



## 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

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## Editorial Policy

*Fast Retailing CSR Report 2016*, published by Fast Retailing Co., Ltd. ("FR"), describes in a succinct manner the social and environmental responsibilities associated with the FR Group's business, along with its corporate policies and efforts to fulfill those responsibilities. Reporting content is organized into four key challenges from a global perspective and through dialogue with external experts.

FR intends for this report to set the stage for dialogue with its diverse stakeholders, to effectively respond to their expectations and concerns. In fiscal 2015 FR began reporting its CSR activities—in this report and on the company website—in accordance with the "core" option in the GRI's G4 Sustainability Reporting Guidelines. For more information, see the GRI Guidelines Content Index.

For information beyond CSR topics, including company and business overviews and information for investors, such as the *Annual Report*, please also visit the Fast Retailing website.

### 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, 2014, to August 31, 2015

- 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.

### Reporting Guidelines Used

Global Reporting Initiative's G4 Sustainability Reporting Guidelines

### Issue Date

January 2016 in Japanese

(Next issue scheduled for January 2017)



### Fast Retailing Websites

- Fast Retailing website  
[www.fastretailing.com/eng/](http://www.fastretailing.com/eng/)
- Fast Retailing CSR website  
[www.fastretailing.com/eng/csr/](http://www.fastretailing.com/eng/csr/)

As a global corporate citizen,  
the Fast Retailing Group is committed to operating responsibly and,  
through the growth of its business, to effecting positive social change.  
As a specialty store retailer of private label apparel (SPA),  
Fast Retailing also has a responsibility  
to make its entire supply chain more sustainable.

We have identified  
Production, Environment, Human Resources, and Community  
as four key challenges in this effort.  
By taking actions in each area  
based on comprehensive policies and specific targets,  
Fast Retailing is working to make the world a better place.

# Making the World a Better Place



Theory



PRINCESSE tam·tam  
PARIS

J BRAND



Women  
Embroidery Henley  
Neck ¾ Sleeve  
Tunic  
**\$34.90**

Women  
Embroidery ¾  
Sleeve Dress  
**\$39.90**

Women  
Embroidery  
Sleeve Dress  
**\$19.90**

**FACTORY WORKER  
EMPOWERMENT PROJECT**

Empowering workers

**FACTORY WORKER  
EMPOWERMENT PROJECT**

**Changing the world  
through business**

**Empowering people  
with meaningful work**



**Delivering clothing  
—and hope—  
to those in need**



# Determined to make the world a better place



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

## We're All in This Together

Everything is connected in today's world. Globalization and digitalization are blurring the boundaries of nations and industries. Events halfway around the globe impact our lives and businesses in an instant. And change has become a constant: I believe the pace of shifts in the last 30 years will happen in the next three. No matter the differences between nations and individuals, we are all in this together. We must all find a way to make the world a better place.

The way forward is fraught with challenges, everything from environmental degradation to poverty to the growing number of refugees. The sustainability of the very world we live in should thus be our highest priority. We must take full stock of the present, and take hopeful action for the future. At the Fast Retailing Group, we are committed to using business itself as a solution to these challenges and to creating a better world.

## What Difference Are You Making?

Through past experience I have become keenly aware of three questions that companies are expected to address when expanding their operations globally:

- Who are you and how are you different from other companies?
- What difference will you make for this country?
- What difference have you made elsewhere?

In other words, only companies that make a real difference are truly welcomed. The second question is about whether the company's presence will have a positive impact in their country or region. The mere pursuit of profit earns little respect. And the last question inquires whether the company has had a positive impact in other countries. Promises to start trying are not enough.

A sense of purpose—that is what I believe is most needed from our work in this age. What kind of future

do we want? What policies will we take to get there? Having a clear vision and mission produces vastly different results.

Based on this belief, at Fast Retailing we have identified the following special areas of focus within our CSR efforts as with our business activities, and are working to address these challenges through the setting of specific policies and targets.

## A More Sustainable World

To create a more sustainable world, we strive to leverage the power of business to grow together with society.

In communities all around the world, for example, we provide jobs, train people, increase their income, and create new markets. These are all essential ingredients for a more sustainable world. I believe that CSR and business are inseparable and that businesses must embrace CSR if they want to gain—and keep—a social license to operate.

The ever-worsening refugee crisis is one of the gravest problems the world now faces. Taking our existing All-Product Recycling Initiative a step further, in October 2015 we launched the 10 Million Ways to HELP project. In partnership with the United Nations High Commissioner for Refugees (UNHCR), we plan to deliver 10 million articles of clothing to refugees and others in need worldwide.

## Concern for Human Rights

Respect for the individual is a paramount concern. In addition to eliminating all forms of discrimination, we must fight to eradicate child and forced labor, employ people with disabilities, support the socially vulnerable, empower women, promote diversity, and effectively manage human resources globally. This focus on people is critical for FR's business. We strive to instill in all

employees a common set of values, while upholding human rights and practicing strict compliance.

Ensuring ethical working conditions in production is a crucial part of this effort. In March 2015 we expanded workplace and environmental monitoring to include fabric manufacturers as well as sewing factories. We also continued to conduct unannounced inspections. In July 2015 we joined the Fair Labor Association (FLA), an international non-profit committed to protecting workers' rights. Going forward, we will continue to make contributions to improving the conditions and lives of workers by listening to our diverse stakeholders and meeting the expectations of a constantly changing society.

## Environmental Stewardship

Society is expecting companies to do more in tackling environmental issues. Fast Retailing works to accurately measure the environmental impact of its entire supply chain and to minimize that impact in each process. In September 2014, we also became a member of the Sustainable Apparel Coalition (SAC), a global industry group through which we partner with NGOs and other companies to reduce environmental impacts.

## Compliance and Ethical Conduct

Fast Retailing is committed to being honest and fair in everything we do, with a high priority on compliance and ethical conduct. We have a thorough check-and-balance system by which we hold ourselves fully accountable and practice sound and fair corporate governance. We listen to all of our stakeholders, and amend our business practices without hesitation whenever necessary.

Staying true to its CSR vision, Fast Retailing will continue to work toward enriching lives and making the world a better place through clothing.

# Our Approach to CSR

## Fast Retailing CSR Statement

# Making the World a Better Place

### ► CSR Offices around the World



## CSR Operational Framework

All Fast Retailing senior operating officers serve on the CSR Committee to ensure that CSR objectives and activities are based on sound business judgment. As important decision-making bodies, the Code of Conduct Committee and Business Ethics Committee also include executive officers and external experts among their members. Committee secretariats at the Tokyo head office work with relevant divisions in each country to advance a range of CSR initiatives across the global FR Group.

These initiatives are implemented 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 Conference at the Tokyo head office to discuss recent challenges and activities in their countries and regions.

### Focus on Key Social Challenges

The FR Group uses stakeholder input to identify the key social challenges it should address in its aim to promote global sustainable development and its own business growth. This identification process is summarized in the figure on the right.

In fiscal 2015, the FR Group developed core policies for each of the four key challenges, with commitments and key initiatives outlined in each area.

### ► Process of Identifying Key Challenges



Notes: The Fast Retailing website, including links provided for related information, is prepared in accordance with the "core" option for content selection, described in the GRI's G4 Sustainability Reporting Guidelines (see the G4 Content Index). Specific standard disclosures viewed as especially material to the FR Group (the key challenges) were identified through the above process. Methods for managing various aspects of disclosure are described on the relevant pages in each key challenge section.



# Production

## Core policy

The Fast Retailing Group has the utmost respect for the people involved in making its clothes. Through strong partnerships with supplier factories, FR strives to create working environments where legal rights are protected, human rights are ensured, and employees can work in safe and healthy environments for the long term.

These efforts underpin FR's commitment to delivering competitive products of the highest quality, so that people can experience the satisfaction of wearing great clothing.

## Challenge

# 1



## Challenge 1 Production

### Commitments

- **Make clothing meeting the world's highest standards, with a focus on quality in three areas (see figure below)**
- **Identify and resolve issues related to working conditions in the supply chain**
- **Collaborate with partner factories to implement industry best practices related to working conditions**
- **Communicate with stakeholders in a transparent and timely manner**

### Key Initiatives

- **Strengthen workplace monitoring systems**
- **Introduce workplace monitoring at second-tier fabric manufacturers**
- **Integrate CSR into production operations**
- **Collaborate with industry groups and other brands**

### Partnering with suppliers on quality

To make clothing meeting the world's highest standards, the Fast Retailing Group engages in strong partnerships with its suppliers with the goal of maximizing production quality in the following three areas.

1. Quality from a social perspective: adopting production processes that ensure proper working conditions and address environmental impacts and animal welfare.
2. Quality partnerships: pursuing long-term, sustainable growth with partner factories that meet the highest standards.
3. Quality business processes: operating with maximum precision and efficiency.

By achieving quality in these three areas together with business partners that share our long-term values, sense of mission, and ideals, we strive to make the world a better place.

#### ► Production Policy: Quality in Three Areas



## Key Initiatives

### Ensuring a Responsible Workplace

#### Strengthening Workplace Monitoring Systems

Fast Retailing conducts workplace monitoring of its partner factories worldwide. (See page 20 for further information.) In fiscal 2015, FR commenced a review of this monitoring program with a team of external experts. In addition, all inspections of first-tier sewing factories were switched to unannounced inspections as one way to strengthen monitoring. Our CSR team also participates in monthly meetings with production to verify their plans, and monitors FR's order to ensure that proper working conditions are maintained.

#### Introducing Workplace Monitoring at Fabric Manufacturers

FR has been monitoring working conditions at sewing factories, our first-tier suppliers, since 2004. In September 2015, FR also began workplace monitoring at certain fabric manufacturers, covering 70% of UNIQLO's production volume, in addition to monitoring their environmental impacts.

