

# FAST RETAILING CSR REPORT 2011

## Our Commitment



**Tadashi Yanai**  
Chairman, President and CEO  
FAST RETAILING CO., LTD.

## 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. 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

\* 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.

# FR Group CSR Activities Through the Years

## FAST RETAILING: Past, Present and the Next Decade

### 2001–2004

CSR activities begin with the establishment of the Social Contribution Office

#### March 2001

Established the Social Contribution Office. Promoted hiring of persons with disabilities.

#### April 2001

Began supporting the Setouchi Olive Foundation. Set up donation boxes at all UNIQLO stores.



Employee volunteers planting trees on Teshima Island in Kagawa Prefecture, Japan.

#### October 2001

Launched the Fleece Recycling Program.

#### June 2002

Began supporting the Special Olympics Nippon (Japan).



The Special Olympics World Games in Nagano Prefecture, Japan. ©Special Olympics Nippon

#### February 2004

Formulated the Guidelines for the Prevention of Improper Behavior Based on Superior Positions.

#### March 2004

Established the Business Ethics Committee.

#### May 2004

Began monitoring working conditions at partner factories.



Workers at a partner factory in China.

#### September 2004

Founded the employee volunteer organization FAST RETAILING VOLUNTEER CLUB. Formulated the Code of Conduct for employees. Established the Code of Conduct Committee.

### 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 practicing equal opportunity for UNIQLO's efforts to promote women's careers.

#### September 2006

Launched UNIQLO's All-Product Recycling Initiative.



Clothing donated by customers.

#### November 2006

Published the first FAST RETAILING CSR Report, which has since been released every January.



FAST RETAILING CSR Report 2006

#### February 2007

Visited refugee camps in Thailand and Nepal. Commenced refugee support activities.



A visit to a refugee camp in Nepal.

#### June 2007

Received the Award of Merit for Supporting Second Challenges from the Cabinet Office for promoting 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.



Staff member with a disability (right) working at the UNIQLO Nakamozu Store in Osaka.

#### October 2007

Established the Environmental Policy and Environmental Guidelines.

#### May 2008

Provided emergency relief supplies in the form of clothing to help victims in the wake of the Great Sichuan Earthquake in China.



President Tadashi Yanai accepting the Fifth Asahi Corporate Citizen Award.

#### October 2008

Received the Fifth Asahi Corporate Citizen Award for the All-Product Recycling Initiative.



Items being collected from a customer at a UNIQLO store.

#### March 2009

Number of items collected per year for the All-Product Recycling Initiative passed the one million mark for the first time.



The feature story in *The Power of Clothing's* first issue was on UNIQLO's efforts to employ persons with disabilities.

#### October 2009

Published inaugural issue of *The Power of Clothing (Fuku no Chikara)* CSR pamphlet.

### 2010

A new challenge centered on social business

#### January 2010

Donated 500 million yen in aid to earthquake-stricken Haiti.

#### March 2010

All-Product Recycling Initiative becomes a year-round effort.



Poster announcing the year-round All-Product Recycling Initiative.

#### September 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.



Signing ceremony marking the establishment of a joint venture company with Grameen Bank.

#### October 2010

FR Group g.u. stores begin collecting items under the All-Product Recycling Initiative.



Poster at g.u. stores outlining the All-Product Recycling Initiative for customers.

### To 2020

## A Message from Our Global Partner

**Together with Grameen Bank, we are boldly moving forward with the unprecedented launch of a completely new social business—the first initiative of its kind undertaken by a Japanese company.**

### Professor Muhammad Yunus

Founder and managing director of Grameen Bank



A Bangladeshi banker and economist, Yunus pioneered the concept of microcredit, the practice of extending small, collateral-free loans to the poor. In 2006, Yunus and the Grameen Bank received the Nobel Peace Prize for contributions to spurring economic and social development among the poor through microcredit.

In this era of accelerated globalization, companies must be aware of the impact their actions have on an international scale. The 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.



\* SPA: An abbreviation for "Specialty store retailer of Private label Apparel," a business model that integrates every business operation from material procurement, planning, development and manufacturing to distribution, sales and inventory management.

## Editorial Policy

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.

