Fulfilling our responsibility as a global company through bold new initiatives that offer value to society

We believe the most critical question that a corporation should ask itself is whether it is good for society. Globally expanding businesses should have a positive impact on the countries in which they operate and should be well-received by the people of these societies. From this perspective, the significance of corporate social responsibility (CSR) cannot be overstated. We always need to bear in mind our business goals and consider how we can contribute to society and clearly convey this information to the world. We also need to broadly proclaim that we act responsibly as members of society. This sincere approach is essential to our CSR.

Fast Retailing, in collaboration with Bangladesh’s Grameen Bank, which was established by Nobel Peace Prize recipient Professor Muhammad Yunus, launched a social business in Bangladesh this year. This business aims to address the country’s chronic social problems in such areas as poverty, sanitation and education. Together we start new businesses, create jobs, train people and share technology and technical expertise. All resulting profits will be reinvested in the social business to create an even greater force for positive social change. This project and the philosophy underpinning it have attracted attention as well as many talented individuals, who have felt compelled to join in our efforts.

At Fast Retailing we have embraced the challenge of pioneering a social business. We view it as the perfect opportunity to explore the power of clothing and appreciate anew the true value of a piece of clothing and the unlimited possibilities inherent in everyday attire. Clothing holds incredible power, and the value of clothing can change lives and steer society in better directions. I am certain that the success of the BoP* business must be pursued through realizing this positive progression. (For more on this, see Muhammad Yunus’ message on pages 6 and 7.)

As an international corporation that operates internationally we must search for people and train them on a level that is global, and devise means of encouraging them to be active in their careers around the world. We can attract talented individuals and fully leverage our collective abilities only with a fair, transparent business platform that respects the individual. Our decision to make English our company’s official language is one example of an approach based on this way of thinking.

The influence global companies have on the world will likely grow as we head into the future. In light of this we have made a bold decision. In order to breathe life into the slogan that embodies our business philosophy—"Changing clothes. Changing conventional wisdom. Change the world."—we have embarked on a new challenge to fulfill our responsibility toward global society in an increasingly clear and profound way.

January 2011

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

* Base of the pyramid, or BoP, refers to the world’s poorest socioeconomic demographic, principally found in the developing world. This term is derived from a graphical representation of the world’s population as a pyramid. Each tier of the pyramid correlates to a level of income, with those having the lowest incomes represented at the bottom.
Fast Retailing: Past, Present and the Next Decade

2001–2004
CSR activities begin with the establishment of the Social Contribution Office

- March 2001
- April 2001
  Began supporting the Setouchi Olive Foundation. Set up donation boxes at all UNIQLO stores.
- October 2001
  Launched the Fleece Recycling Program.

2005–2009
Developing toward group-wide CSR activities

- September 2005
  Received the Minister of Health and Labor Excellent Enterprise Award for Promoting Employment of Persons with Disabilities.
- December 2005
  Established the CSR Department of Fast Retailing. Established the CSR Committee.
- June 2006
  Received the Tokyo Labor Bureau Director’s Award for Excellence as a company offering equal opportunity for UNIQLO’s efforts to promote women’s careers.
- September 2006
  Launched UNIQLO’s All-Product Recycling Initiative.
- November 2006
  Published the first FAST RETAILING CSR Report, which has since been released every January.
- February 2007
  Visited refugee camps in Thailand and Nepal, commenced refugee support activities.
- September 2007
  Published inaugural issue of The Power of Clothing (Fuku no Chikara) CSR pamphlet.

2010
A new challenge based on social business

- January 2010
  Donated 500 million yen in aid to earthquake-stricken Haiti.
- March 2010
  Launched a social business to help address social issues such as poverty, sanitation and education in Bangladesh through the planning, production and sales of clothing.
- October 2010
  FR Group g.u. stores begin collecting items under the All-Product Recycling Initiative.

To 2020

- October 2001
  Visited refugee camps in Thailand and Nepal, commenced refugee support activities.
- November 2006
  Published the first FAST RETAILING CSR Report, which has since been released every January.
- March 2004
  Established the Business Ethics Committee.
- February 2004
  Formulated the Guidelines for the Prevention of Improper Behavior Based on Superior Positions.
- March 2001
  Established the Social Contribution Office.
- April 2001
  Began supporting the Special Olympics Nippon (Japan).
- May 2004
  Began monitoring working conditions at partner factories.
- September 2004
  Founded the Fast Retailing Volunteer Club for employees. Formulated the Code of Conduct for employees.
  Established the Code of Conduct Committee.
- October 2001
  Founded the Fast Retailing Volunteer Club for employees. Formulated the Code of Conduct for employees.
- February 2007
  Workers at a partner factory in China
- March 2001
  Established the Social Contribution Office.
- October 2006
  Established the CSR Department of Fast Retailing. Established the CSR Committee.
- June 2007
  Received the Award of Merit for Supporting Second Challenges from the Cabinet Office for promoting the employment of persons with disabilities.
  Received the Medal with Dark Blue Ribbon and certificate of gratitude from the government for relief activities related to Indonesia’s Central Java earthquake.
- June 2004
  Began monitoring working conditions at partner factories.
- March 2001
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In this era of accelerated globalization, companies must be aware of the impact their actions have on an international scale. Developing nations are especially affected by the actions of multinational businesses. Social business provides a very effective means for these companies to do good for society on a continuing, sustainable basis.

Social business fills a gap in the free market economic structure by addressing the needs of the poor in a sustainable way. They run parallel to conventional, profit-maximizing businesses. The current economic system assumes that human beings are one-dimensional, only interested in amassing profit. The reality is there are many other dimensions to human lives: social, familial, spiritual and more. Social business expresses the urge to do good for people.

As social business becomes larger and more widespread, the poor can become empowered to bring themselves out of poverty. They are gifted with the same potentials as the rest of us; we just need to provide them with the opportunities to unleash them.

I hope social business will change society in Bangladesh, and globally, by offering a new kind of business targeted toward solving social problems. Social businesses are still businesses, and the sense of competition, innovation, and efficiency encouraged in the business world can be harnessed to target social ills and improve the world without concern for personal gain.

Fast Retailing is the first Japanese company to sign a memorandum of understanding for social business with the Grameen family, and other businesses are already following its lead. There are challenges to be faced in starting any new business. But, with the expert input of Fast Retailing, coupled with the support and guidance provided by the Yunus Center and the rest of the Grameen family, I am confident we can meet any challenges head on.
The guiding principle of Fast Retailing’s CSR (Corporate Social Responsibility) Vision is to make the world a better place through planning, producing and selling clothing, one of life’s basic necessities.