#### Integrating CSR into Production Operations

The Fast Retailing Group's production organization is characterized by its practice of limiting business partnerships only to those suppliers that share FR's quality objectives. Production offices in Shanghai, Ho Chi Minh, Dhaka, Jakarta, and Istanbul have some 400 employees who work with partner factories on production quality and process management.

FR also has CSR sourcing teams in its CSR department that specialize in supply chain initiatives. Teams at the Tokyo head office and at various production offices routinely work with production to monitor partner factories and provide guidance for workplace and environmental improvements.

Fulfilling our social responsibility with partner factories requires that the production department, which communicates closely with partner factories,

works with the CSR team to ensure proper working conditions as a part of its daily operations. In specific terms, FR's CSR sourcing team holds regular training for production department employees. Trainees study topics they can apply to their work, including FR's CSR initiatives, industry-wide challenges, and CSR practices in manufacturing. When necessary, the CSR and production teams also visit partner factories together to identify problems and provide guidance for improvement. This teamwork helps to ensure quality from a social perspective across FR's global supply chain.

#### Collaborating with Industry Groups and Other Brands

By deepening collaboration with industry groups and other brands, FR helps to address issues facing the entire apparel industry, issues that no single company can solve alone.

In August 2013 FR signed the Accord on Fire and Building Safety in Bangladesh (see page 23 for more information), and in September 2014 joined the Sustainable Apparel Coalition (SAC), an industry group working to reduce the environmental and social impacts of the apparel industry. In July 2015, FR also became an affiliate of the Fair Labor Association (FLA), an international non-profit organization committed to protecting the rights of factory workers.

#### Communicating in a Transparent and Timely Manner

The FR Group regularly discloses information on its production activities at partner factories through this CSR report and the Fast Retailing website.

In fiscal 2015, NGO reports called attention to working conditions at FR Group partner factories. FR promptly conducted investigations and released the results on its website, together with an improvement plan drawn up with the partner factories and subsequent progress.

## Workplace Monitoring

# Proper Working Conditions a Top Priority

### Workplace Monitoring and Code of Conduct

At the Fast Retailing Group, workplace monitoring is essential to generating value for both FR and its partner factories, as it helps to ensure safe and secure working conditions, greater protection of rights and satisfaction for employees, and improvements in productivity and quality.

FR works with external auditors to verify that partner factories satisfy our Code of Conduct for Production Partners (CoC), a set of workplace standards established in 2004, and to provide them with feedback. Sites that require improvement are visited by FR's CSR sourcing team, which works with the factories to identify and resolve the underlying problems. All partner factories are required to endorse and pledge compliance with the CoC.

FR also implements pre-contract monitoring for new business partners. Early improvements resulting from this monitoring led to fewer violations and higher evaluation scores after production began.

### Improvements from Monitoring Efforts

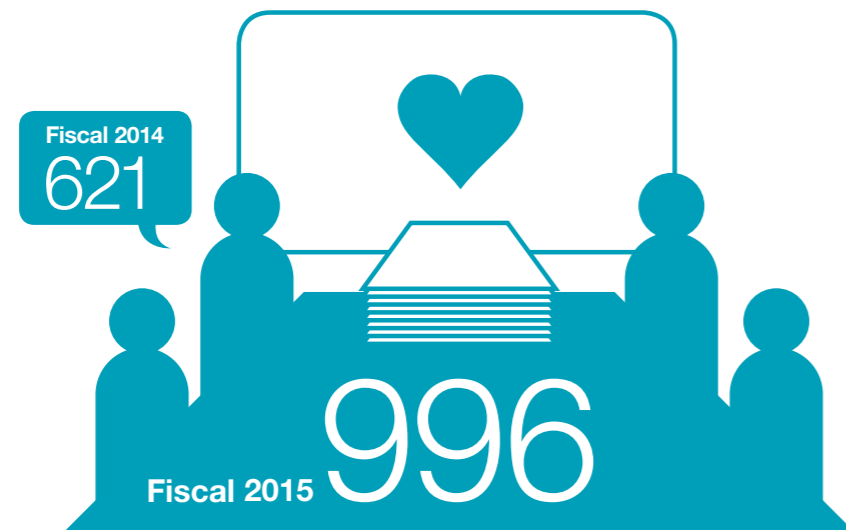
#### • Inadequate Health and Safety Measures (Vietnam)

A regular inspection in July 2015 revealed five major health and safety issues, including inadequate emergency exits in the production area. All issues were resolved under FR's guidance.

#### • Delayed Payment of Overtime Wages (Bangladesh)

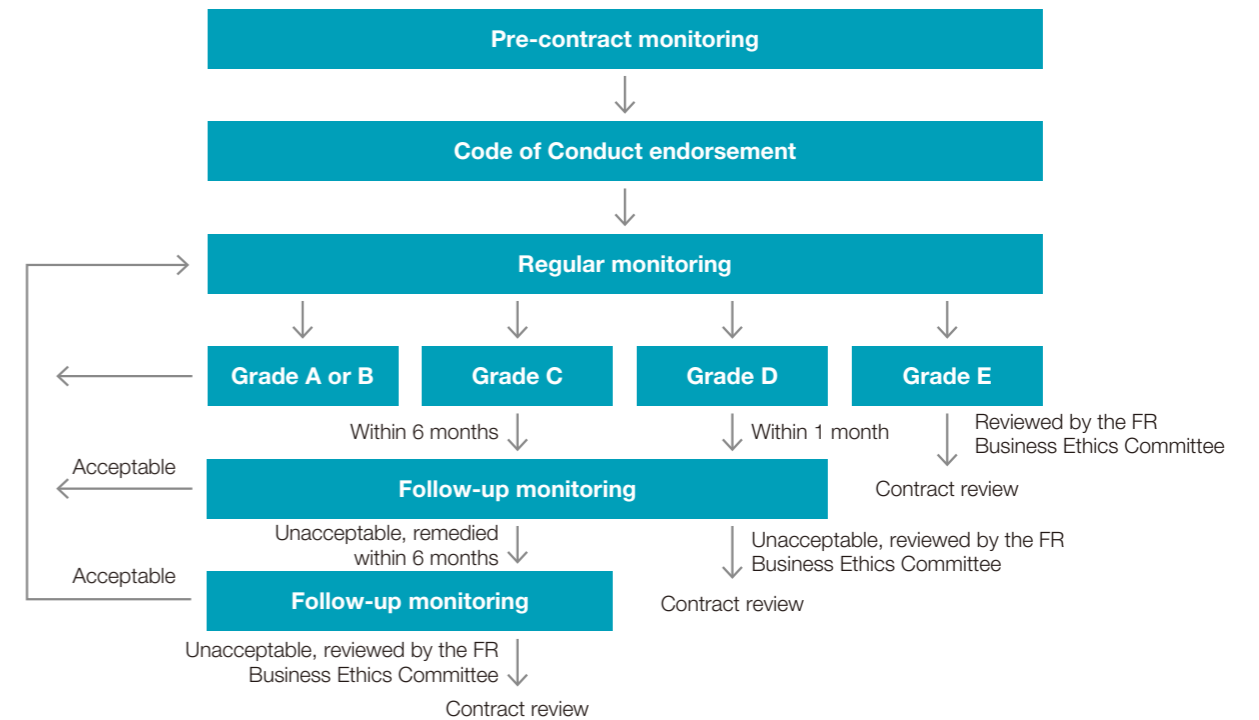
A regular inspection in February 2015 uncovered delayed payment of overtime wages. FR provided guidance for improvement and the factory agreed to change its payment policy, which had previously stipulated that overtime be paid a number of days after base wages. A follow-up inspection verified the improvement.

### ▶ Number of workplace inspections conducted



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

### ▶ 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

External auditors regularly conduct unannounced on-site inspections of first-tier sewing factories. The inspections include an initial meeting, tours of the factory and related facilities, such as cafeterias and dormitories, interviews with factory workers, and examination of required documentation. 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 monitoring is 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 sourcing team on fact-finding missions and reviews the partnership contract, 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.

### ▶ Workplace Monitoring Results (as of August 31, 2015)

Grade	Description	Number of Factories Regularly Monitored (UNIQLO)		
		Fiscal 2013	Fiscal 2014	Fiscal 2015
A	No violations	11 (10)	1 (1)	5 (1)
B	One or more minor violations	134 (95)	175 (115)	202 (115)
C	One or more major violations	97 (45)	72 (32)	171 (73)
D	One or more serious violations	48 (19)	77 (17)	75 (28)
E	Highly unethical, serious offenses subject to immediate review of contract	4 (1)	7 (3)	19 (10)
Total		294 (170)	332 (168)	472 (227)

- Regular monitoring was conducted at 472 factories in fiscal 2015.
- Violations concerning occupational health and safety were the most common among "Grade C" evaluations. FR will work to strengthen management systems at partner factories.
- "Grade D" evaluations decreased from the prior year due to more rigorous pre-contract and follow-up monitoring. However, as there were numerous safety violations, such as substandard emergency exits and obstructed evacuation routes, FR will focus on enforcing the standards.

- "Grade E" evaluations increased from fiscal 2014, with a notable rise in contracts that underwent review due to a lack of improvement after the stipulated number of inspections.
- Contracts with factories that received a "Grade E" evaluation in fiscal 2015 were reviewed. Contracts were terminated with factories that showed no improvement.

## Building a Responsible Supply Chain

# Improving Management Capacity at Partner Factories

### Appointment and Training of CSR Representatives

In the ideal supply chain, partner factories are able to maintain—without FR's monitoring and guidance—a working environment that creates value for both the factory and its employees. That is why FR works with partner factories to improve their management capacity, helping them to create their own internal auditing systems and requiring the appointment of on-site CSR representatives.

