

INTRODUCTION

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

CHALLENGE

ENVIRONMENT

OUR COMMITMENTS

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



The journey to environmental sustainability



Approach to reducing our direct environmental impact

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

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

Minimizing our direct operational impact

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

Working together with our suppliers to reduce their impact

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



right
Partner
factory fabric
inspection,
China



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

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

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



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

Making sure our products are safe

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

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

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

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

Reporting to the Carbon Disclosure Project

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

Environmental impact of strategic production partners

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

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

42,601,116 (GJ)
TOTAL ENERGY USE

2,917,069 (tCO₂e)
CARBON EMISSIONS

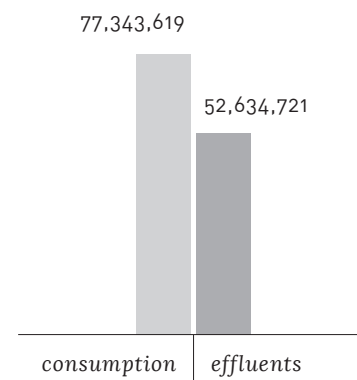
Environmental impact of logistics (Japan)

258,321 (GJ)
TOTAL ENERGY USE

17,707 (tCO₂e)
CARBON EMISSIONS



Water (m³)



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

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

Environmental impact of stores & HQ (Japan)

Energy Use

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

Carbon Emissions (tCO₂e)

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

Waste (tons)

| | |
|-------|--------|
| STORE | 56,837 |
| HQ | 156 |

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

10%

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

Garments collected and recycled

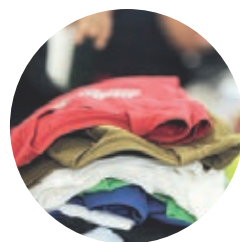
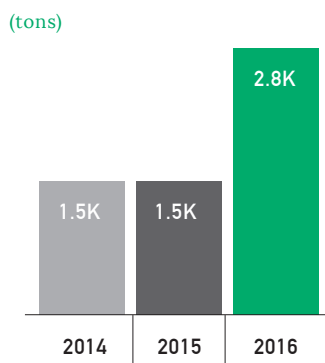
Most of the items collected through our recycling program are in good condition and redistributed to refugees and others in need.

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

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

87%

increase in amount of non-wearable garments recycled



Changing lives, one bag at a time

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

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

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

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

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



Upcycled UNIQLO Philippines bags made from scrap denim



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

CREATING A SUPPLY CHAIN THAT WORKS IN HARMONY WITH NATURE

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

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

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

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



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

The Responsible Mill Program

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

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

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

The business of environmental data

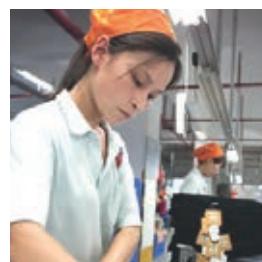
A study conducted by the Natural Resources Defense Council shows that by implementing just five energy conservation best practices included in the Higg Index, a fabric manufacturer could reduce fuel use by 11-19 percent and electricity use by up to 4 percent. These practices are not just good for the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

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



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right
Partner factory
water treatment
facility, China



above
Partner factory
fabric inspection,
China



above
Partner factory
dyeing inspection,
China