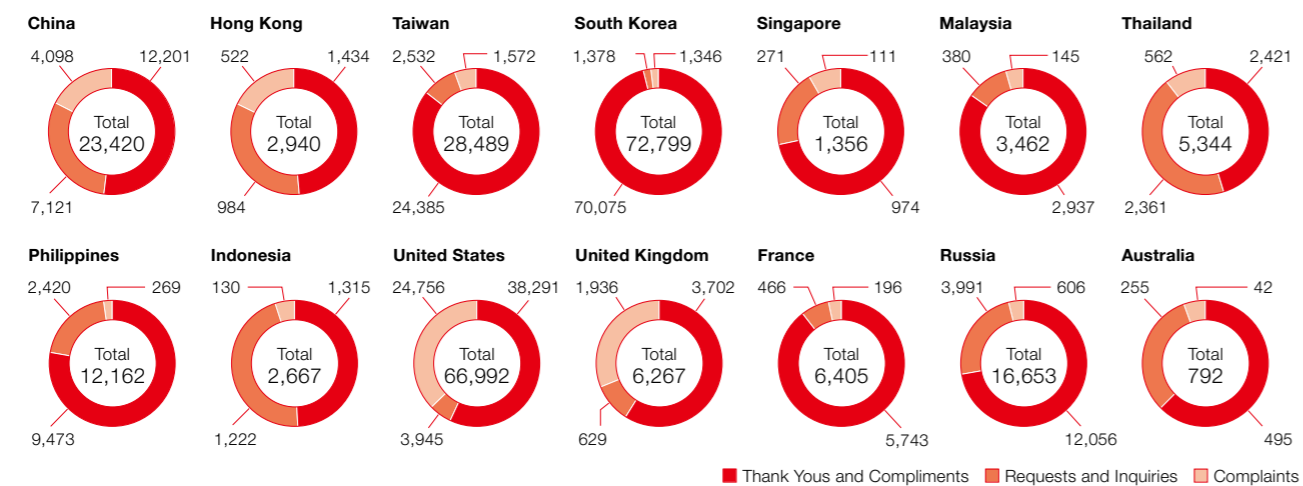
Customer Center Feedback (Japan)

(by telephone, email, post, or feedback forms distributed at stores)



Customer Center Feedback

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



Fast Retailing CSR website
<http://www.fastretailing.com/eng/csr/>

For Our Customers ● Customer Satisfaction

Corporate Governance and Compliance

Fast Retailing's CSR framework emphasizes compliance and awareness of related issues across all FR Group employees.

Approach to Corporate Governance

Fast Retailing ensures the independence and surveillance capacity of board meetings, for responsive and transparent management and thorough corporate governance standards. Corporate governance is further backed by a delegate-based executive director system, in which individuals selected from the board of directors are given specified ranges of authority over the business, and by separating administrative and decision-making functions to improve performance. The board of directors is mainly external directors, to strengthen its independence and supervisory functions. FR has adopted the corporate auditor governance model, and maintains committees to provide complementary support to the board of directors. Committees dedicated to overseeing human resources, corporate social responsibility, disclosure, IT investment, the FR Code of Conduct, and ethical issues facilitate open deliberation and decision-making, in pursuit of specific objectives.

CSR Committee

The CSR Committee decides on CSR policy, reports and public announcements, as well as environmental protection, community service, compliance, diversity, and other related matters. Chaired by the head of the CSR department, it includes external experts, as well as statutory auditors and all senior operating officers. The CSR Committee met twice in fiscal 2014.

Code of Conduct Committee

The Code of Conduct Committee responds to violations of the FR Group Code of Conduct, and advises on running the Compliance Hotline. It also works with whistleblowers and the employee consultation office, while raising internal awareness of the Code of Conduct. The committee is chaired by the head of the General Administration and Employee Satisfaction department, which includes statutory auditors and legal advisors. The Code of Conduct Committee met eight times in fiscal 2014.

Business Ethics Committee

The Business Ethics Committee, chaired by the head of the CSR department with the participation of external experts and statutory auditors, is responsible for guiding and reviewing corporate behavior. It also raises employee awareness of ethical issues related to its business. It convened 11 times in fiscal 2014.

Approach to Compliance

The FR CSR framework emphasizes compliance and awareness of related issues across all FR Group employees.