FR's CSR department also holds regular training sessions at its production offices for these CSR representatives. Trainees study workers' rights, health and safety management, the value of improving working conditions, and also share good practices for other trainees to consider applying at their own factories.

### Employee Hotlines at Partner Factories

Also essential to improving working conditions at partner factories is a feedback mechanism that allows employee input to be heard and addressed fairly, without fear of repercussion. As part of workplace monitoring, FR has begun to assess whether partner factories have an employee hotline (complaints handling system), and how effectively and frequently they are used.

## Collaborating with Industry Groups and Other Brands

# Workplace Initiatives in Bangladesh

### Fire Prevention and Building Safety

Prompted by a series of garment factory fires and a building collapse in Bangladesh in 2012-2013, Fast Retailing conducted its own independent fire prevention and building safety inspections of partner factories in the country. Subsequently, in August 2013, FR signed the Accord on Fire and Building Safety in Bangladesh as further commitment to worker safety.

Of the 550 violations identified through these independent inspections, all were resolved as of October 2015, excluding those placed on a separate improvement schedule under the Accord.

All of FR's partner factories have also undergone inspections required by the Accord and formulated action plans for making improvements. Violations identified by the Accord-related inspections have been resolved at 40% of these factories. FR intends to resolve all violations by the 2018 deadline.

### Project to Empower Female Factory Workers

One social issue facing Bangladesh, a key production region for the FR Group, is a lack of basic educational opportunities for women, who account for most of the country's garment industry workers.

To address this issue, UNIQLO introduced the Factory Worker Empowerment Project and is investing in female employees working at FR's partner factories. Funding for the project came from global sales of a new collection inspired by the traditional dress of Bangladesh. Through the HERproject, a program initiated by BSR (Business for Social Responsibility), an international non-profit organization, the women will acquire a range of living skills, notably in basic nutrition, hygiene and healthcare, and household management. FR plans to reach 20,000 women working at its partner sewing factories. Training began at several factories in 2015 and will be rolled out to all factories by April 2016 and completed by March 2017.

For more about safety initiatives in Bangladesh, please visit our CSR website at: [www.fastretailing.com/eng/csr/business/bangladesh.html](http://www.fastretailing.com/eng/csr/business/bangladesh.html)



 **Fast Retailing CSR website**  
[www.fastretailing.com/eng/csr/](http://www.fastretailing.com/eng/csr/)

**For Our Business Partners**

- Our Basic Principle
- Standardized Clothing Production Processes
- Building a Responsible Supply Chain
- Workplace Monitoring
- Integrating CSR into Production Operations
- Safety Initiatives in Bangladesh
- Project to Empower Female Factory Workers
- Fair, Equal Partnerships

# Environment

Core policy

**Fast Retailing seeks to comply with all laws and regulations and to respect the natural environment in its aim to be an environmentally responsible company. FR strives 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 and civil society, to foster awareness and positive impacts for the environment.

Challenge

# 2



## Challenge 2 Environment

### Commitments

- **Measure and minimize environmental impacts in all processes across the supply chain**
- **Show leadership by working with stakeholders, including industry groups and NGOs**
- **Communicate and collaborate with customers through our stores, products, and services**

### Key Initiatives

- **Measure and visualize our environmental impacts**
- **Promote impact reduction efforts in all business processes**
- **Eliminate hazardous chemical emissions**
- **Strengthen environmental monitoring**
- **Integrate CSR into production operations**

### An environmentally conscious business

The Fast Retailing Group has established an environmental policy to reduce the various impacts its business activities have on the natural environment and to actively address global environmental challenges. FR sets clear targets to drive action. The first target was set for UNIQLO stores in Japan, which FR operates directly. Beginning with a review of store designs and materials sourcing policies, FR aims to reduce CO<sub>2</sub> emissions per floor area 10% by the end of fiscal 2020 (compared to fiscal 2013).

Production accounts for one of the largest environmental impacts in the FR Group supply chain. FR measures this impact through environmental monitoring at its partner factories. After joining the Sustainable Apparel Coalition (SAC) in September 2014, FR reviewed its monitoring program and is making improvements to promote more effective and efficient conservation efforts across the industry. We are also advancing a project to completely eliminate emissions of hazardous chemicals from the entire product life cycle by January 2020.

As an SPA retailer (Note), FR is deeply involved in each process in its supply chain and will continue to work with partner factories and other stakeholders to reduce environmental impacts.

Note: The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

## Eliminating Hazardous Chemicals

# Eliminating Hazardous Chemical Emissions

### Working with Stakeholders

As an SPA retailer, Fast Retailing recognizes the importance of reducing emissions of hazardous chemicals, and we began seriously addressing this issue in 2011. In 2013 we committed to completely eliminating emissions of hazardous chemicals from our entire product life cycle by January 2020.

We are 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 FR guidelines and to perform product and wastewater testing. FR takes prompt action whenever a hazardous chemical is detected. This involves meeting with the factory and chemical manufacturer, visiting the site to identify the cause, and advising on an alternative material.

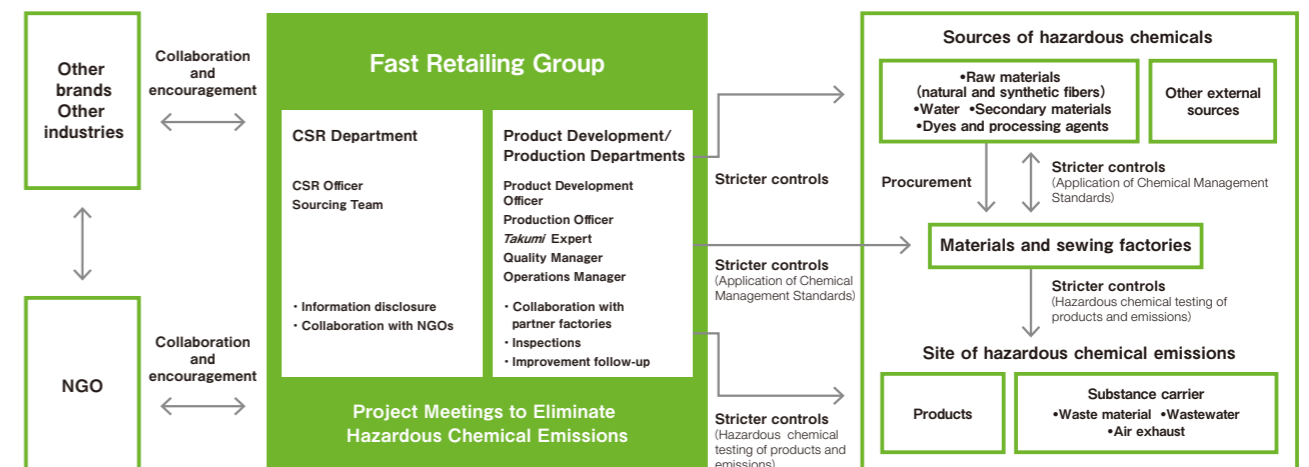
### Regular Project Meetings with Senior Managers

FR holds regular project meetings to ensure steady progress. Officers and managers from the CSR, product development, and production departments, *takumi* experts on dyeing and fabric production, and quality team managers attend in person at the Tokyo head office, while production offices in various countries participate virtually, by way of videoconferencing.

The meeting primarily addresses the three main components of the project: 1. When testing detects a hazardous chemical, 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 discloses its lists of restricted and controlled substances, along with project updates and other new information, on its company website.

### ► 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](http://www.fastretailing.com/eng/csr/environment/zero.html)

## Reducing Environmental Impact

# Reducing Impacts across the Supply Chain

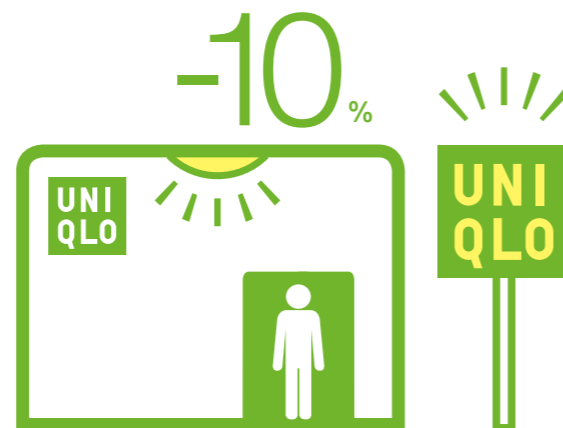
### Specific Initiatives for Each Process

The Fast Retailing Group is working with its stakeholders to reduce environmental impacts throughout the supply chain by assessing the size and type of impacts in every business process and determining the priorities.

For fabric production, a process with a large impact on the environment, we conduct environmental monitoring at fabric manufacturers and follow-up activities to promote improvements.

Going forward, we will work to achieve further reductions by devising and implementing solutions suited to the unique circumstances of each business process.