Under its CSR Vision, Fast Retailing (FR) has committed to "making the world a better place" through its core business of planning, producing and selling clothes. This year marks a decade since we established the Social Contribution Office. In tandem with the global growth of our Group business activities, the scope of our social responsibility has also expanded. Considering the FR Group, we are acutely aware that much remains to be done. We therefore published CSR Report 2011, our fifth such report, to elucidate the spirit that has guided our CSR activities up until the present, to chart a course for the next decade, and to make clear what we intend to become. Here we have outlined themes for our CSR activities—with an emphasis on the next decade—encapsulated in the “FR Challenges” feature. It includes outlines of the challenges we have already addressed as well as those that have yet to be tackled. While taking into account the opinions of stakeholders, we will also take on the challenges of the activities to come.

Period of reporting: September 2009 to August 2010
Unless otherwise indicated, figures cited in this report pertain to fiscal year results. We have included the most recent information available after the above period, particularly for material issues.

Challenge 1
Achieving the world’s highest standards in clothing production, together with our partners

Challenge 2
Cultivating individuals who are competent on a regional and global level

Challenge 3
Creating positive change in communities through the power of clothing

Editorial Policy

Period of reporting: September 2009 to August 2010

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Challenge 1
Achieving the world’s highest standards in clothing production, together with our partners

FR aspires to achieve the world’s highest standards
The FR Group is sharing its corporate philosophy, the FR WAY, with all members of its supply chain, making its business “transactions” more than just that—making them business “initiatives” that are forged on trust with a view to the long term.

Supply chain
Delivering truly great clothing to our customers
Producing and selling clothing throughout the world; together with partners who share our desire to make truly great clothing, we are working to offer products that bring joy to our customers.

UNIQLO primarily makes its products at manufacturing facilities owned by its production partners in Asian countries, such as in China and Bangladesh. Our suppliers in the region play an instrumental role in helping us produce world-class clothing.

UNIQLO has over time painstakingly accumulated a wealth of expertise. There are countless things that we stand to learn, from the timing of manufacturing to schedule management. Their sharp, in-store product displays, arranged by size and color, are always stunning. This has given me confidence with regard to future business prospects, which is why I am convinced we will be able to grow together with UNIQLO.

For example, Bangladesh is a populous nation with a relatively high proportion of young people, possesses a great deal of potential. Its apparel industry has a long history and boasts a high level of technical expertise. One of my duties is to take that expertise to the next level. The Bangladesh Garment Manufacturers Association’s website is quite refined and their in-store service is outstanding. We feel that there is a lot of potential here.

The Japanese market is extremely strict when it comes to quality. With that in mind we have embarked upon a number of bold quality initiatives with FR. If an issue arises, we tackle and resolve it together so that the entire process has educational value. Our working approach is rooted in a “manufacturing” perspective, rather than a “trading” perspective. Our philosophy has been to create new products with a high level of added value. As a result, our company has risen to a level that is unmatched in expertise, and we will continue with this approach.

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We hope to grow alongside FR as a strategic partner and will work together to achieve our shared long-term plans over the next five to 10 years.

What really sets UNIQLO apart from other companies is the way they view our manufacturing facilities. In other words, UNIQLO respects us as a business partner. President Yanai himself directly meets with us and shares UNIQLO’s business principles toward building an understanding of his business partners. This pursuit of mutual learning is evident in all of UNIQLO’s employees. I have never encountered a company like it. What’s more, there is a lot of potential for our business with UNIQLO, and I firmly believe we will continue to expand our relationship into the future.

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Challenge 1
Achieving the world’s highest standards in clothing production, together with our partners

Supply chain  
Labor environment monitoring

We work hard to create truly great, safe clothing. We believe in the importance of ensuring suitable working environments at our partner factories. In 2004 this conviction spurred us to begin monitoring labor environments at our partner factories through an external agency.

2010 efforts to monitor factory working environments

In 2004, FR established its Code of Conduct for Production Partners. Our major partners have signed a pledge to adhere to the CoC and we have conducted regular monitoring, mainly of working conditions, at their sewing factories.

In 2008 the FR Group amended its criteria for monitoring the working environments of partner factories and full implementation of these new guidelines commenced in 2009. Beginning in 2010, the FR Group further stepped up its monitoring efforts, as did other Group companies, including UNIQLO, and applied the same criteria in its monitoring of manufacturing facilities operated by Group partners.

Under the old guidelines, the FR Group evaluated partner operations on the basis of a four-tier system. In any case of child labor, we have conducted regular monitoring, mainly of working conditions and environmental standards. In fiscal 2010 the FR Group monitored 174 partner factories and discovered E-grade incidents: two in which work hour reports had been fabricated and two of suspected child labor. When incidents as serious as these are identified, the FR Group sends CSR Department members on fact-finding missions and reviews the contract with the partner will be subject to immediate review. In addition, the new evaluation standards have been strengthened so that D grades are assigned to manufacturing facilities that violate the rights of workers or tolerate low safety and environmental standards.

In this way, FR examines monitoring results and clarifies what the factory has achieved and what requires further attention, fueling an ongoing cycle of constant improvement.

What FR has done and what work remains

FR uses external auditors to conduct on-site monitoring of working conditions at factories operated by its partners. The auditors usually begin with an opening meeting, which is followed by interviews with factory workers, document checking and inspections of the factories as well as cafeterias and dormitories. Monitoring concludes with a closing meeting during which the auditors go over their findings with factory representatives for confirmation.

In this way, FR examines monitoring results and clarifies what the factory has achieved and what requires further attention, fueling an ongoing cycle of constant improvement.

What has been done  
(key improvements since fiscal 2008)

1) From UNIQLO to the FR Group
Monitoring starts at other FR Group companies so that the entire FR Group, not just UNIQLO, can adhere to the same standards.

2) Comprehensive monitoring starts under the new standards
Evaluations under the new, stricter standards lead to improvements, particularly in areas such as worker remuneration, including minimum-wage guarantees and payment of unpaid overtime.

3) Environmental monitoring starts at material producing factories
The activities that take place within our SPA business model (see page 18), those carried out by material producing factories generally have the highest impact on the environment. To address this, the FR Group established environmental standards and has started monitoring these facilities.

What has not been done  
(issues at hand)

1) Child labor and falsified reporting at new partner factories
Tackling cases in which a partner company employs children, despite the fact that the FR Group has explained the CoC and its no-tolerance policy on child labor prior to forming a business relationship with the manufacturer in question.

2) Addressing C-grade and D-grade assessments at partner factories
The FR Group has assigned C and D grades to partner factories that did not work on easy-to-solve problems, such as routes blocked by objects and locked emergency exits, after previous monitoring.

Serious cases with a grade of E identified during regular monitoring in fiscal 2010

Falsified reporting
Regular inspections in November 2009 revealed that one partner factory had been issuing pay statements that did not correlate with working hour records. When CSR Department members later visited the plant to verify these allegations, a factory representative acknowledged discrepancies between submitted labor documents and actual work records detailing when workers started and finished their shifts. The FR Group, which viewed this as an extremely serious infraction, asked to see accurate time sheets and demanded the factory compensate any affected workers for unpaid hours. The factory in question was given an E grade and its volume of business was reduced.