# FR Challenges

**Challenge 1**  
Achieving the world's highest standards in clothing production, together with our partners  
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Cultivating individuals who are competent on a regional and global level  
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**Challenge 3**  
Using the power of clothing for positive change in communities  
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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

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



Takumi team member working with Bangladeshi factory workers.

# Challenge 1

## Achieving the world's highest standards in clothing production, together with our partners

Supply chain

Forging partnerships

**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.**

### Production Offices

**Local production offices are the coordinating links between our business and the manufacturing facilities operated by our production partners in each region. Throughout the world, these offices are constantly seeking ways to harness the expertise needed to expand and improve our business.**



Bangladesh is one of the key countries for FR, as we develop as a business that produces and sells clothing throughout the world. The foundation of our operation in Bangladesh, just as in other countries, is not about conducting business transactions, but about implementing initiatives. The number of factories here that have adopted FR principles is steadily increasing, and they have the long-term vision and desire to improve quality and develop new products together with us. We are building strong partnerships with these factories, and we are working with our production partners from the ground up to create new items and improve quality. We are certain that these efforts will build to a point in the near future where we will have far outpaced the competition.

Bangladesh, a populous nation with a relatively high proportion of young people, possesses a great deal of potential. Its apparel industry particularly has potential as its core business, accounting for 80% of the nation's total export—with so many people in the country being highly competent. There are a number of talented university graduates at our production office in Dhaka, for example, who are diligently studying production management methods, in addition to learning how to analyze production data and use the information and methods to improve production lines. The working conditions at the factory and product safety management are also handled in accordance with our global standard. I am convinced that Bangladesh will continue to emerge as an important production base in the future.

### Partner Factories

**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.**



Our way of thinking is very similar to that underlying FR's approach. Production is handled in a highly systematic way; their product design 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.

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.



**Nasir Uddin**  
Chairman  
Pacific Jeans Limited

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.

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.



**Salahuddin Aramgir**  
Chairman  
Matrix Sweaters Limited

### Takumi

**We dispatch textile experts known as "takumi"—veterans with a wealth of experience in Japan's world-class textile industry—to partner facilities to provide on-site technical guidance and assist with process management and human-resource development.**



**Hiromasa Wakabayashi**  
Sewing Expert

The Bangladeshi people are diligent and eager to learn, which is why I see so many possibilities for growth by working with them. The important thing, however, is to stick to the basics. When I give instructions at a factory, for example, I explain the reasons behind everything we do and then I show how things should be done, over and over again. It really is not easy to adhere to UNIQLO's standards everywhere in the world, but it is my job responsibility and an incredible challenge that makes my work truly rewarding.



**Ichizo Uemura**  
Dyeing Expert

I have been working in dyeing for more than 40 years, handling just about every type of clothing material around, from raw material to the finished fabric and everything in between. Bangladesh's textile 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. I point out problem areas and provide directions for improvement. I also offer as much praise to the workers as I feel they have earned. This is because it is important that young people have confidence in their work. I am always glad when people at the production facilities find my instruction useful.

# 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

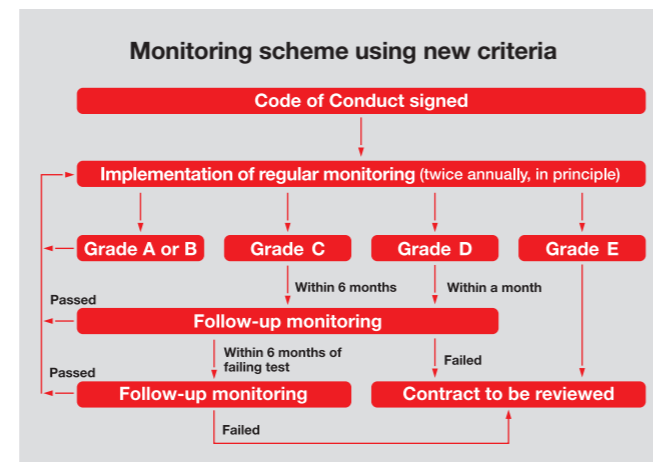
In 2004, FR established its Code of Conduct for Production Partners. Our major partners have signed a pledge to adhere to the CoC and we have conducted regular monitoring, mainly of working conditions, at their sewing factories.