▶ **CO<sub>2</sub> emissions from UNIQLO stores in Japan reduced by fiscal year-end 2020 (compared to fiscal 2013, per floor area)**



### ▶ Fast Retailing's Environmental Impact

	Planning	Production	Logistics	Sales	Use/Disposal
<b>In</b> Energy and Raw Materials Usage	<b>Energy, Fuel, etc.</b>	<b>Sewing Factories and Fabric Manufacturers</b> Energy consumed (calories) 17,116,915 GJ Electricity 508,492,602 kWh LPG 1,252,172 kg LNG 7,409,376 kg Natural gas 29,599,589 m <sup>3</sup> Heavy oil 139,789,380 ℓ Light oil 1,440,937 ℓ Gasoline 462,668 ℓ Coal 201,470,102 kg Steam 671,362 t Water usage 24,785,654 t	<b>Logistics</b> Energy consumed (calories) 307,356 GJ	<b>Stores</b> Electricity consumed 217,278,085 kWh City gas consumed 1,455,441 m <sup>3</sup> LPG consumed 1,286,365 m <sup>3</sup>	
		<b>Headquarters</b> Electricity consumed 4,779,562 kWh Gas consumed 4,822.2 m <sup>3</sup> (Tap) Water usage 13,876 t			
		<b>Headquarters</b> Copy paper consumed 12,098,500 sheets			
		<b>Materials</b>		<b>Stores</b> Packaging 5,573 t	
<b>Out</b> CO <sub>2</sub> Emissions and Waste	<b>CO<sub>2</sub> Emissions</b>	<b>Headquarters</b> CO <sub>2</sub> emissions (electricity and gas) 2,660 t-CO <sub>2</sub>	<b>Logistics</b> CO <sub>2</sub> emissions 20,991 t-CO <sub>2</sub>	<b>Stores</b> CO <sub>2</sub> emissions (electricity) 119,502 t-CO <sub>2</sub> CO <sub>2</sub> emissions (gas) 11,735 t-CO <sub>2</sub>	
		<b>Headquarters</b> Combustible waste (paper waste, etc.) 218.8 t Noncombustible waste (plastic waste, etc.) 3.6 t			
		<b>Waste and Recycling</b>		<b>Stores</b> General waste 51,440 t	<b>Customers</b> Items collected through All-Product Recycling Initiative 1,457 t

Notes: Manufacturing data represent factories that produce UNIQLO products. Logistics figures are for the period from April 2014 to March 2015. 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 collected through All-Product Recycling Initiative refer to the items received at clothing sorting centers as of August 31, 2015.

### ▶ Reducing the Environmental Impact of the SPA Processes



#### Product Planning

FR places a high priority on environmentally responsible procurement and production processes and on safe materials. FR also develops fabrics with enhanced features, such as thermal-insulating and quick-drying properties, that could potentially reduce impacts during wearing and washing.



#### Raw Materials

In fiscal 2015, FR visited producers of key raw materials such as cotton and down to verify working environments, use of pesticides and water, and ethical treatment of ducks and geese, among other conditions.



#### Production

FR conducts environmental monitoring at second-tier fabric manufacturers, and provides guidance on how to reduce environmental impacts and energy consumption.



#### Logistics

Logistics is a significant source of environmental stress, 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, reusing and reducing the weight of packaging, and developing more efficient loading methods.



#### Sales

FR sets specific environmental impact reduction targets for the stores it operates. FR first set a target for UNIQLO stores in Japan, aiming to reduce CO<sub>2</sub> emissions per floor area 10% from fiscal 2013 by the end of fiscal 2020. From fiscal 2015 onward, FR is advancing these efforts across the entire FR Group, focusing first on GU stores in Japan and UNIQLO stores in China.



#### Reuse and Recycling

The All-Product Recycling Initiative collects second-hand clothing at UNIQLO and GU stores in 16 countries and regions worldwide. About 90% of all collected clothing is donated to refugees and others in need, while the remaining 10% is converted into fuel. FR is also collecting and devising ways to make effective use of other waste generated from stores.

Environmental Monitoring

## Contributing to a More Sustainable Apparel Industry

### Environmental Monitoring of Fabric Manufacturers

Fast Retailing recognizes that fabric production—a broad area of activity that includes spinning, weaving, knitting, dyeing, and drying—has an especially large impact on the environment across the supply chain due to the water, chemicals, and waste involved throughout the process. In 2010 we began environmental monitoring at fabric manufacturers, our second tier suppliers.

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

Environmental monitoring begins with detailed on-site inspections against the guidelines by an external agency. The results are reported to FR and the partner factory, which then goes about making necessary improvements by the agreed-upon deadline. Depending on the number and type of violations, FR's CSR and production teams visit the site to provide guidance and conduct follow-up monitoring to verify the improvements.

#### ► Number of environmental inspections conducted



For more on the FR Environmental Guidelines for Fabric Production, please visit our CSR website at: <http://www.fastretailing.com/eng/csr/environment/monitoring2.html>

### Strengthening Environmental and Workplace Monitoring

To strengthen efforts to safeguard the health and safety of employees—previously the sixth category in the FR Environmental Guidelines for Fabric Production—in March 2015 FR expanded workplace monitoring to include second-tier fabric manufacturers as well as first-tier sewing factories. Workplace and environmental monitoring at these factories is now conducted in an integrated manner.

FR has also joined the Sustainable Apparel Coalition (SAC), an organization working to reduce the environmental impacts of the apparel industry. Going forward we will actively consider introducing the SAC's assessment framework and other indicators used by the industry.

### Results of Environmental Monitoring

FR conducted 118 environmental inspections in fiscal 2015.

Inspections revealed low compliance rates for chemicals and waste management. Common violations included inadequate container labeling and use, and unclear on-site indication of management responsibility, all of which can be resolved with basic training and awareness. Through site visits and training, FR's CSR and production teams will work more closely with partner factories to develop systems that enable all factory employees to share information, understand, and practice compliance in their work.

### Improvements from Monitoring Efforts

#### • Inadequate Storage and Handling of Chemicals (China)

Inspections in January 2015 uncovered violations including insufficient air ventilation and chemical leak prevention containers, and failure of employees to use safety and protective gear. FR's CSR team provided on-site guidance and training, and in May 2015 the factory voluntarily held training for managers and safety staff taught by an external expert. FR later confirmed the improvements.

#### • Inadequate Management and Storage of Waste (Indonesia)

A follow-up inspection in May 2014 found a waste storage area with no roof. The CSR team visited the site with FR's *takumi* dyeing and fabric production experts and talked with factory managers about a solution. In October 2014, FR verified in person that the issue had been resolved.

#### • Inadequate Management and Storage of Chemicals (Thailand)

Inspections in March 2014 revealed violation of required containers for preventing chemical leaks. After extensive discussion with the factory about remedies, in October 2014 the CSR team and an external expert visited the factory and confirmed the issue was resolved.



#### ► Compliance Issues with the FR Environmental Guidelines for Fabric Production

	Fiscal 2015
1	Waste management
2	Chemical substances management
3	Pollution control and measurement
4	Environmental management system
5	Asbestos and PCBs

Note: Listed in order of number of factories requiring improvement



Fast Retailing CSR website  
[www.fastretailing.com/eng/csr/](http://www.fastretailing.com/eng/csr/)

#### For the Environment

- Environmental Policy
- Key Activities
- Reducing Environmental Impact
- Environmental Inspections
- Initiatives to Eliminate the Release of Hazardous Chemicals

#### For Our Community

- All-Product Recycling Initiative



# Human Resources

Core policy

Respect for diversity is at the heart of Fast Retailing's business philosophy. We uphold human rights as our highest priority, and seek to eliminate all forms of discrimination.

We strive to provide workplaces where ambitious people can come together and realize their full potential. Where the best teams generate unique value, and employees take pride in what they do. And where efficient and supportive working environments contribute to better work-life balance.

By creating win-win connections between personal and business growth, FR aims to benefit society and be valued by the people we touch.

Challenge

# 3



### Challenge 3 Human Resources

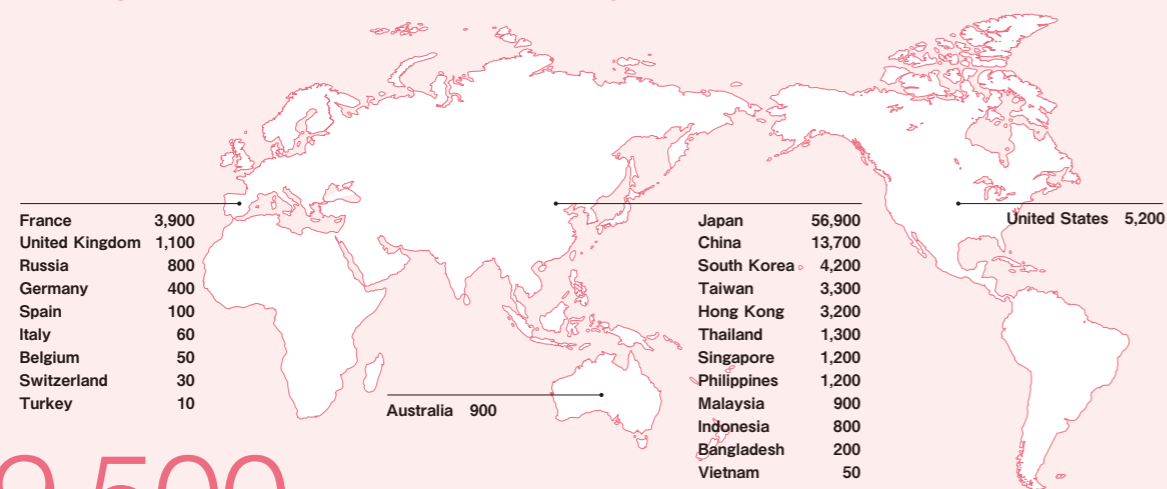
#### Commitments

- **Protect employees' basic human rights, respect diversity, and create value through teamwork**
- **Link employee growth to company growth through fair and transparent evaluations**

#### Key Initiatives

- **Promote human rights**
- **Advance Careers for Women**
- **Employ Persons with Disabilities**
- **Provide HR programs that embrace various work styles**
- **Provide equal opportunities for training**
- **Ensure fair working conditions, evaluations, and remuneration**
- **Provide safe and supportive working environments**

#### ► Fast Retailing Group employees by country and region



**99,500** employees in 23 countries and regions  
(29,000 men and 70,500 women)

#### Valuing Human Rights and Diversity

Fast Retailing has formulated the FR Group Code of Conduct as universal guidelines and basic requirements for all employees to follow. The CoC sets out clear behavioral standards for employees to observe as "autonomous individuals" across a range of areas, including human rights, compliance, the natural environment, company assets, and information management. Through instruction and training, FR encourages its employees to take an ethical approach in everything they do.