Child labor
In July 2010 regular inspections revealed that one partner factory had engaged in child labor. The relatives of the youth worked at the same plant and the minor had only been employed on a temporary, day-to-day basis during a holiday period. However, the FR Group requires its production partners to formally verify the age of every employee, regardless of whether or not an individual is a temporary worker. FR called on the factory in question to rigorously enforce this requirement. Due to the extremely serious nature of this infraction, FR gave the facility an E grade and requested that the factory sternly reprimand the relatives of the child in question, and reduced the factory’s volume of business.

Monitoring scheme using new criteria

<table>
<thead>
<tr>
<th>Code of Conduct signed</th>
<th>Implementation of regular monitoring (confirm accuracy in principle)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade A of D</td>
<td>Grade C</td>
</tr>
<tr>
<td>Pass</td>
<td>Fail</td>
</tr>
<tr>
<td>Follow-up monitoring</td>
<td>With improvements</td>
</tr>
<tr>
<td>Pass</td>
<td>Fail</td>
</tr>
<tr>
<td>Contract to be reviewed</td>
<td></td>
</tr>
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Building trust through strong relationships to ensure long-term, mutual learning.

I think that one of the biggest keys to success when we start a relationship with a partner factory is to ensure that we share the same values. One prerequisite for smooth relationships with other companies and managers is that they can identify with FR’s basic stance, which emphasizes growth in pursuit of world-class standards in every aspect of its business, enthusiasm in training competent professionals, and the conviction to conduct business in the right way. Beyond being able to articulate these concepts, it is imperative that our counterparts have the skills and abilities to demonstrate them.

We do not have many production partners. That is why once we strike up a partnership with a company that shares our philosophy, we look forward to working with the company over the long term as well as tackling and resolving issues together. To us, a partnership should be more than a mere business “transaction.” Instead, it should be focused on business “transformations.” The FR Group and its production partners are in the same boat, sharing the same destiny. This is something that we should always bear in mind as we build long-term, trust-based relationships.

Message from an FR Leader

Yoshihiro Kunii
Group officer in charge of Fast Retailing Co., Ltd.
Challenge 2
Cultivating individuals who are competent on a regional and global level

FR’s approach to people
We recruit and train international talent to develop individuals who can succeed in the world. This approach is rooted in our basic belief that the growth of the company and its employees hinges on respect for the individual.

The people behind the business
Respecting and supporting individuals to foster both corporate and personal growth

On the opening day of the UNIQLO ATRIUM Store in Russia.
Fast Retailing strives to attract top talent from around the world and is in the midst of establishing a system that offers equal opportunity and fair evaluations, enabling employees to develop their careers at any of its operations worldwide.

FR’s approach to people is not just respecting individuals. By succeeding in the world of business, all of our employees offer value to society, discover the true meaning and joy of work, and grow as individuals. This process in turn leads to growth of the company and improves society by steering it in a better direction. FR has its sights set on being a company that attracts and nurtures talented people from around the world.

A structure that is highly transparent and ensures fair recruiting practices and treatment is key to attracting talent and empowering these people to shine. Similarly, FR needs to offer a working environment and work style that appeal to people throughout the world. We are currently building a personnel system that will standardize our global hiring practices in order to ensure that everyone is given the same opportunities. Through this system, everyone’s abilities and performance are evaluated so that employees can develop their careers with FR anywhere in the world. We believe that establishing this system will help to foster the highest respect for the individual.

We want all FR Group companies to function as a single entity, and is in the midst of establishing a system that offers equal opportunity and fair evaluations, enabling employees to develop their careers at any of its operations worldwide.

FR Chairman, President and CEO Tadashi Yanai serves as the president of FRMIC, while esteemed Harvard Business School Professor Hirotaka Takeuchi serves as vice-president. Looking ahead, the FR Group will establish strategic bases of operation for FRMIC in such places as New York, Paris and Shanghai instead of only in Tokyo. FRMIC strives to create a hub of venues for developing human resources that are unrivaled while drawing on the knowledge and resources of renowned business managers, researchers and top consultants from around the world and while forging partnerships with global corporations, universities and research institutions.

With a target of training 200 individuals as business managers globally, some 100 candidates from within the company have already been selected, and an array of projects such as initiatives aiming to achieve. This is why we ask new graduates in Japan to spend a set period of time working in the stores. The most important issue in global recruitment is that new hires clearly understand FR’s philosophy and what it aims to achieve. This is why we ask new graduates in Japan to spend a set period of time working in the stores. Through this process of experiencing actual work, both FR and the candidate gain a better understanding of each other before the time comes to make a hiring decision. Another one of our important tenets is that recruiting should not be the sole domain of the Human Resources Department. All employees are committed to being involved in work, whether the individual truly has the potential for growth. This approach is something we have thoroughly implemented.

The FR Management and Innovation Center (FRMIC) was launched in 2009 to train business managers and encourage corporate innovation. It has been tasked with the ambitious mission of training 200 business managers within a five-year period.

Cultivating people who will be competent on the global stage is currently a crucial issue at FR. To develop and grow highly profitable businesses throughout the world as a global company, FR realizes it is particularly vital to train personnel capable of managing Group companies. FRMIC was set up with the express purpose of supporting FR growth by simultaneously promoting management training and corporate reform.

The genesis of FRMIC is rooted in a way of thinking that is diametrically opposed to the conventional conception of off-the-job training held by general training institutions. Implementation and actual practice are the cornerstones of sound business management. As such, FRMIC strives to train managers to think independently and be flexible so that they are capable of altering their approaches as necessary to solve the problems they encounter in day-to-day business. With an approach that views the entire company as a vehicle for resolving issues and opportunity development, FRMIC will remain dedicated to the ongoing development of human resources.

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Ms. Fujisawa hits her stride as she removes merchandise from cardboard boxes and enjoys mixing and matching clothes in different combinations. Ms. Fujisawa, who got a job at UNIQLO in 2008, is a perfect fit for working at UNIQLO.

“One day I went to see my sister at the UNIQLO in my neighborhood, where she was working part-time. She was talking to a customer and looked really cool,” recalls Ms. Fujisawa. She was a first-year high school student at the time and strongly aspired to work at UNIQLO.

After hearing about her ambition, a guidance counselor in her school got in touch with the company, which paved the way for a trial employment period.

Ms. Fujisawa’s affinity for interacting with others helped her fit in right away. Looking back, she says that she was overjoyed when the staff wrote messages to her on cards, encouraging her to come back soon with each one of them writing words such as “Let’s work together!” To this day, she still treasures these cards and the memories they represent.