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 as well as 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 immediately reviewed the contract with the factory. We assigned the lowest grade of D to facilities that were strongly suspected of engaging in forced labor. Under the new standards, however, we expanded the scope of our assessments so that whether it is child or

forced labor or, any other serious infraction that comes to light, the partner will receive a new, lower assessment of E and 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 fiscal FY 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 of the partner company. We work together with partner factories to implement measures to prevent the recurrence of such grave infractions. The results of such investigations are made public, while other issues, including matters such as working hours and wages, are retroactively resolved to get to the root of problems.



## 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 FY 2009)

#### 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

Of 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.

→ The FR Group explains its policies again so that improvements can be made and recurrences can be prevented.

#### 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.

→ The FR Group introduces self-assessment tool and demands comprehensive, daily evaluations to raise awareness and understanding of FR standards at partner facilities and to ensure that such problems do not arise again.

### Serious cases with a grade of E identified during regular monitoring in FY 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 that 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, requested that the factory sternly reprimand the relatives of the child in question, and reduced the factory's volume of business.

### 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 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 "initiatives." 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 FR Leader



**Yoshihiro Kunii**  
Group officer in charge of production  
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

porting individuals to foster both corporate and personal growth



On the opening day of the UNIQLO ATRIUM Store in Russia.

# Challenge 2

## Cultivating individuals who are competent on a regional and global level

The people behind the business

Global recruiting and FRMIC

**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.

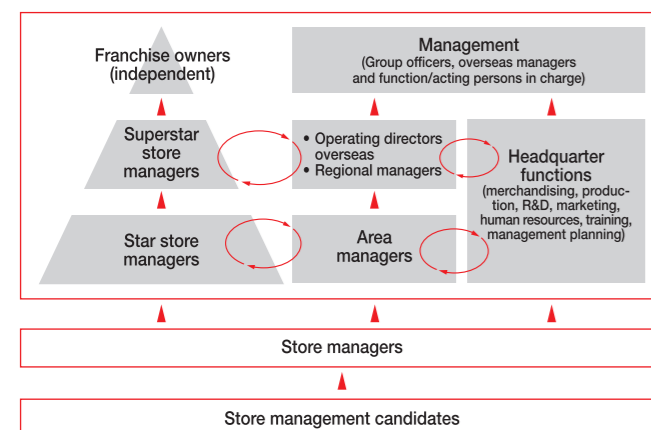
A structure that is highly transparent and ensures fair recruiting practices and treatment is key to attracting talent and empowering these people to shine. Similarly, FR needs to offer a working environment and work style that appeal to people throughout the world. We are currently building a personnel 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 highest respect for the individual.

We want all FR Group companies to function as a single entity, with all of our employees adhering to international best practices. This means working under a uniform, international platform, which the FR Group has dubbed "Global One." Establishing English as a means of internal communication is important for building and operating the Global One system. As such, we are actively promoting programs to improve the English-language abilities of employees in regions where English is not the native language.



Theory Gansevoort Store, New York, U.S.A.

### Career paths of global talent



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.



Simon Coble UNIQLO (U.K.) LTD.

Through the activities of the FRMIC, we are able to share issues and best practices with people from other countries within the FR Group. As we develop our business globally, this kind of spirited debate is incredibly stimulating and, in my opinion, an excellent thing. I want to expand the scope of my outlook beyond my own sphere of responsibility and apply what I have learned through the FRMIC at our operations in the U.K.

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. The FRMIC was set up with the express purpose of supporting FR growth by simultaneously promoting management training and corporate reform.

The genesis of the 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, the 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, the FRMIC will remain dedicated to the ongoing development of human resources.

FR Chairman, President and CEO Tadashi Yanai serves as the president of the 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 the FRMIC in such places as New York, Paris and Shanghai instead of only in Tokyo. The FRMIC strives to create a hub of venues for developing human resources that are unrivaled while drawing on the knowledge 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 that develop problem-solving and opportunity-development skills are already in motion. For now, FR is focused on hiring prospective business managers worldwide and aims to train 200 business managers over a five-year period.



Tomokazu Kurose FAST RETAILING (CHINA) TRADING CO., LTD.

While participating in FRMIC training programs, I was asked to address what as a business manager I could do to defy conventional wisdom and aspire to provide truly great clothing to people around the world. I felt strongly inspired by this question, which I could not at first clearly answer. Now, I am focused on tackling the challenge of changing the concept of clothing in China, a country with a culture different from my own.