The FR Group views diversity as a key differentiator for its business. By supporting women's advancement, employing persons with disabilities, and advancing a regional regular employee program (which allows temporary store employees to rise to permanent employee status within a limited geographical area of their choice), FR aims to be a place where employees can grow with the company over the long run.



Fostering Diversity

# Empowering Women and Persons with Disabilities

## Advancing Careers for Women

Advancing careers for women is an important key to business growth 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. In places like Europe and Japan, the issue has also become a societal priority and is being addressed through new legislation.

Against this backdrop, FR has recognized an urgent need for working environments that support women in achieving work-life balance. In March 2015, FR established a Diversity and Inclusion Office to spearhead women empowerment efforts in Japan.

For example, FR holds regular meetings targeting a range of individual circumstances. These include Women's Direct Meetings, a dialogue of more than 300 female store and senior managers from UNIQLO Japan with external experts, and, as new semi-annual events begun in fiscal 2015, a conference for female store managers with children and training for supervisors.

In July 2015 we made these meetings open to all female employees on maternity leave, and also created a special website and contact point that they can consult regarding

the FR Group's latest initiatives and new HR programs.

Through initiatives like these, the FR Group is determined to raise the proportion of women in management roles to more than 30% by 2020. As of September 1, 2015, women accounted for roughly 23% of managers at FR, including executive positions. This number declines as the management level rises, however, which we recognize as an issue and are working to remedy. We have also set clear targets for female sales managers, to increase the number of area managers to more than 50% and "superstar" store managers to more than 30%. Through training sessions for management candidates and other programs, we are making steady progress to reach these targets.

## Employing Persons with Disabilities

To learn and grow together as a team, transcending physical and intellectual differences—this is the FR Group's 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 nearly reached its initial target of

employing one person with a disability per store in Japan. In fiscal 2015, the percentage of employees with disabilities in the FR Group was 5.87% (as of June 1, 2015), far exceeding Japan's statutory requirement of 2.0%.

Similar progress is being made globally: persons with disabilities now account for 1,534 employees in 13 countries and regions.

Our next goal is to raise employee awareness of the value of working with people with disabilities. To achieve that, FR has integrated group policies on the employment of disabled persons into training curriculum for all new hires, not just managers. In April 2015 we also hired nationally certified job coaches who are now leading training program development and responding to workplace issues in an effort to provide rewarding working environments for people of all abilities.

## Regional Regular Employee Program: Broadening Career Options

Underemployment is a major problem outside urban centers in Japan, particularly among young adults.

In 2014 UNIQLO Japan launched a new program that

allows temporary store employees to rise to permanent employee status within a limited geographical area of their choice. The aim is to improve labor conditions and stabilize store operations by retaining local talent for the long term. As of August 2015, FR has hired more than 10,000 regional regular employees, approaching its target of 16,000.

The new program extends opportunity to those who, for personal reasons, have difficulty relocating for a full-time job or have limited time for work. It offers a variety of work schedules (e.g., reduced work hours, four-day work weeks) and career tracks, including promotion to a store or regional management role, or shifting to a national-level general administrative position.

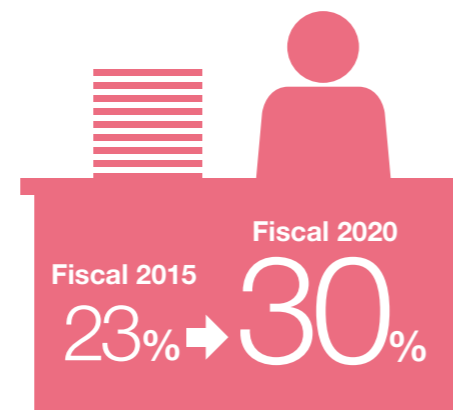
Going forward we will design and roll out career programs matched to each region across our global operations so our diverse employees have the right opportunities to meet their full potential.

### ▶ Number of Female Employees by Position in the Fast Retailing Group

	Women	Women and men	Percentage of women	2020 target
Executive Officer	3	45	7%	30%
General Manager	23	123	19%	
Manager	97	356	27%	
Area Manager	135	393	34%	50%
"Superstar" Store Manager	3	54	6%	30%

Note: As of September 1, 2015

### ▶ Percentage of female managers by 2020

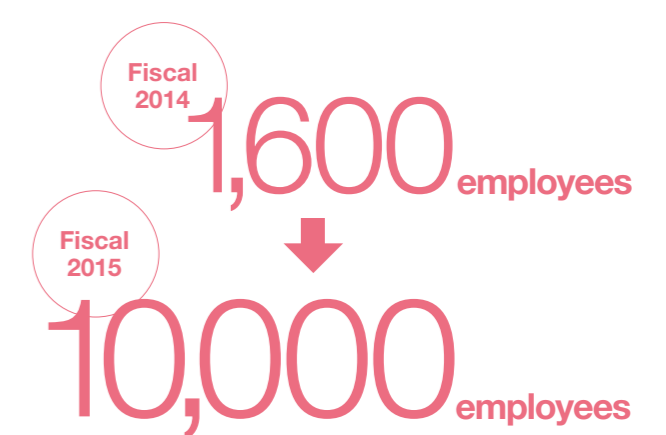


Note: As of September 1, 2015

### ▶ Number of Employees with Disabilities in the Fast Retailing Group

(Number of people)			
Japan	1,249	France	17
South Korea	95	Russia	10
Taiwan	38	United Kingdom	6
United States	36	Hong Kong	6
Singapore	33	Indonesia	2
Thailand	22	Germany	2
Malaysia	18		
Total			1,534

### ▶ Number of Regional Regular Employees at UNIQLO Japan



## New HR and Training Programs

# Broadening Potential for Performance and Growth

### HR System Reforms

The Fast Retailing Group upholds Global One ("global approach") and Zenin Keiei ("all employees with the mindset of a manager") as principles for all employees to pursue, and strives to train employees who can embody them in their work. Our increasingly globalized organization and diverse business environment requires employees to utilize their unique talents to maximize results. In return, FR needs to provide more flexible career options. To that end, FR has embarked on a reform of its human resource and training programs.

### Skills Assessments and Employee Transfers

FR plans to introduce 360-degree skills assessments rated by employees' supervisors, peers, and subordinates by September 2016. By accounting for all skills, not just tangible results, this method is designed to ensure fairer evaluations, enhancing the growth potential of each employee.

Promotions and transfers at FR are conducted on a global level, across business divisions, to make the most of each person's experience and abilities based on their skills assessment. Transfers are started early so employees gain a wide range of work experience and skills.

### Globally Fair and Transparent Evaluations

To realize fair and transparent evaluations and remuneration systems, the FR Group has introduced a global grading system with universal requirements for each position. Under this system, all of our 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 quarterly.

In fiscal 2015, the FR Group introduced universal guidelines on employee grade distributions to help prevent grading disparities across countries, regions, evaluators, and positions, thereby providing fairer evaluations and more opportunities for growth. The new skills assessment will be integrated into this evaluation system.

### Training Program Reforms

Coordination of training with HR systems is essential to developing global leaders who can deliver in a complex business environment. To boost employees' potential, career development must build on universal training for all employees by being tailored to the individual and their unique career goals. It must also satisfy FR's focus on practical learning that has direct benefits for daily operations.

To achieve these goals, FR's HR department and in-house academic institution the Fast Retailing Management and Innovation Center (FRMIC) have designed new training curriculum for developing human resources from a long-term perspective. The curriculum is systematically organized to turn new group employees into business leaders in the span of ten years.

FRMIC also hosts the FR Convention, a semiannual gathering of headquarters staff and store managers (about 10,000 participants a year) from all group businesses, as well as frequent Staff Conventions, meetings for employees of UNIQLO stores in Japan (some 9,500 participants in 107 meetings since April 2014). 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 President and CEO Tadashi Yanai's efforts to meet with 30 managers of UNIQLO stores in Japan for two hours each week; such meetings have been held

more than 20 times. These events are also integrated into the 10-year training curriculum.

### Strengthening Global HR Management

FR is considering building a database on the skills, evaluations, and career tracks of all FR Group employees worldwide. Scheduled for completion in 2016, the database will be used to manage transfers on a global level more efficiently and for greater employee and company growth.

FR also regularly holds Global HR Conferences, where HR managers from across the FR Group share data on key trends, such as recruitment, employee turnover, promotions, and gender ratios. The managers discuss issues and potential solutions, paying special attention to urgent challenges, such as filling vacant positions with the right people. Their observations across different countries, regions, and business segments are used as a basis for employee evaluations, remuneration, and training programs.



### ► Flow of 10-Year Training Curriculum

	Theory		Practice	Strategy
	Introductory Year 1	Basics Year 1-2	Intermediate Year 2-6	Advanced Year 6-10
FR values	New hire training New store manager training		FR Convention Store manager meetings with CEO CEO sessions for aspiring business managers	
FR philosophy	FR philosophy training (introductory to advanced)			
Problem solving	Problem identification, causal analysis	Problem solving models	Goal setting, decision making	Business problem solving
Using information	Information collection	Information analysis	Applied information	
Creative thinking	Exploring creativity	Basic ideation methods	Using ideas for business	
Business communication	Basic actions	Listen, learn and read	Explanation and persuasion	Consensus building
Cross-cultural communication	Cross-cultural communication			
Sales strategy	Sales strategy (introductory to advanced)			
Training subordinates	Training subordinates (introductory to advanced)			

Safe and Supportive Working Environments

# Safety and Support for All Employees

## Occupational Health and Safety

The Fast Retailing Group takes the utmost care to protect the health and safety of its employees, in compliance with national laws. We stress the prevention of injuries and accidents, clear allocation of responsibilities, and voluntary improvement efforts.