After starting at UNIQLO, Ms. Fujisawa was tasked with unpacking products in the back room and restocking the floor with the merchandise. Like every employee, she had to quickly learn the ropes, master new tasks and move heavy boxes. She allocates a portion of her salary to her family and makes sure some goes to savings so that she remains on the path to a more independent life.

“The really great thing about UNIQLO is how much importance it places on the products and customers,” she says, adding that she hopes to continue working with her colleagues at the Yodobashi Yokohama store so she can lend it a hand in achieving the highest sales among UNIQLO stores worldwide. Even today, she vividly remembers the sight of her sister on the sales floor skillfully helping customers—a personal goal that she dreams of one day reaching.

Mariko Fujisawa, affectionately known as Marilyn, is a people person and is loved by everyone around her. She also has big goals for the future.

Mariko Fujisawa
UNIQLO Yodobashi Yokohama Store, Kanagawa Prefecture, Japan

Down’s syndrome

As a child, Mariko Fujisawa loved playing dress up with doll clothes and enjoyed mixing and matching clothes in different combinations. Ms. Fujisawa’s mother, Hiroko Fujisawa, is a people person and is loved by everyone around her. She also has big goals for the future.

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“When I heard the people behind Mariko’s intuition, I was so glad to have been selected to represent Japan,” he says. Yuki Ogata has been selected to represent Japan at the 8th International Abilympics in Seoul, South Korea in 2011.

“I’m going to sew an apron with two pockets and a shoulder strap that ties behind. I’m so glad to have been selected to represent Japan,” he says. When he listens to other people, he places both hands on his knees, sits up straight and focuses attentively on the speaker’s words—something he says one of his teachers taught him. Given his impressive skills and sense of responsibility, it is no wonder the staff place so much trust in him.
Challenge 3
Creating positive change in communities through the power of clothing

Collaborating with communities as envisioned by Fast Retailing
To be a business that has value for people in the countries and regions around the world where we do business, we seek to understand the challenges faced in these areas and, through our business, contribute to the development of sustainable communities.
In September 2010, the FR Group established a company in Bangladesh to launch and carry out a social business.

A social business is a business initiative designed to help improve society by addressing social issues such as poverty and the environment. The greatest strength of the Group and its businesses is their ability to efficiently produce and sell high-quality clothing at low prices. The social business that FR has initiated will leverage the Group’s strengths in these areas by using business to change society for the better.

For this project, FR has partnered with Grameen Bank, established in Bangladesh in 1983 by bank president Muhammad Yunus, who was awarded the 2006 Nobel Peace Prize. In this joint project, FR’s expertise to manufacture clothing that will be sold for less than a dollar per item. This multifaceted initiative will generate employment through the production and sale of clothing. The clothing brought through this initiative will indirectly improve health and sanitation issues among the nation’s poor. The joint venture will train local women to sell the clothing and support them in their pursuit of financial independence. All profits from the initiative will be reinvested in the social business. This project is expected to generate 250 jobs in its first year and 1,500 jobs within three years.

Social businesses differ notably from charities in that they aim to foster the independence of companies and people in the local community who are involved in the project. With this in mind, we are attempting to establish a new business model that will help society in a way that will become self-sustaining over the long term.

The sentiment behind the social business

Farmers have few opportunities to purchase inexpensive, high-quality apparel. There are also sanitation and health issues. Through this initiative, UNIQLO seeks to help eradicate poverty in Bangladesh and around the world.

Nasir Uddin Ahmed
President of Partner factory

I believe that supplying high-quality clothing at prices within reach of the poor will be a significant way to improve their lives. I fully agree with this approach and am eager to cooperate as we move into the future.

Abulhassam Uddin Ahmed
Grameen Bank

I have two children. I use the money I earn from this job to pay for their education. The UNIQLO T-shirts and undershirts are 100% cotton. They are well-designed, the quality is good and the items sell very well. I am very happy to have been able to start this job.

Durari
Grameen Lady

When I first heard about UNIQLO coming here, I made up my mind that I was the job for me. I have experience, having sold saris (traditional Bangladesh attire) and other clothing. I will work hard for my family of four children.

Nur Ahasi
Grameen Lady

I hope that the Grameen Ladies who are selling UNIQLO clothing will blossom into professional salespeople. I am working with them to clearly convey UNIQLO’s standards so they can learn and implement them.

Takashi Sugiyama
Head of Sales
UNIQLO Social Business Bangladesh, Ltd.

Being in charge of production means being engaged in a battle between quality and cost, or producing good products at a minimal cost. I am eager to utilize FR’s strength and its SPA expertise to establish a UNIQLO social business model that will be applicable throughout the world.

Toshibito Yoshikawa
Head of Production
UNIQLO Social Business Bangladesh, Ltd.

Overcoming market and government failures

UNIQLO and Grameen Bank’s collaboration: Not a matter of coincidence

The logic that fuels market systems creates winners and losers, which contributes to the growing gap between the rich and the poor. When governments intervene to solve these problems, government spending increases, which can lead to a nation’s financial collapse. The problems that modern society is dealing with can be attributed to the failure of governments and market systems.

In a clear awareness of these limitations, the concept of social business, solving social problems through business, arose out of these efforts. I believe the coming together of UNIQLO and the globally respected Grameen Bank and their joint effort did not occur as a matter of coincidence. UNIQLO originally had the strong will to bring positive change to the world through the power of clothing, and I believe that it is already well-prepared to launch a social business initiative. I therefore have high expectations for the work and think that it will serve as a model for advancing the social business concept in Japan.

Message from an expert

Dr. Kiyoshi Kasahara
Professor of Management, Rikkyo University

UNIQLO and Grameen Bank Ltd.

Established: September 2010

1. To create a complete supply chain within Bangladesh, spanning materials procurement, production, distribution and sales
2. To help improve people’s daily lives by offering high-quality products at affordable prices, which can contribute to resolving issues such as by alleviating health and sanitation problems and providing educational opportunities for the poor
3. To create employment opportunities for Bangladesh’s most economically disadvantaged citizens by providing a platform from which they can achieve independence as entrepreneurs
4. To make profits and reinvest in the expansion of the social business
UNIQLO and g.u. are committed to maximizing the value of clothing to the very end. It is in this spirit that our All-Product Recycling Initiative delivers pre-owned clothing to the estimated 36 million refugees and displaced individuals around the world.

UNIQLO launched its All-Product Recycling Initiative in 2006 to ensure that the full value of every article of clothing could be extracted through reuse and recycling with nothing wasted. In October 2010, the FR Group’s apparel business began its involvement in the initiative.