### Message from FR Leader

**Employees undergo a brief trial period in the stores before being hired. Recruiting and training involves all staff members.**

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.



Takafumi Sato Global Director of Human Resources and General Administration Department FAST RETAILING CO. LTD.

# Challenge 2

## Cultivating individuals who are competent on a regional and global level

The people behind the business

Employees with disabilities

**UNIQLO in Japan has a goal of employing at least one staff member with a disability at every store. Under this policy, introduced in 2001, there are now staff members with disabilities at nearly 90% of UNIQLO stores. These employees improve our stores by making all of our staff more considerate and observant, ultimately leading to better customer service.**



Ms. Fujisawa hits her stride as she removes merchandise from cardboard boxes and then unpacks and sorts it by color and size. She initially struggled with this task and occasionally cut her hands on the cardboard boxes, but now she handles the work quickly and rhythmically.

She still treasures the uplifting cards her co-workers gave her upon completing an initial trial period at the store.



**Hiroko Fujisawa**  
Ms. Fujisawa's mother

"I don't want my daughter to get special treatment just because of her disabilities. I have always told her that I want her to work with those who are not disabled. I hope that she can work for a long time at a place that gives her the opportunity to experience the joy of working and growing as an individual."

**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 cards and enjoyed mixing and matching clothes in different combinations. Ms. Fujisawa, who got a job at UNIQLO in 2008, is a perfect fit for working at a 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 store welcomed her with open arms. At the end of her trial training period, 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.

Affectionately known as Marilyn—the nickname given to her by the store manager—Fujisawa always brightens the atmosphere at the Yodobashi Yokohama store.



**Yuki Ogata sews with such incredible speed and accuracy that he can alter a pair of pants in three minutes flat. His formidable skills and strong sense of responsibility have earned him the trust and respect of his colleagues.**



**Haruki Tsukagoshi**  
Store Manager  
UNIQLO Tokyo Dome City LaQua Store

"Yuki is not just fast when it comes to sewing—he also works quickly when he prepares products in the back room. He's valuable and I want to give him more opportunities to play an increasingly active role out on the store floor."

**Yuki Ogata**  
UNIQLO Tokyo Dome City LaQua Store, Tokyo, Japan  
Mental disability

Yuki Ogata has excelled on the sewing machine since his days as a student at vocational school. There he studied a number of subjects, including agriculture, woodworking and computers, but he has always been most passionate about sewing.

"I worked really hard to learn to use the sewing machine. I practiced sewing in a straight line, moving ahead and then going back, as well as pyramid stitching," he says.

Mr. Ogata started working for UNIQLO when he was a third-year vocational school student in 2008, the same year he won first place at the 30th National Skills Competition for Persons with Disabilities and an accompanying award from the Minister of Health, Labor and Welfare recognizing his achievement. He knew that he wanted to make a career out of sewing, so he joined UNIQLO as soon as he graduated from vocational school.

From Kisarazu, Chiba Prefecture, Mr. Ogata commutes to work on his own by bus via the Tokyo Bay Aqualine bridge-tunnel, which runs beneath Tokyo Bay. He leaves home at 6:20 a.m. and arrives at his store half an hour before his 9:00 a.m. starting time. During the morning meeting he shares his goals for the day and discusses other tasks that need attention. Then he starts cleaning the store and taking out the waste. After the store opens he begins unpacking items of clothing, putting them on hangers and organizing them.

But his talent comes to light when the store gets busy with a surge in alteration orders. He is a whiz on the sewing machine and can alter garments with incredible speed. More importantly, his stitching is always straight and on point. He is so fast that he can alter a pair of pants perfectly in just three minutes on average. While his co-workers do regularly chip in to offer assistance, as he finds it difficult to measure, cut the hems and select the thread, he is an indispensable asset in his store.

"Everyone here is so nice—they teach me a lot," he says.

Mr. Ogata has been selected to represent Japan at the 8th International Abilitylympics 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.

### Message from FR Leader

**What underlies our concept of diversity and the employment of people with disabilities are one in the same.**

The FR Group's approach to business is based on the concept of ZEN-IN KEIEI, which requires every employee to do their work from the perspective of an actual business manager. At FR, workers are not just cogs in the corporate machine. Rather, they are empowered and encouraged to see themselves as business managers, which means thinking independently, determining what needs to be done and taking action.