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

UNIQLO Japan encourages regional regular employees and

other staff who work long-term at the same store to obtain health supervisor certification; 95% of stores have achieved certification so far, and we aim to reach 100% by September 2016. UNIQLO Japan also provides its health supervisors with practical training, and contracts more than 50 occupational physicians, covering all stores that require them.

These activities are supervised by the Central Safety and Health Committee at the Tokyo headquarters. FR's supervising physician chairs a monthly committee meeting, where health and safety managers from each business segment share information and discuss possible countermeasures.

## Putting Employees First

The FR Group is shifting to a universal work culture where overtime is the exception and where all employees strive to work efficiently and create more value. We believe this will contribute to our goals of fair evaluations and shared growth. To do this, the daily work hours of each department and individual is monitored, with guidance provided to those with frequent overtime by FR's senior management team. FR has also introduced a smartphone app for employees to clock in and out of work. The app also provides important alerts, reminding employees not only to clock in and out but also to manage their hours by suspending work after a designated time.

FR seeks to provide streamlined, comfortable working environments designed to maximize productivity, with group-based seating to facilitate communication, as well as video conferencing systems and the latest information technologies to enhance administrative efficiency while reducing environmental impacts.

## Physical and Emotional Wellbeing

In 2014, FR opened a wellness center at its Tokyo head office as an accessible source of help for addressing health-related concerns. The center encourages employees to receive medical checkups, is home to occupational physicians and nurses who provide post-checkup guidance and daily consultation, and periodically distributes health information.

FR also established a contact for employees to receive mental health guidance from an in-house or external counselor. FR has broadened the scope of mental health training to include everyone from general managers to store managers and their assistants, and adapts content to the responsibilities expected from each position. FR also has all employees fill out a stress questionnaire and mails the results individually. Senior managers of stores and departments that need improvement are required to submit a causal analysis and countermeasures.

## Infant and Nursing Care Programs

FR believes in helping employees lead a fulfilling life in and out of work so they can maximize their long-term potential. For example, we provide infant-care and nursing-care leave, reduced work hours, and other support programs.

### ▶ Employees Using Infant and Nursing-Care Leave in Japan

	(Number of people)			
	Infant-care leave	Reduced work hours for infant care	Nursing-care leave	Reduced work hours for nursing care
Full-Time Employees	414	316	19	14
Other Employees	593	19	9	8
Men	4	2	2	2
Women	1,003	333	26	20
Total	1,007	335	28	22

## Preventing Work-Related Accidents

FR takes special care to create safe workplaces and prevent employee accidents on the job and while commuting. Sewing machines and falls from stepladders at stores were the most common causes of injury. When an accident occurs, a report is submitted to the administration department and necessary steps are taken. Information on past accidents and preventive measures is also distributed periodically to raise awareness.

### ▶ Number of Work-Related Accidents in Japan

Fiscal 2013	651
Fiscal 2014	679
Fiscal 2015	795



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

For Our Employees  
 ● Our Basic Principle ● Promoting Diversity ● Personnel Development ● Safe, Comfortable Workplaces

# Community

## Core policy

The Fast Retailing Group is a fully engaged member of the global and local community. We believe we have a responsibility to contribute to the sustainable growth and development of all people our business touches. Drawing on our strengths as an apparel retailer, we advance initiatives to address both global issues, such as the growing number of refugees, and local issues in each country where we do business. We strive to be a company that is valued by the community at large.

## Challenge

# 4



## Challenge 4 Community

### Commitments

- Leverage our strengths as an apparel retailer to improve and enrich people's lives
- Help communities address social issues
- Contribute to sustainable community development through innovative programs

### Key Initiatives

- Provide clothing to those in need
- Provide educational and self-reliance assistance
- Inform and communicate with stakeholders through our stores
- Engage employees in community initiatives

### Addressing Social Issues through Clothing

The Fast Retailing Group views clothing as a basic human necessity and uses its business to give back to society. For more than a decade we have extended assistance in the form of clothing to displaced people and disaster victims around the world and to the socially vulnerable in the communities we serve.

We believe that providing the conditions for individuals to attain economic autonomy is an essential part of sustainable community development. Many social challenges that impede such autonomy, such as poverty, stem from a lack of education and employment opportunities. The FR Group thus promotes educational and self-reliance assistance as key themes of its community initiatives. Since many social issues can only be resolved by the private sector and civil society working together, we implement a range of solutions beyond our business according to specific community needs.

Employee participation and communication with stakeholders through our stores are also crucial to the success of our CSR initiatives. The FR Group implements global assistance programs and local community initiatives in ways that allow employees to contribute as a part of store operations.



Clothing for people in need



In-store CSR communication



Educational and self-reliance assistance



In-store CSR activities

## Clothing as a Basic Human Necessity

# Helping People in Need

### The All-Product Recycling Initiative

The Fast Retailing Group is advancing an initiative that collects second-hand clothing from customers at UNIQLO and GU stores and, in partnership with the United Nations High Commissioner for Refugees (UNHCR) and NGOs around the world, delivers them to refugees and other people in need.

Begun in 2001 with the recycling of UNIQLO fleece products, the program has gradually expanded, collecting some 39.5 million articles of clothing at UNIQLO and GU stores in 16 countries and regions, and donating some 16.3 million articles to 59 countries and regions to date.

After collection, clothing is separated into unwearable items (around 10%), which are recycled as fuel, and items in good condition (around 90%), which are donated. Quantity and types of clothing needed and delivery routes are confirmed before donation. FR employees take part in trips to refugee camps, where they help distribute the clothing and also interview recipients to identify their ongoing clothing and daily life needs. In fiscal 2015, FR and UNHCR visited refugee camps in Jordan, Myanmar, Uganda, and other areas.

### ► FR Connects Customers with People in Need (store poster)



### Partnership with UNHCR

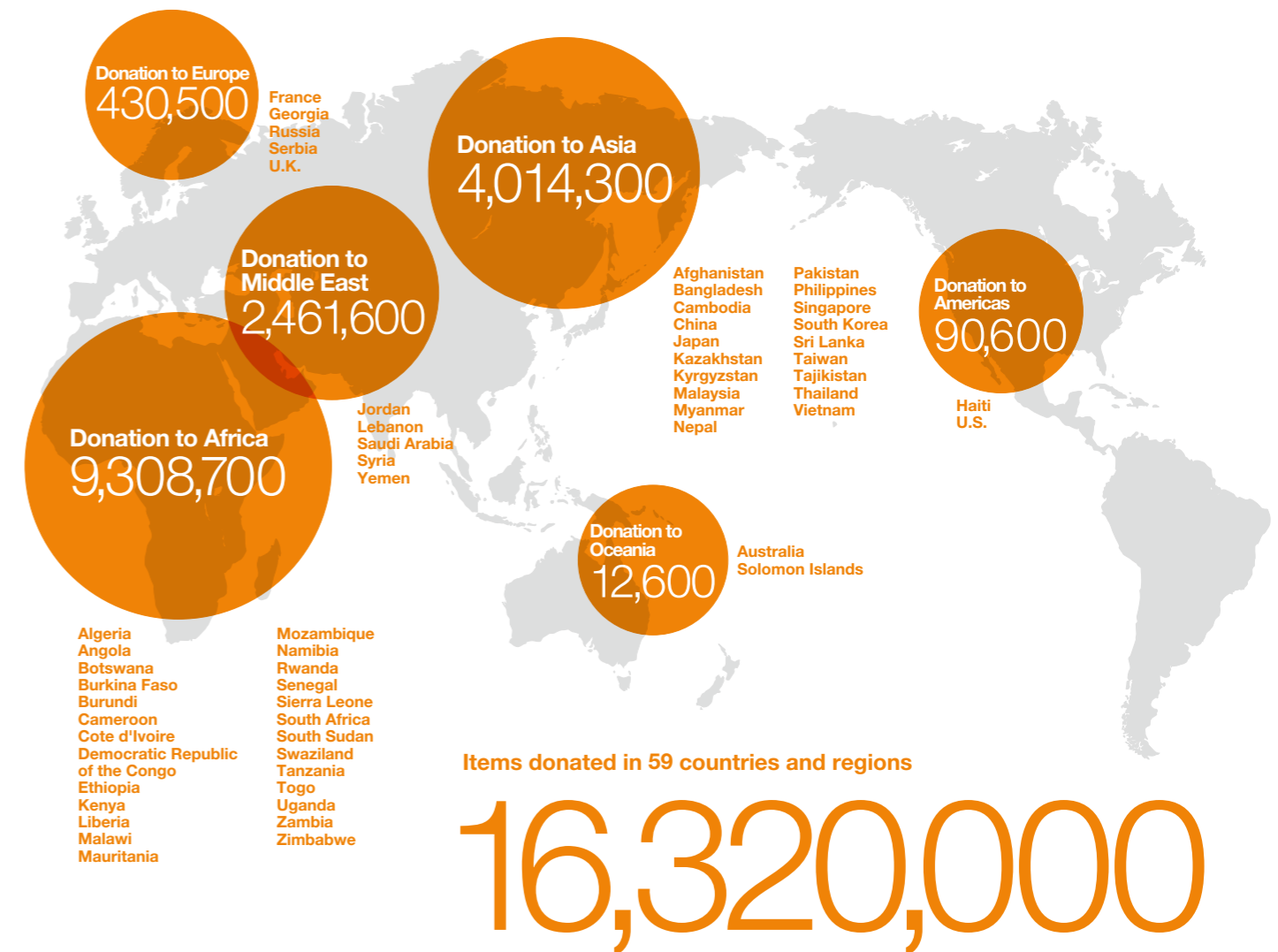
To tackle refugee issues worldwide in a more comprehensive manner, in 2011 FR entered into a global partnership with UNHCR—the first time for an Asian company. The partnership focuses on four key areas: clothing assistance, emergency aid, self-reliance assistance, and awareness raising.