Initially, items were collected during limited time periods every year, from March 2010, however, collection activities were launched on a year-round basis. The number of items collected at the date of this publication has exceeded 7.7 million. Between 80% to 90% of these items were reused as donations distributed to refugees, evacuees, displaced people and other individuals in need. In September 2010, we delivered clothing for the first time to internally displaced persons (IDPs) in the Kyrgyz Republic. We remain committed to expanding our activities in order to bring as much clothing as we can to the estimated 36 million refugees and IDPs living around the world.

UNIQLO will expand the regions we support from Asia and Africa to the entire world in order to deliver the goodwill entrusted to us by our customers.

Clothing assistance is a message from the world to refugees. I have high expectations for the potential power that corporations have to help resolve refugee issues.

In 2009 there were approximately 36 million refugees and IDPs around the world who required assistance from the UNHCR. Moreover, it is anticipated that they will continue to face instability as their economic difficulties become increasingly protracted. Unfortunately, there are few signs of significant change on the way to resolve this issue. In 2010, a conflict that occurred in the southern region of the Kyrgyz Republic led to an emergency situation that forced as many as 300,000 to flee their homes as refugees. Responding to a UNHCR request made in September, UNIQLO took action by delivering 380,000 items of winter clothing for IDPs living in emergency tents. Winterers in the Kyrgyz Republic are extremely harsh, with temperatures dropping to minus 20 degrees Celsius and below. Some become ill with colds or asthma due to the climate, making it a region in serious need of warm clothing. Before winter set in, we distributed winter clothing with an emphasis on fleeces to approximately 37,000 persons who had fled with little more than the clothes on their backs.

“Japanese fleece is very light and warm. The items we received are reversible, so if one side gets soiled, I can turn it inside out. It’s very useful,” said one recipient. Another said, “Our house, our clothes, and everything else was burnt to the ground, but I’m truly grateful for this gift of clothing from Japan for the entire family. Thank you.”

As an enterprise that provides clothes that constitutes part of the basic living needs, UNIQLO is more than happy if its clothes help ease the difficulties of life as a refugee for the people of the Kyrgyz Republic even by a fraction, and bring some small joy to their daily lives. We will expand the region we support from Asia and Africa to the entire world in order to deliver the goodwill entrusted to us by our customers.

Message from an FR Partner

Johan Cels
Representative UNHCR Representation in Japan

In 2010, in collaboration with the Tokyo Metropolitan Board of Education, we implemented a version of our All-Product Recycling Initiative at six metropolitan high schools. At Chihaya High School, students do voluntary work as a part of a class on NPOs. During the school’s culture festival on September 11 and 12, the students collected a total of 1,296 items with cooperation from local residents, parents, other students and faculty members. In addition, students at Musashi High School and its affiliated junior high school gathered clothes at the initiative of the student council during their summer vacation and a cultural festival, managing to collect nearly 7,493 items. These programs were highly regarded as significant because they gave the students a better understanding of community service, an appreciation of how businesses operate and an awareness of global society.

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By the Numbers:
Activities Report for Fiscal 2010

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Our Responsibility to Our Customers

Providing truly great clothing to all our customers

Three Promises to Our Customers

At UNIQLO Japan we are committed to “Three promises to our customers” and uphold them at all our stores. Staff members review these together every day. In this way, we ensure that a customer-first approach is maintained on site in everything we do.

We pledge always to:
1) Keep the sales floor clean
2) Keep advertised items in stock
3) Accept returns and exchanges within three months of purchase

Effectively using customer feedback for better management

The FR Group maintains a Customer Center that responds to inquiries by e-mail, phone and fax all year round. Our UNIQLO stores also distribute service questionnaires to directly gather customer feedback. Inquiries by e-mail, phone and fax all year round. Our UNIQLO stores also distribute service questionnaires to directly gather customer feedback. A system is in place through which the Customer Satisfaction Department compiles these comments and reports them in a timely manner to relevant divisions and management, while also responding quickly to customers when required.

Summary of customer feedback in fiscal 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Comments: 72,289</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests and inquiries</td>
<td></td>
</tr>
<tr>
<td>In-store service (44.1%)</td>
<td></td>
</tr>
<tr>
<td>Product-related (21.6%)</td>
<td></td>
</tr>
<tr>
<td>Promotional/PR activities (12.0%)</td>
<td></td>
</tr>
<tr>
<td>Compliance (35.6%)</td>
<td></td>
</tr>
<tr>
<td>Complaints (64.4%)</td>
<td></td>
</tr>
<tr>
<td>Other (12.1%)</td>
<td></td>
</tr>
<tr>
<td>Complaints (#)</td>
<td></td>
</tr>
<tr>
<td>In-store service (38.2%)</td>
<td></td>
</tr>
<tr>
<td>Product-related (3.3%)</td>
<td></td>
</tr>
<tr>
<td>Other (8.5%)</td>
<td></td>
</tr>
</tbody>
</table>

Customer feedback

Thoroughly controlling quality and safety right up to delivery to the customer

UNIQLO has selected the most stringent of existing safety standards in the countries and regions where we conduct business, including the United States and the European Union, and incorporated them into the UNIQLO Global Quality and Safety Standards. Quality and safety control staff within the Production Department at the Headquarters and Shanghai Office take the lead in a collaborative effort with partner factories in confirming compliance for all UNIQLO products. Information gathered in this process is shared with related departments, and the Customer Care for Product Quality Department handles responses to customer inquiries. UNIQLO also distributes a monthly safety report to those concerned for training staff engaged in the planning, design and production of products and for improving product quality. There were no product recalls in fiscal 2010, largely due to these initiatives and related efforts.

Ensuring safety through multiple quality inspections by third parties

Every material used by UNIQLO is subject to safety inspections by public, third-party inspection bodies and include sampling tests for dye fastness and residual formalin. UNIQLO also runs pre-production inspections at the stage of mass production and conducts a pre-shipment examination (checking for needles, dangerous objects, etc.) of all products before they leave the factories. Moreover, pre-shipment audits are conducted in collaboration with third-party inspection bodies to confirm inspections are being faithfully carried out at partner factories. Products are subject to partial inspection after delivery to warehouses, as well as sampling inspections by a third party.

UNIQLO’s quality and safety control system

Improvements based on customer feedback

Customer feedback indicating a need for advice on size and length from staff when shopping for jeans, chino pants and other bottoms led us to establish our Bottoms Advisor System. The system is designed to train employees so that they gain the skills and product knowledge they need to more effectively assist customers. Once trained, these advisors help customers select the right product and determine their exact size in the fitting room.

Initiatives for enhancing customer service

UNIQLO carries out various projects to improve customer service and satisfaction. Positive customer feedback related to our stores and employees is converted into points. Every month, on the basis of this point system, stores and staff are given CS Store Awards and CS Staff Awards for providing outstanding service. In fiscal 2010, 947 employees were given the awards. We expect employees who have received them to continue excelling and acting as role models for others to drive customer satisfaction forward.
Fast Retailing is committed to the “ethical standards and correctness” of all its corporate activities, be it our style of management, our negotiating attitude, or our ways of thinking. Naturally, we make every effort as a company to embrace the rule of law and uphold fairness. We also seek to act fairly toward each and every one of our employees and business partners.