The rationale for a diverse workforce and for employing individuals with disabilities is one and the same. Absolutely everyone has abilities and everyone can contribute to society. This is true of employees with disabilities, so all store team members need to work together to determine how each individual can best demonstrate their value to the company, then put this into action. This kind of approach increases the strength of the team, as does our placing the same expectations for all of our employees. I know that I place a lot of demands on staff with disabilities, but this is something that I must do because we are a business and doing so is fair to everyone.



**Jun Yokohama**  
Group Officer in charge of human resources  
FAST RETAILING CO., LTD.

# Challenge 3

## Creating positive change in communities through the power of clothing

Collaborating with communities as envisioned by FR

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.

Collaborating with communities

Striving to develop in unity with society through unique corporate activities



The Grameen Ladies who sell Grameen UNIQLO products in Bangladesh.

# Challenge 3

## Creating positive change in communities through the power of clothing

Collaborating with communities

Social business

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 and Grameen will use materials sourced from Bangladesh and 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 with UNIQLO we want to help to eradicate poverty in Bangladesh and around the world.

**Ahtesham Uddin Ahmed**  
Grameen Bank



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.

**Nassir Uddin Ahmed**  
President/Partner factory



I have two children. I use the money I earn from this job to pay for their education. The UNIQLO T-shirts and undergarments 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 it was the job for me. I have experience, having sold sari (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.

**Tomokiyo Yoshikawa**  
Head of Production  
UNIQLO Social Business Bangladesh, Ltd.



### FAST RETAILING Social Business



#### Fundamental Project Policies

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

### Message from an expert

#### 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.



**Dr. Kiyoshi Kasahara**  
Professor of Management,  
Doctor of Sociology  
Rikkyo University

# Challenge 3

## Creating positive change in communities through the power of clothing

Collaborating with communities All-product recycling initiative

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 g.u. apparel business began its involvement in the initiative.

Initially, items were collected during limited time periods every year; from March 2010, however, we started doing it 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 it was 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.