Employees and the Code of Conduct

All FR Group companies operate according to the FR Code of Conduct. When joining an FR Group company, every employee is trained in the Code of Conduct, and employees are required to sign a pledge every year declaring their intention to fully follow it.

Workplace Hotline

FR manages hotlines for employees, to discuss and report work-related issues. The hotlines also allow staff to report perceived Code of Conduct violations by telephone, email, or other means (employees overseas may report incidents via email). Staff are encouraged to use these resources, and they are promoted through the company intranet and on posters in employee lounges. Hotline personnel investigate reports of potential Code of Conduct violations, while protecting the anonymity of those reporting. Regular Code of Conduct Committee meetings allow staff to discuss specific actions. Understanding of the code is also promoted through other activities, such as meetings to discuss communication problems involving supervisors, which is a common issue. FR prevents the recurrence of compliance issues in a number of ways, including informing all FR Group companies about violations.

Hotline Cases

(FR Group Companies in Japan)

- Fiscal 2012 406
- Fiscal 2013 392
- Fiscal 2014 346

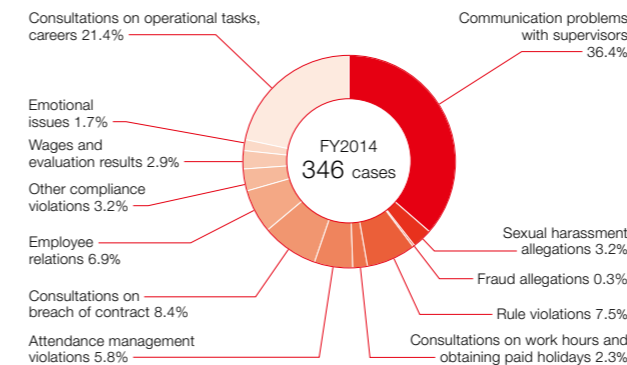
Hotline Cases

(FR Group Companies Overseas)

- Fiscal 2012 112
- Fiscal 2013 152
- Fiscal 2014 194

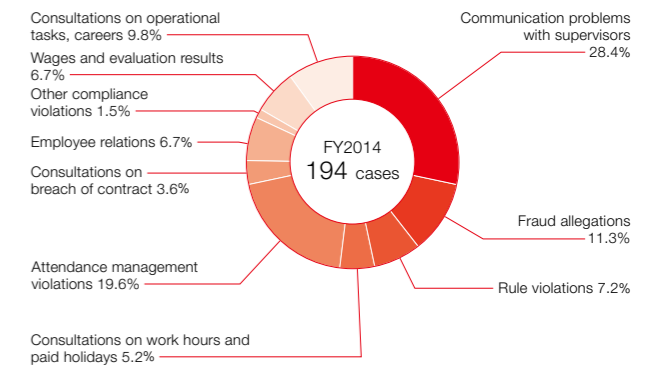
Breakdown of Hotline Cases

(FR Group Companies in Japan)



Breakdown of Hotline Cases

(FR Group Companies Overseas)



Fast Retailing CSR website
<http://www.fastretailing.com/eng/csr/>

Corporate Governance ● Our Approach to Corporate Governance ● Outline of Corporate Governance
● Corporate Governance at Fast Retailing ● Messages from External Directors and Auditors
● Composition of Committees ● Committees and Their Responsibilities

Compliance

Our Approach to CSR

At Fast Retailing, social responsibility is an integral part our business. We aim to make the world a better place, by listening to our many stakeholders worldwide and upholding the Fast Retailing Way.

Fast Retailing CSR Statement

Making the World a Better Place

The Fast Retailing Group's mission is to use the power of clothing to enrich people's lives and benefit society. FR's 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.

Four Key Challenges

FR addresses key social issues to contribute to the international community, and a more sustainable future. Through a systematic process that includes reviewing international standards, consulting external experts, identifying stakeholder expectations, and examining the company's strategy and resources, FR has identified four areas of focus: production, environment, community, and human resources. By validating these efforts and setting appropriate targets and KPIs through continued dialogue with stakeholders, FR seeks to further improve its CSR.

CSR Operational Framework

All senior operating officers serve on the CSR Committee, to ensure that business decisions fully align with CSR objectives. CSR is supported by a global framework led by the CSR Department at the Tokyo head office and by CSR managers in each major region. Every six months, CSR managers worldwide gather for a Global CSR Meeting at the Tokyo head office, to share information on recent challenges and activities in their countries and regions.