Our Basic Principle

Our Basic Principle

Comprehensive monitoring by the FR Group

UNIQLO works together with about 70 production partners located primarily in Asian countries, such as in China, Vietnam and Bangladesh. We regularly check to make sure that our products are manufactured under appropriate working conditions in factories that do not employ children or engage in forced labor, and we constantly strive to improve working conditions and disclose information in a transparent manner.

In fiscal 2004, UNIQLO established its Code of Conduct (CoC) for Production Partners and since then we have used external organizations to monitor working conditions, primarily at major sewing factories, which have signed a pledge. This fiscal year we implemented more stringent initiatives such as introducing new evaluation criteria established in 2008 to other Group companies in addition to UNIQLO in order to monitor working conditions according to the same standards within the Group. (For more details, see pages 14 and 15.)

Factory convention

In May 2010 the FR Group held a factory convention so that it could deliver its policies leading up to 2020 and introduce best practices, including improvements of working environments at partner factories.

Cases examined by the Business Ethics Committee

Every quarter, the CSR Department surveys all departments and Group companies to identify any issues that may have arisen with our business partners. The Group has also administrated an annual business partner survey since fiscal 2003. A total of 177 partners, including partners of Group companies, responded to the survey during the current fiscal year, resulting in a 50.4% response rate. The comments elicited through the survey related to various matters such as staff business etiquette, including personal attire and languages, as well as issues regarding transactions such as orders, deliveries and prices. The Group takes these comments seriously and shares them throughout the organization, while checking for any potential problems with the behavior of employees or officers.

Equal and friendly partnerships

To develop equal and friendly relationships with its business partners, UNIQLO Co., Ltd. established the Business Ethics Committee and formulated its Guidelines to Prevent the Abuse of Superior Bargaining Power1 in 2004. This was intended to raise employee awareness and review corporate activities to eliminate wrongdoing. The committee initiated group-wide projects in 2009. The manager of the CSR Department heads the committee, comprised of full-time and external auditors, corporate lawyers, and representatives of relevant departments. In fiscal 2010, 53 cases were received by the committee. As a result, we examined whether any contracts were unilaterally terminated or reduced in scope and whether financial burdens were being fairly divided after certain conflicts emerged.

We conduct hearings for both our company and business partners and examine all the facts before coming to a decision or making results known.

1 Improper Extraction Based on Superior Bargaining Power: Abuse of superiority in a position to the disadvantage of another party or parties, including the imposition of unreasonable terms that would not be accepted in equal partnership.

Results of regular monitoring of FR Group companies as of the end of August 2010

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Number of factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>No violation</td>
<td>FR Group: 10, UNIQLO: 0</td>
</tr>
<tr>
<td>B</td>
<td>One or more minor violation</td>
<td>FR Group: 53, UNIQLO: 52</td>
</tr>
<tr>
<td>C</td>
<td>One or more major violation</td>
<td>FR Group: 66, UNIQLO: 56</td>
</tr>
<tr>
<td>D</td>
<td>One or more severe violation</td>
<td>FR Group: 59, UNIQLO: 19</td>
</tr>
<tr>
<td>E</td>
<td>Highly unethical, serious offense subject to immediate review of contract</td>
<td>FR Group: 4, UNIQLO: 2</td>
</tr>
</tbody>
</table>

CoC for Production Partners

The FR Group’s CoC for Production Partners was formulated by drawing upon the conventions and recommendations of the International Labor Organization. It covers key production issues, such as prohibiting child labor and limiting overtime work. Partner factories have signed a pledge declaring that they will comply with the code.

Items under CoC for Production Partners

- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of oppression and harassment
- Prohibition of discrimination
- Freedom to form unions
- Wages and benefits
- Working hours
- Environmental protection
- Preparation of internal regulations
- Monitoring and compliance with the CoC
- Health and safety

Questionnaires

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number of partner companies that received</th>
<th>Number of companies that responded</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR/UNIQLO (domestic)</td>
<td>120</td>
<td>71 (59.0%)</td>
</tr>
<tr>
<td>FR/UNIQLO (overseas)</td>
<td>141</td>
<td>78 (55.3%)</td>
</tr>
<tr>
<td>GOV RETAILING</td>
<td>30</td>
<td>14 (46.7%)</td>
</tr>
<tr>
<td>CABIN</td>
<td>30</td>
<td>14 (46.7%)</td>
</tr>
<tr>
<td>Link Theory Japan</td>
<td>30</td>
<td>10 (33.3%)</td>
</tr>
<tr>
<td>Total</td>
<td>351</td>
<td>177 (50.4%)</td>
</tr>
</tbody>
</table>

Noteworthy survey comments

- “Perhaps it’s because your employees are working to protect their company’s interest that they’re tough negotiators, especially in price negotiations.”—Overseas partner factory
- “Your supervisors know our operations well and always offer good advice when they see problems in our factory.”—Overseas partner factory
- “We were often asked to deliver things according to the initial schedule, even when decisions on products and order placements had been delayed.”—Domestic partner
Our Responsibility to Our Employees
Respecting and supporting individuals to foster both corporate and personal growth

Our Basic Principle

Promoting the employment of people with disabilities

UNIQLO has embraced the goal of hiring at least one person with a disability per store, and has been recruiting people with disabilities since 2001. It is only natural that store staff support an employee with a disability, which thereby promotes overall teamwork. More than 90% of our stores have now hired at least one disabled person, while some locations have hired two or more. These individuals in UNIQLO currently account for 7.19% of our total staff—far higher than the minimum legal requirement in Japan of 1.8%. We also promote the employment of those with disabilities at each of our Group companies. At Gov retailing, FR and Link Theory promote the employment of those with disabilities at each of the Group and increase the speed of business. We are in the process of making English the official company language, starting with English education programs for employees.

Promoting diversity

The FR Group’s Human Resources Department has introduced group-wide diversity-promotion projects, designed to help individual employees maximize their potential at the headquarters and the stores, regardless of gender, nationality or career background. The project members are spearheading specific initiatives to promote diversity through educational activities and other programs.

Aiming for global communication

There are now Group employees in 17 countries and regions or more, due to our efforts to globalize our business. From 2012 we plan to use English at meetings and in e-mail communications within the Group in order to facilitate communication throughout the Group and increase the speed of business. We are in the process of making English the official company language, starting with English education programs for employees.