### Tokyo Metropolitan High School Recycling Initiative

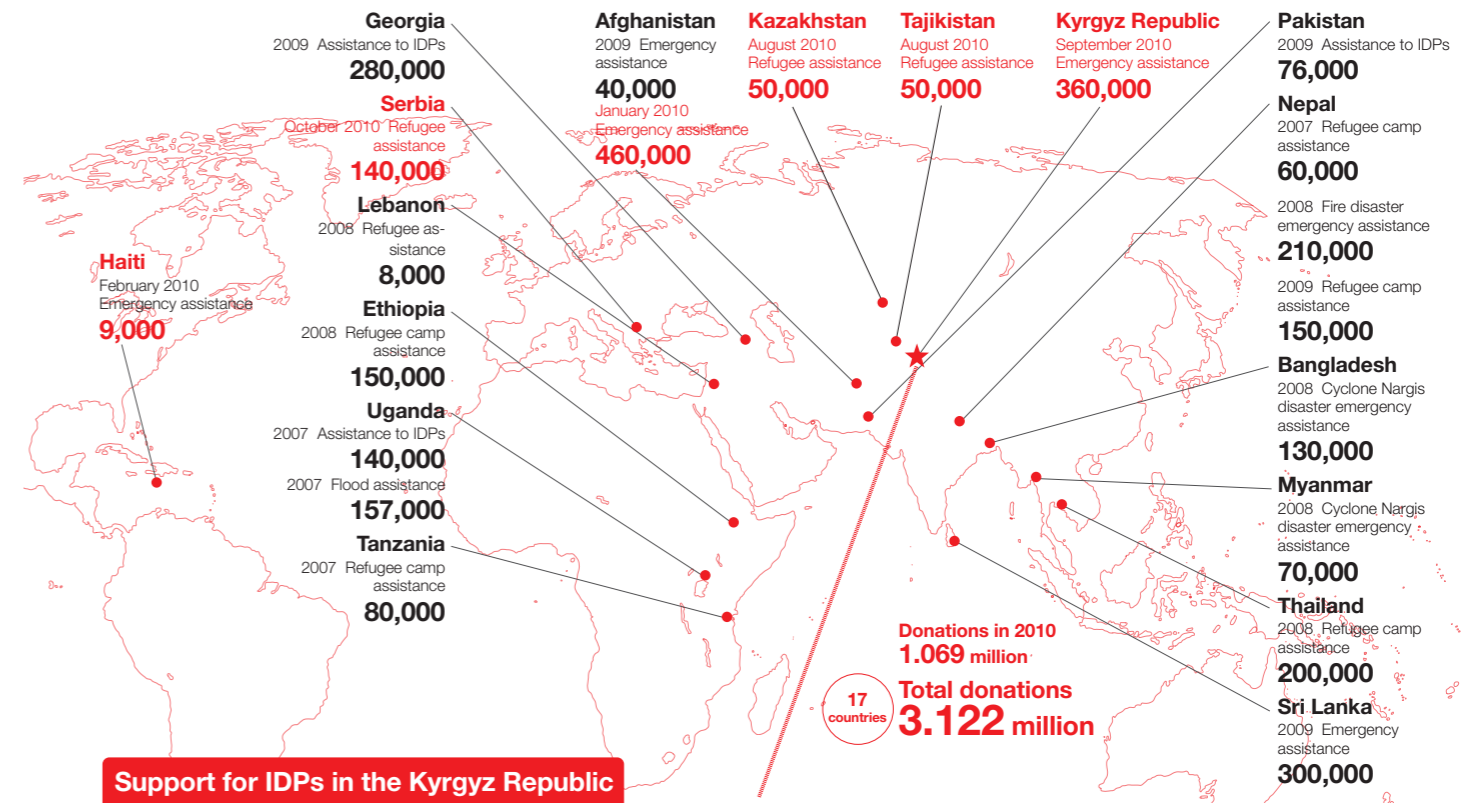


We work with educational institutions to help broaden the horizons of high school students, the stewards of the next generation, and encourage their involvement at the local level.

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.

### Number of donated items of clothing worldwide (End of October 2010)

\* Data on the clothing collected can be found on page 38.



### Support for IDPs in the Kyrgyz Republic



In June 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 360,000 items of winter clothing for IDPs living in emergency tents. Winters in Kyrgyz 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 centered on fleece 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 from carpentry work, 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. Spasiba (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 Kyrgyz even by a fraction, and bring some small joy to their daily lives.

We 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.

### Message from FR Partner

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.

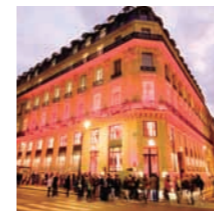
In 2009 there were approximately 36 million refugees and IDPs around the world who required assistance from the UNHCR. Moreover, it is anticipated that they will continue to face instability as their economic difficulties become increasingly protracted. Unfortunately, there are few signs of significant change on the way to resolve this issue.

Given this state of affairs, I have high hopes for the potential power that corporations can bring to help address these issues. In particular, FR's initiative demonstrates its deep understanding of these issues and its strong leadership and organizational capabilities, all of which are significantly aiding our activities. What is especially commendable is that under FR's initiative, the company is not merely taking action, but leading its many customers to take action by donating clothing. This has the dual merit of raising consciousness while at the same time allowing individuals to contribute to society and the world.

Like food, housing and education, clothing is also fundamental to human dignity and essential to life. The bulk of the refugees that have been driven from their homes and homelands lack satisfactory clothing. In fact, the reality of the situation is that a lack of satisfactory clothing means some children cannot commute to school; for others it means that they cannot find a job. The UNIQLO clothing that reaches these people is a message from the world—it is a message of encouragement. As such, I want to express my heartfelt thanks and respect to FR for its refugee assistance activities. I hope that such activities will find a broader following in the future.



Johan Cels  
UNHCR



**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

Our Basic Principle

The FAST RETAILING Group's corporate philosophy is to approach issues from the customer perspective. We take this into account in all of our sales-related activities, naturally including our products, sales floors, services and communications, and in management strategies from structuring management to business planning.