In November 2015 FR strengthened its partnership with UNHCR to bring essential clothing and hope to even more forcibly displaced people worldwide. FR has committed to donating US\$10 million over three years (for emergency aid and self-reliance support for refugees), targeting employment of 100 refugees at UNIQLO stores, and distributing approximately 150,000 articles of Extra Warm HEATTECH clothing to refugees in the Balkans and Afghanistan. FR has also expanded the All-Product Recycling Initiative by launching the 10 Million Ways to HELP project to step up clothing drives at all UNIQLO and GU stores, with the goal of collecting 10 million articles of clothing.

FR will look to provide comprehensive assistance to address the needs of displaced people. Specifically, we will increase our warehouse capacity to enable faster clothing deliveries, and explore ways to set up distribution centers in the style of retail stores.



### ► Worldwide All-Product Recycling Initiative items donated



### ► Worldwide All-Product Recycling Initiative items collected

Items collected in 16 countries and regions

# 39,490,000

Countries and regions where recycled items are collected at stores

- |               |                              |
|---------------|------------------------------|
| 1 Japan       | 9 Singapore                  |
| 2 South Korea | 10 Thailand                  |
| 3 U.K.        | 11 Malaysia                  |
| 4 U.S.        | 12 Philippines               |
| 5 France      | 13 Australia                 |
| 6 China       | 14 Russia                    |
| 7 Hong Kong   | 15 Germany                   |
| 8 Taiwan      | 16 Belgium (since Nov. 2015) |



Educational and Self-Reliance Assistance

## Bridging Communities through Clothing

### Presentations to Schools by FR Employees

The Fast Retailing Group is partnering with schools in Japan on a project aimed at sparking school children's interest in refugee issues. The program began in 2009 with classroom lectures and presentations by FR employees, and in 2013 took on the name: The Power of Clothing Project.

Through the project children learn about the difficult lives of refugees and the role that donated clothing plays. They also hold their own clothing drives. FR employees visit refugee camps and send back photo-illustrated reports on the children's donations. In fiscal 2015, some 26,000 students at 238 schools across Japan participated. Similar projects have also been started in South Korea and France.

### Refugee Internships at UNIQLO Japan

Since 2011 UNIQLO Japan has provided internships to refugees and their family members who have received long-term resident status in Japan. The program offers the opportunity to work as a store intern for up to six months. Interns have the chance to apply for a full time staff position after their internship.

As of November 2015, a total 13 participants in this program are working at UNIQLO stores in Japan under various employment terms, including as interns and full-time employees.

### UNIQLO Shopping Experience Events around the World

Pioneered by UNIQLO Singapore, in 2013 FR launched In-Store Shopping Experience events for children with intellectual disabilities. Store employees assist the children with an activity that most of us take for granted: shopping for clothes. The experience helps them develop important life skills around deciding what to wear and calculating what they can afford within a given budget—skills they rarely put into practice in everyday life.

The initiative has since spread to UNIQLO stores around the world, including the U.S., South Korea, Malaysia, Germany, Australia, China, Japan, Thailand, Taiwan, the U.K., and France. Events at each location are adapted to meet specific local needs—for instance, incorporating retail learning experience programs and extending assistance not only to those with disabilities but also to underprivileged children, the homeless, and others.



## Making a Difference through Social Business



### Expanding Business with a Localized SPA Model

In Bangladesh, an important production region for the FR Group, FR has teamed with leading social business proponent Grameen Bank Group, and together launched Grameen UNIQLO Ltd. Since 2010, Grameen UNIQLO has operated its own SPA (Note) business model to help combat poverty, develop local industry, provide employment, and support the self-reliance of workers. The venture is an important step toward executing the FR mission to enrich people's lives through unique corporate activities.

Drawing on FR's production know-how, store operations, and human resources, Grameen UNIQLO manages all processes domestically, including product planning, production, and sales, and reinvests profits back into the business. FR anticipates that Grameen UNIQLO's expansion will create new markets in Bangladesh's growing retail industry—and help alleviate social issues in the process.

### Recent Business Initiatives at Grameen UNIQLO

Grameen UNIQLO has been intensifying a number of business initiatives under the leadership of Najmul Huq,

who was appointed chief operating officer (COO) in September 2015.

Huq's first priority has been to strengthen partnerships with sewing factories that share the social business philosophy. Grameen UNIQLO aims to set an example for the local sewing industry by increasing high-quality job positions at factories that guarantee safe working conditions.

Next is improving product quality. Grameen UNIQLO is working closely with UNIQLO's product development team to deliver products of the quality desired by local consumers at a fair price.

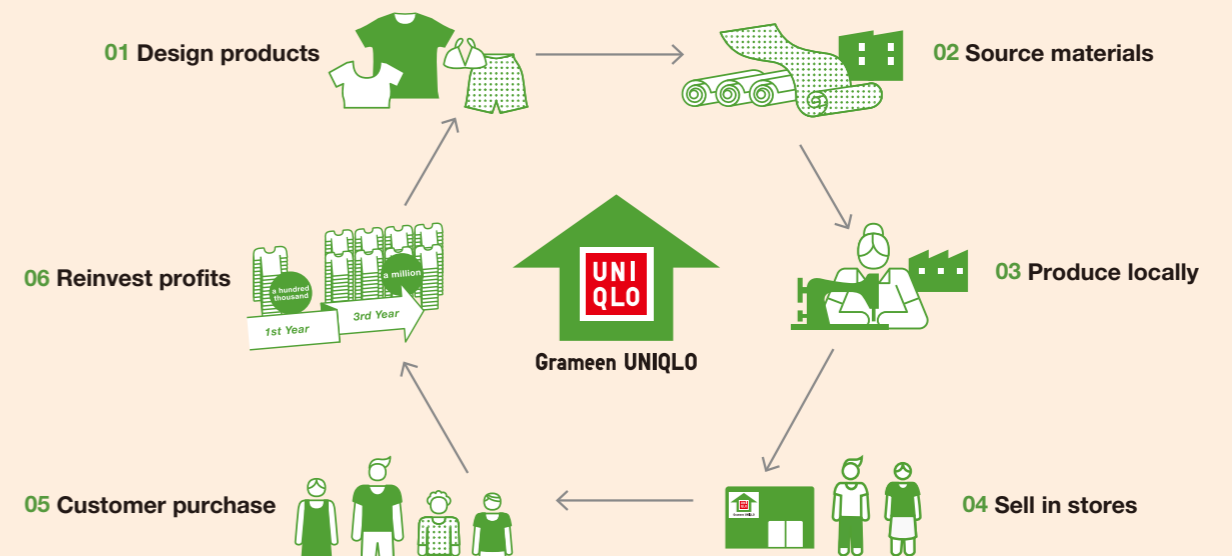
Lastly, Grameen UNIQLO has revised its store development strategy and is accelerating store openings in high-demand areas. Through an aggressive scrap-and-build strategy, the company has grown its store network to eight outlets as of December 2015. Its goal is to offer a first-rate shopping experience through attractive store environments and quality customer service.

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



Najmul Huq, COO  
Grameen UNIQLO Ltd.

### ► Grameen UNIQLO's Social Business Model



Note: The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

**In-Store Communication**

**Tackling Issues with Customers and Local Communities**

**10 Million Ways to HELP Project**

The Fast Retailing Group has launched the 10 Million Ways to Help project to extend clothing aid to the rapidly growing numbers of forcibly displaced people worldwide. The project, begun in October 2015, aims to collect for donation 10 million articles of second-hand clothing at all UNIQLO and GU stores in 16 countries

and regions.

FR is also actively engaged in informing customers about refugees and FR Group assistance programs. All UNIQLO and GU stores display posters and distribute leaflets, for example. The project is also gaining support from like-minded partner companies and universities, lending further momentum to the cause.



Pro golfer Adam Scott

Pro wheelchair tennis player Shingo Kunieda

**Employee Participation**

**Employees as Community Outreach Leaders**

Employees—the people in FR Group's global business who are most familiar with local needs—serve a central role in FR's community initiatives.

With the All-Product Recycling Initiative, employees help deliver clothing collected at FR stores to those in need, domestically and internationally. The Power of Clothing Project (see page 48) sees store managers, supervisors, and other employees visit local schools and

inform children about refugee issues.

Other employee-led initiatives include the In-Store Shopping Experience (see page 48) and Closet for Needs, which extends support to women who have fallen victim to domestic violence. These initiatives, among others, were conceived by employees and capitalize on FR's strength as a clothing retailer to give back to local communities.



- 1 France**  
Comptoir des Cottonniers  
Styling workshops for women facing hardship
- 2 Taiwan**  
UNIQLO Taiwan  
Support programs for Special Olympics
- 3 South Korea**  
UNIQLO South Korea  
In-Store Shopping Experience events for foster children
- 4 Japan**  
UNIQLO Japan  
Assistance for Setouchi Olive Foundation
- 5 Japan**  
Theory  
Closet for Needs project to support female victims of domestic violence
- 6 United States**  
UNIQLO USA  
T-shirt-making workshops for underprivileged children
- 7 China**  
UNIQLO China  
Clothing donation to ethnic minorities in Yunnan province

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- For Our Community**
- Our Basic Principle
  - All-Product Recycling Initiative
  - Support for Refugees
  - Disaster Relief
  - Social Business Initiatives
  - Setouchi Olive Foundation
  - Special Olympics
  - Clothes for Smiles
  - In-Store Shopping Experience
  - Japan Disaster Assistance
  - JFA UNIQLO SOCCER KIDS
  - Raising Tomorrow's Leaders
  - Contributions to Local Communities by Employees
  - Initiatives of Other Group

# Maximizing Customer Satisfaction

## Responding to Customer Feedback

Fast Retailing engages with customers in a range of ways—through our stores, on-line, and through our community initiatives.