Prevention of work-related accidents

UNIQLO is working to raise awareness of safety-related issues among employees in order to prevent injuries and accidents on the job or while commuting to work. Despite these efforts, there were 74 commuting-related accidents and 363 workplace injuries during fiscal 2010. With 85 reported cases, the most common workplace accidents were caused by display fixtures and shelves. We will continue to educate our employees regularly to prevent accidents through in-house communication and store manager training.

No overtime days

The FR Group has designated four days each week as “no overtime days” at the headquarters to reduce extended working hours and increase productivity. The support of the entire company is enlisted in this effort, divisions and individuals that frequently engage in overtime work are monitored, and individual guidance is provided to these locations and workers.

Furthermore, we have set aside 16 days of special leave in addition to normal paid leave for regular employees and consistently encourage them to take their days off. With regard to health management, we regularly raise employee awareness through initiatives such as a monthly dissemination of health information via e-mail and consultation services. We also offer an external consultation service that supports mental well-being.

Training business managers who are competent on a global level

FR hires talented young people from around the world, regardless of their nationality, as candidates to help lead the company in the future as business managers. We established the FR Management and Innovation Center (FRMIC) to train and develop globally minded and competent business-management candidates. We plan to train and educate 200 global management candidates by 2020. This is a bold and entirely new initiative designed to monitor the progress of our management candidates, provide them with the right opportunities and encourage them to grow and develop on their own.

No overtime days per week

UNIQLO’s employment rate of individuals with disabilities

Number of UNIQLO employees in Japan who took childcare leave

Number of industrial accidents

UNIQLO’s employment rate of individuals with disabilities

Disabilities of employees

Promoting diversity

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Contribution to Local Communities
Developing in harmony with local communities

Under the FR WAY Principle calling for us to act as global citizens with ethics and integrity, Fast Retailing is keeping abreast of issues facing the international community and the global environment. Fast Retailing also seeks to grow and develop in unity with the community through unique corporate activities.

$1 or less
Per-item price of clothing sold through the social business in Bangladesh

17 countries
Number of countries to which recycled clothes have been sent

Supporting the activities of the Setouchi Olive Foundation
Since 2000, the Setouchi Olive Foundation, a nonprofit organization, has been working to restore the fertile natural environment of the islands and coastal areas of Japan’s Seto Inland Sea, including Teshima Island in Kagawa Prefecture, where industrial waste has been illegally dumped. The foundation was certified as an incorporated NPO in October 2010. Since 2001, UNIQLO has solicited donations for the Setouchi Olive Foundation at all of its stores and employees have participated in related volunteer activities. A total of 124 UNIQLO employees and their family members participated in these volunteer activities in fiscal 2010.

Donations received from our customers to date and performance results

Cumulative donations: 163,758,628 yen
Number of grant recipient organizations in fiscal 2010: 58

Number of trees planted
FY 2009: 71,102
FY 2010: 104,226

Fast Retailing Volunteer Club
In 2004, FR launched the FR VOLUNTEER CLUB to encourage employees to participate in social contribution activities. The club has been providing information and helping to defray the costs of activities to make it easier for more Group employees to take part.

Emergency disaster relief
Since 2001, FR has been supporting disaster victims through monetary and clothing donations. For example, we donated five million yen to support victims of the destructive earthquake that struck Haiti on January 12, 2010. This donation was used to help victims through the American Red Cross and JEN, an NPO based in Tokyo.

Supporting Special Olympics Nippon
The Special Olympics (SO) is an international organization that provides opportunities for individuals with intellectual disabilities to train for and compete in sporting events. UNIQLO has served as an official partner of the SO Nippon headquarters since 2002, and the company has donated uniforms to staff volunteers and supported the running of sports events. In fiscal 2010 we provided 300 T-shirts and 4,200 parkas for these volunteers at the Special Olympics Summer National Games in Osaka. Our employees also participated in the games as staff volunteers.

© Special Olympics Nippon
Our Responsibility to the Environment
Ongoing efforts to reduce our environmental impact and protect the environment

Our Basic Principle

Fast Retailing complies with environmental laws and maintains abreast of issues facing the international community and the global environment. We believe that Fast Retailing can do to minimize its environmental impact is to improve management efficiency. We are ever-vigilant in identifying wasteful operations and look for ways to provide maximum added value with minimum resources.

Our approach to the environment
With its environmental policies established in 2007, FR strives to reduce impact on the environment in every stage of SPA, from planning, production, logistics and sales to disposal. We continue to promote environmental programs, such as UNIQLO’s All-Product Recycling Initiative established in 2008, in which we can work together with customers through our core business and see the verifiable effects of our efforts.

Efforts related to UNIQLO's business and major environmental impacts

- Incorporating environmental considerations into products
  UNIQLO believes that providing clothing made from state-of-the-art materials for greater comfort, such as HEATTECH and DRY, is one way to ensure mental impacts

- Efforts related to UNIQLO's business and major environmental impacts

  * Increasing energy and resource efficiency in distribution
    We are constantly working to improve or restructure our distribution systems to significantly boost efficiency. The company has also reduced the weight of cardboard boxes, used when transporting products, to raise load efficiency.

  * Increasing energy and resource efficiency in our offices
    At the Group’s Tokyo headquarters, the staff are not assigned to a particular desk, which eliminates waste that can be generated by layout modifications following organizational alterations or changes in the number of personnel. We have also reduced the amount of printing paper we use by introducing scanner printers.

  * Increasing energy and resource efficiency in our stores
    Manuals on energy and resource efficiency have been distributed to all UNIQLO stores throughout Japan to facilitate the full adoption of measures, including our efforts to reduce power consumption. We are also actively working to improve store fixtures and facilities, such as by installing air-conditioning controllers and environmentally sound lighting equipment.

  * All-Product Recycling Initiative
    We have developed an initiative to collect, reuse and recycle products at UNIQLO stores. (For more details, see pages 26 and 27.) Since March 2010, we have carried out the initiative all year round and the number of items collected so far has exceeded 7.7 million.

  * Logistics data is for the period from April 2009 to March 2010.
  * Packaging includes paper and plastic shopping bags used at UNIQLO Co., Ltd. and Gov Retailing Co., Ltd.

Compliance and Corporate Governance
Making the world a better place

Our Basic Principle

In fulfilling our corporate social responsibilities, the Fast Retailing Group has established a framework that emphasizes compliance and nurtures an awareness of compliance across the Fast Retailing Group.

Our Basic Principle

Internal control
FR is committed to enhancing the corporate philosophy defining the basic principles of our businesses, the FR WAY, and the CoC, which outlines our fundamental approach toward corporate ethics and compliance. We strive to operate legitimately, ethically and efficiently, and to produce accurate financial statements as well as controlled environments and procedures conducive to the disclosure of corporate information. To ensure these are occurring, we conduct objective internal audits and regularly analyze risks for the Group.