Process of Identifying Key Challenges

1. Identify Social Expectations

FR identifies and analyzes major international reporting standards and indices such as GRI, DJSI, and FTSE4Good to identify key issues related to its business.



2. Analyze Relevance to the Company

Officers and managers analyze and discuss the relevance of the key issues with third-party agencies and decide FR's priorities, based on its corporate strategy and resources.



3. Validate with Stakeholders

Key challenges are determined and validated through customer questionnaires and dialogue with NGOs and other agencies with a global, objective, and expert perspective.



4. CSR and Business

Specific policies are developed for each of the four challenges. Policy content and progress are compiled and reported annually in the CSR Report.



5. Check Results, Drive Improvements

The efficacy of CSR is confirmed through evaluations and dialogue with global NPOs, NGOs, and other experts. FR redefines boundaries and KPIs based on the input.

Fast Retailing Group CSR Operational Framework

Fast Retailing

Board of Directors

- CSR Committee
- Code of Conduct Committee
- Business Ethics Committee

Tokyo Head Office / Japan

CSR Department

- Social Innovation Team
- Social Marketing Team
- Global CSR Team
- CSR Sourcing Team

Group Businesses

- UNIQLO
- Theory
- Comptoir des Cotonniers
- Princesse tam.tam
- GU
- J Brand

Overseas CSR Offices

- China
- South Korea
- Singapore
- Bangladesh
- United States
- France

Fast Retailing Group Overview (As of August 31, 2014)

Fast Retailing is an apparel retailer with operations in Japan and around the world, with the UNIQLO casual clothing brand at its core.

Company Profile

Name:

Fast Retailing Co., Ltd.

Established:

May 1, 1963

Headquarters:

717-1 Sayama, Yamaguchi City, Yamaguchi Prefecture, 754-0894, Japan

Tokyo Head Office:

Midtown Tower, Akasaka 9-7-1, Minato-ku, Tokyo 107-6231, Japan

Paid-in Capital:

10,273,950,000 yen

Business:

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

Consolidated Number of Employees:

89,580 (including full-time, contract, and part-time employees)

Consolidated Sales:

1,382.9 billion yen

Consolidated Operating Income:

148.6 billion yen

Closing Date:

August 31

Business

UNIQLO Japan

Net sales: 715.6 billion yen
 Operating profit: 110.6 billion yen
 Number of stores: 852 (including franchise stores)

UNIQLO International

Net sales: 413.6 billion yen
 Operating profit: 34.7 billion yen
 Number of stores: 633

Global Brands

Net sales: 251.2 billion yen
 Operating profit: 16.3 billion yen
 Number of stores: 1,268 (including franchise stores)



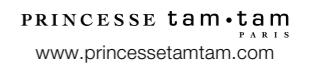
www.uniqlo.com



www.theory.com



www.comptoirdescotonniers.com



www.princessetamtam.com



www.gu-japan.com



www.jbrandjeans.com/

Fast Retailing CSR Communications

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

Fast Retailing CSR Report

Editorial Policy

Fast Retailing CSR Report 2015, published by Fast Retailing Co., Ltd., articulates the social and environmental responsibilities associated with FR's business. FR aims for this report to set the stage for dialogue with its diverse stakeholders, to effectively respond to their expectations and concerns. For further information on our CSR activities, company profile, and supplementary data, read our annual report or visit us at www.fastretailing.com.

Report Coverage

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

Reporting Period

September 1, 2013, to August 31, 2014

*Unless otherwise indicated, figures in this report are fiscal year results.

*For particularly important content, the information presented represents the most recent data available at the time of publication.

Issue Date

January 2015 in Japanese (Next issue scheduled for January 2016)

CSR Websites

- Fast Retailing Co., Ltd. www.fastretailing.com/eng/csr/
- UNIQLO Co., Ltd. www.uniqlo.com/en/csr/
- Grameen UNIQLO www.grameenuniqlo.com/en/
- Clothes for Smiles clothesforsmiles.uniqlo.com/en/

The Power of Clothing

The Power of Clothing is a biannual newsletter with content on how clothing can be used to address various social issues. The publication is available in UNIQLO stores and online.
http://www.uniqlo.com/power_of_clothes/en/

Leaflets and In-store Posters

Fast Retailing communicates with customers about its CSR activities and the social problems they address, 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.



Disclaimer:

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



The power (700 kWh) used to print this report was generated by green energy.