## Three Promises to Our Customers

At UNIQLO Japan we are committed to "Three promises to our customers" and uphold them at 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

Customer feedback

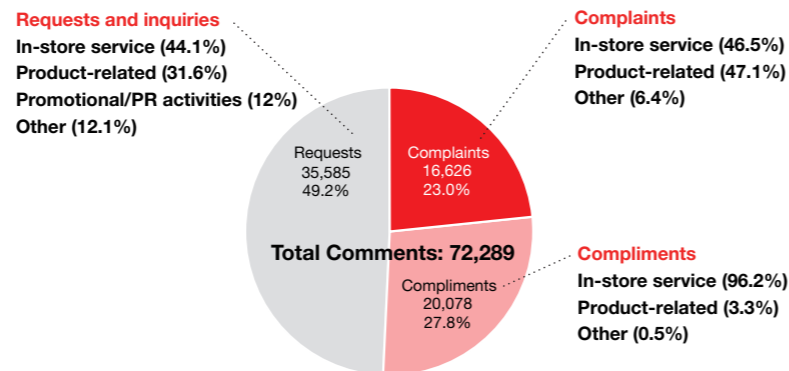
72,289 cases

## Effectively using customer feedback for better management

The FAST RETAILING 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. 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 FY 2010



## 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.



CS Staff Award recipients

FY 2009 709

FY 2010 947

## 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 FY 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.

Voluntary product recall

FY 2009 1 → FY 2010 0

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

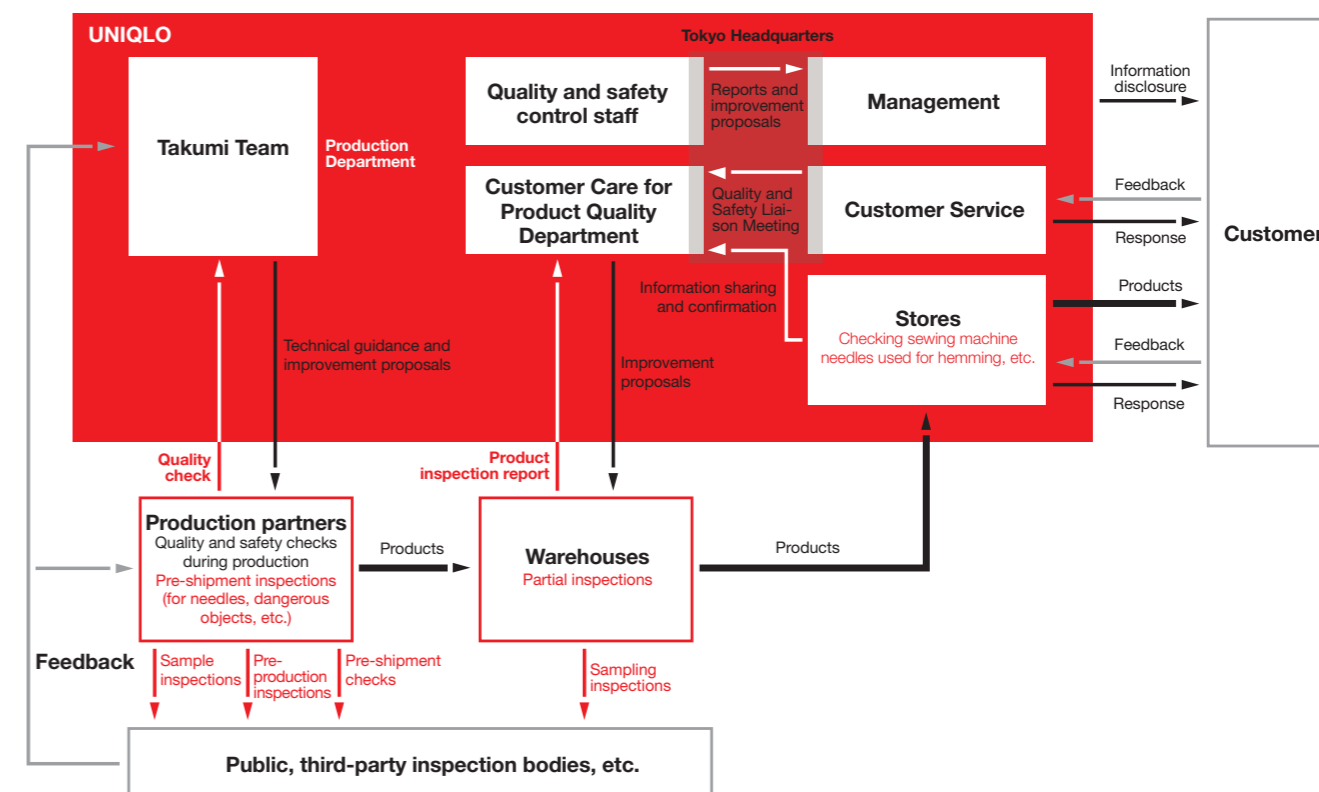
UNIQLO has selected the most stringent of existing safety standards in countries and regions where we conduct business, including the United States and the European Union, and incorporated them into the UNIQLO Global Quality and Safety Standards. Quality and safety control staff within the Production 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 FY 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\*1 and residual formalin\*2. 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.