Compliance framework
Compliance means acting in accordance with prevailing laws and regulations and thoroughly governing behavior in accordance with moral and ethical standards. FR has developed an internal framework that serves as the core of these activities.

- Fast Retailing CSR Committee
  Deliberates issues including the group-wide promotional framework for compliance and social and environmental activities for FR as a whole. The manager of the CSR Department chairs the committee, which consists of top management, officers and an outside expert. The committee held six meetings in fiscal 2010.

- Fast Retailing Code of Conduct Committee
  Conducts discussions on establishing the CoC. This committee also reviews internal compliance issues received through hotline consultations to determine and present concrete solutions for improvement. The manager of the CSR Department chairs the committee, with members that include auditors and outside attorneys. The committee held six meetings in fiscal 2010.

- Fast Retailing Business Ethics Committee
  Raises awareness among employees and reviews corporate activities, with the manager of the CSR Department serving as the chairperson. (For more details, see page 33.) The committee held 19 meetings in fiscal 2010.

Protection of personal information
As part of its CoC-related training, FR raises awareness and emphasizes the care required when handling personal information. Measures include the adoption of Personal Information Handling Guidelines, fingerprint authentication to control entry into places that handle important personal information, and the restriction of access to information folders. In every store, a privacy manager is responsible for thoroughly applying rules to the way that customer information is handled.
Fast Retailing Group Overview

Fast Retailing Co., Ltd.

Fast Retailing is a retail apparel group that operates not only in Japan but in markets worldwide with the UNIQLO casual wear brand as its core business. Under the UNIQLO brand, the Group maintains 808 stores in Japan and 136 overseas and has established a highly profitable SPA (see page 8) business model that integrates all stages of operations, from planning through production and sales. The Fast Retailing Group’s operations include the UNIQLO business and its domestic and overseas network of stores, as well as its global brand operations, which primarily focus on the development of apparel brands overseas.

Corporate overview (As of August 31, 2010)

Name: FAST RETAILING CO., LTD.
Established: May 1, 1963
Head Office: 717-1 Sawayama, Yomoguchicho, Yamanashi 744- 0860, Japan
Tokyo Headquarters: Midtown Tower, Akasaka 9-7-1, Minato-ku, Tokyo 107-6231, Japan
Paid-in Capital: 10,273.95 million yen
Business: Control and management of overall Group activities as owner and holding company
Group Full-time Employees: 11,596
Consolidated Sales: 1,014.8 billion yen
Consolidated Ordinary Income: 123.7 billion yen
Closing Date: August 31

Fiscal year ended August 31, 2010
Net sales: 1,014.8 billion yen
Operating income: 123.7 billion yen
Stores: 808 (Including franchise stores)

UNIQLO in Japan

UNIQLO in Japan currently boasts approximately 808 stores nationwide, with annual sales totaling 600 billion yen. Both net sales and operating income soared in the business year to August 2010, backed by the company’s popular HEATTECH clothing line and further buoyed by solid sales of new products, such as our Premium Down Ultra Light Jackets and Silky dry innerwear. In addition, UNIQLO’s efforts to accelerate the opening of 1,650 square-meter (500-tsubo) large-format stores is proceeding favorably, with 102 such locations in operation by the end of August 2010. This expansion was accompanied by the high-profile opening of the UNIQLO Shinsaibashi Store, our first global flagship store in Japan. Moving ahead, we will proceed with plans to open more large-scale stores in choice urban locations, such as in department stores.

Fiscal year ended August 31, 2010
Net sales: 615.1 billion yen
Operating income: 127.7 billion yen
Stores: 808 (Including franchise stores)

UNIQLO International

UNIQLO International’s results continue to improve steadily in tandem with the growth of the company’s store network, which has given the brand a presence in the United States, the United Kingdom, France, Russia, China, South Korea, Singapore, Taiwan and Malaysia. Awareness of the UNIQLO brand continues to rise, spurred by the opening of global flagship stores in the major fashion hubs of New York, London, Paris, Shanghai and Osaka. In the fiscal year ended August 2010, UNIQLO International operated 136 overseas stores, which generated sales accounting for 10.7% of the company’s total overall sales. Future store expansion is expected to remain particularly robust in Asia. We estimate that in fiscal 2011, UNIQLO International will achieve sales of 100 billion yen. In the fall of 2011, we plan to open another flagship store on New York City’s Fifth Avenue, as we continue toward achieving our goal of establishing a presence in every major city worldwide.

Fiscal year ended August 31, 2010
Net sales: 125.2 billion yen
Operating income: 7.8 billion yen
Stores: 1,169 (Including franchise stores)

Global Brands

Theory

The Theory brand was created in New York in 1997 for contemporary women. Theory’s high-quality Italian stretch fabrics offer superior comfort and a sophisticated look. Theory brands include Theory, Theory Men, Theory Luxe, Helmut Lang and PLST. In September 2010, Theory merged with CABIN, another Fast Retailing Group company. Over the subsequent six-month period, some CABIN stores are being converted into Theory brand stores.

Comptoir des Cotonniers

Comptoir des Cotonniers is a women’s fashion brand that was started in 1995 in Toulouse, France. It offers casual chic French fashion with a sense of natural authenticity. Its “mother and daughter” advertising campaign launched in 1997 attracted significant attention. The brand is available throughout a network of about 370 stores spanning Europe (mainly in France), Japan, South Korea and the United States.

Princesse tam.tam

A unique lingerie lifestyle brand established in 1985, Princesse tam.tam is known for its creative free spirit, characteristic prints and fresh colors. This brand, which prides itself on its materials, designs and innovation, offers lingerie, homewear and swimwear collections through famous department stores and specialty outlets mainly in France and 40 countries worldwide.

Our low-cost g.u. clothing line attracted a flurry of attention with the launch of its ¥500 jeans, which helped to lead the business to significant sales and profit gains in the fiscal year ended August 31, 2010. The brand’s network of stores surpassed 100 locations in fiscal 2010, with plans to open 40 to 50 new stores every year. We have set a net sales target of 50 billion yen and a network of 200 stores across Japan in the fiscal year ending August 2013.

CSR communications

In addition to publishing this report, the Group distributes a booklet (The Power of Clothing) at UNIQLO stores and actively discloses information on its website to help to promote communication with its various stakeholders.

CSR website http://www.fastretailing.com/eng/csr/

The Power of Clothing (Fuku no Chikara)

We distribute a booklet titled The Power of Clothing at UNIQLO stores on a quarterly basis. The booklet addresses what Fast Retailing can achieve with clothing, with a focus on UNIQLO’s CSR activities and various social issues. This publication is not intended as a form of one-way communication, but as a way to help us take our activities to the next level by reviewing our initiatives through referring to the invaluable feedback received from readers. You can view this booklet online under the CSR section of Fast Retailing’s website.

Note: Results on a consolidated basis are displayed from FY 2002.