To stay on top of customers' changing needs, UNIQLO and GU also have customer service centers that relay customer feedback to the relevant stores and departments, usually by the end of the next business day. Located in Japan, South Korea, China, and other countries where FR sells its products, these centers work with store supervisors to provide responses and take action whenever necessary. Complaints are an especially valuable form of feedback. Their details are promptly shared with relevant departments on a global level, and their root causes and solutions are identified to prevent recurrence.

FR also surveys online customers to get their feedback on products used after purchase, with the goal of developing future products from the customer's perspective.

Since September 2015, FR also has been conducting an online survey of in-store customers. The questionnaire asks levels of satisfaction with various services at the store and time of purchase.

## Service Manager Program

FR has adopted a service manager program to further enhance the customer experience at UNIQLO stores in Japan. Ranked alongside general store managers, service managers are dedicated service professionals, tasked with maintaining service quality standards at multiple stores.

Since 2014 FR has been soliciting applications for service managers from store staff. FR assigned 14 people to the position in 2015 and plans to raise this number to 50 by 2016.

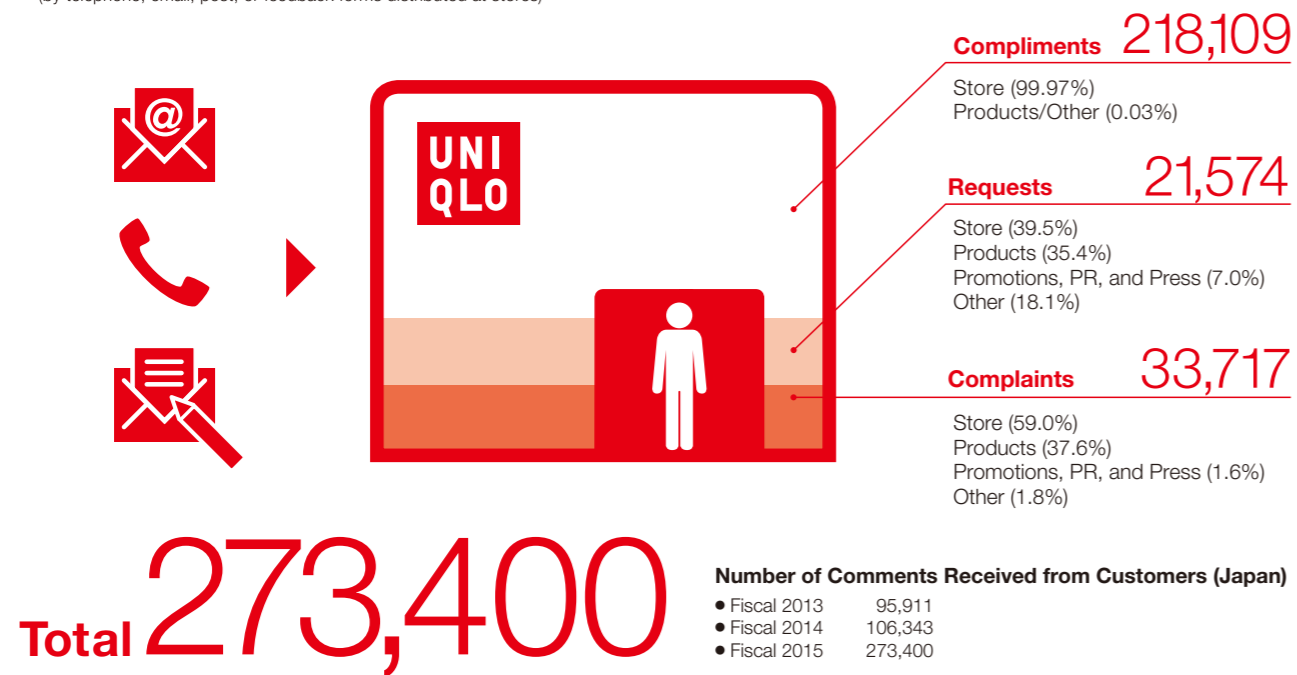
## A Comfortable Store Shopping Experience

UNIQLO stores use simple, white-toned interiors and product displays designed to highlight the inherent quality of the products. The intention is to create stores that are easy to navigate and make finding one's desired products fast and simple.

The store experience is made convenient and comfortable in various other ways, depending on the store. These include installing restrooms, securing ample space in the shopping aisles and parking lot, adopting step-less floor plans, and displaying "service animals welcome" signs for customers with disabilities and for raising customer awareness.

### Customer Center Feedback (Japan)

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



**Fast Retailing CSR website**  
[www.fastretailing.com/eng/csr/](http://www.fastretailing.com/eng/csr/)

**For Our Customers**

- Our Basic Principle
- Customer Satisfaction
- UNIQLO's Product and Safety Control System
- Voluntary Product Recalls

# Corporate Governance and Compliance

## Approach to Corporate Governance

To meet society's changing needs and become the world's leading specialty retailer of private label apparel (SPA), the Fast Retailing Group 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.

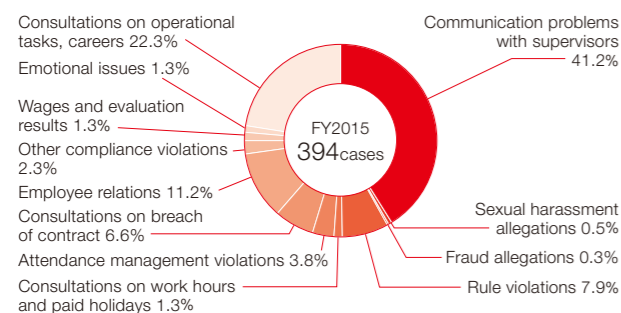
### ● Fiscal 2015 Committee Meetings

CSR Committee: 2 times  
Code of Conduct Committee: 11 times  
Business Ethics Committee: 14 times

## Approach to Compliance

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

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



## Employees and the Code of Conduct

All FR Group companies operate according to the FR Code of Conduct (CoC), a set of universal guidelines and basic requirements for all employees to follow from a compliance and business ethics standpoint (see page 34). The CoC is instilled in all employees by having them receive an explanation and, after confirming their understanding, sign a pledge declaring their intention to fully follow it. Training focused on examples of compliance violations is also conducted regularly to continually promote understanding and prevent future violations.

## Workplace Hotlines and CoC Committees

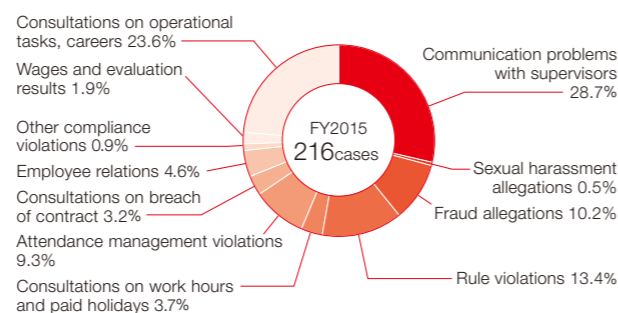
FR provides hotlines for employees to discuss work-related issues and also report perceived CoC violations by telephone, email, or other means. The Tokyo head office and country operations work together to address reported issues.

Hotline personnel investigate each report while protecting the reporter's anonymity. The Code of Conduct Committee convenes to discuss potential CoC violations from an objective standpoint and lay out specific actions. Since September 2015, FR has been setting up CoC committees in South Korea, Taiwan, and China in addition to the one at the Tokyo headquarters.

### ► Hotline Cases (FR Group Companies)

	Japan	Overseas
Fiscal 2013	392	152
Fiscal 2014	346	194
Fiscal 2015	394	216

### ► Breakdown of Hotline Cases (FR Group Companies Overseas)



# Fast Retailing Group Overview (As of August 31, 2015)

Fast Retailing is an apparel retailer with operations in Japan and around the world, with the UNIQLO casual clothing brand at its core. Its business comprises three major segments: UNIQLO Japan, UNIQLO International, and Global Brands.

## 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:** 99,500 (including full-time, contract, and part-time employees, see page 34.)  
**Consolidated Sales:** 1,681.7 billion yen  
**Consolidated Operating Income:** 164.4 billion yen  
**Closing Date:** August 31

## Business

### UNIQLO Japan

UNIQLO Japan is the largest apparel retailer in Japan, with 841 stores nationwide and net sales of more than 780.1 billion yen. In October 2014 UNIQLO Japan opened its third global flagship store in Osaka, complementing the other two in Shinsaibashi and Ginza.

- Net sales: 780.1 billion yen
- Operating profit: 117.2 billion yen
- Number of stores: 841 (including franchise stores)



### UNIQLO International

UNIQLO International operates stores in China, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Australia, the U.K., the U.S., France, Germany, Russia, and Belgium.

- Net sales: 603.6 billion yen
- Operating profit: 43.3 billion yen
- Number of stores: 798



### Global Brands

The Global Brands segment includes GU, a low-priced fashion brand built on UNIQLO business expertise; Theory, a collection of men's and women's brands launched in New York; French fashion retailer for women Comptoir des Cotonniers; lingerie brand Princesse tam.tam, also from France; and J Brand, a specialty denim retailer based in Los Angeles.

- Net sales: 295.3 billion yen
- Operating profit: 14.4 billion yen
- Number of stores: 1,339 (including franchise stores)



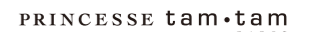
www.gu-japan.com



www.theory.com



www.comptoirdescotonniers.com



www.princessetamtam.com



www.jbrandjeans.com

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



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