\*1 Dye fastness test: Durability test specifically for dyed products  
\*2 Formalin (formaldehyde) test: Formaldehyde is used as an anti-shrink, anti-crease softener in the processing of natural fibers. It has been specifically linked with incidents of rashes and skin allergies for those with delicate skin.

## UNIQLO's quality and safety control system





# Our Responsibility to Our Partners

Forging stronger partnerships

Our Basic Principle

**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.**

Factories monitored for working conditions



## Comprehensive monitoring by the FR Group

UNIQLO works together with about 70 production partners located primarily in Asia, 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 FY 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 on the same standard 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 share with executives of major partner factories its management policies leading up to 2020 and introduce best practices, including improvements of working environments at partner factories.



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

174 factories

Grade	Description	Number of factories	
		FR Group	UNIQLO
A	No violations	10	9
B	One or more minor violation	53	52
C	One or more major violation	68	50
D	One or more severe violation	39	19
E	Highly unethical, serious offense subject to immediate review of contract	4	2

### CoC for Production Partners

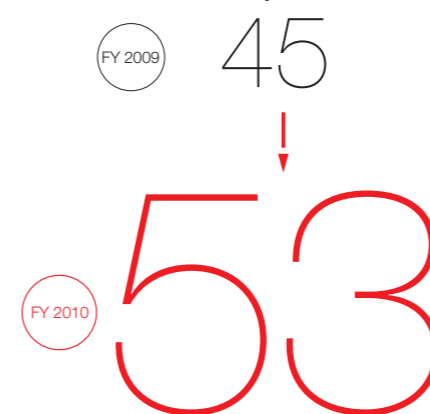
The FR Group's CoC for Production Partners was formulated by drawing upon the conventions and recommendations of the International Labor Organization. It covers key production issues, such as prohibiting child labor and limiting overtime work. Partner factories have signed a pledge declaring that they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

### Items under CoC for Production Partners

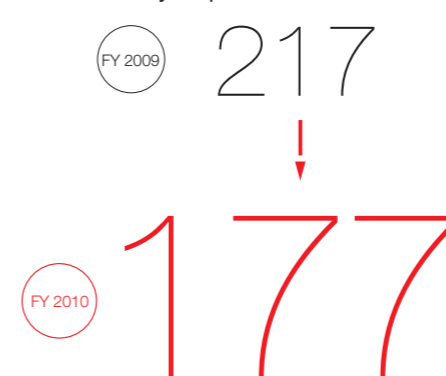
- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of oppression and harassment
- Prohibition of discrimination
- Health and safety
- Freedom to form unions
- Wages and benefits
- Working hours
- Environmental protection
- Preparation of internal regulations
- Monitoring and compliance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



Cases examined by the Business Ethics Committee



Survey responses



## The seventh business partner survey

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 administered 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 language, 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 for the Prevention of Improper Behavior Based on Superior Bargaining Positions\* 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 FY 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.

\* Improper Behavior Based on Superior Bargaining Positions: 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(s).

### FY 2010 results of the business partner survey

- Implementation: June to September 2010
- Subjects: Major business partners of FR and other Group companies

Questionnaires sent from.	Number of partner companies that received questionnaires.	Number of companies that responded (response rate).
FR/ UNIQLO (domestic)	120	61 (50.8%)
FR/ UNIQLO (overseas)	141	78 (55.3%)
GOV RETAILING	30	14 (46.7%)
CABIN	30	14 (46.7%)
Link Theory Japan	30	10 (33.3%)
<b>Total</b>	<b>351</b>	<b>177 (50.4%)</b>

- 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 do understand that your employees are wearing your products. However, we sometimes feel that the clothes they wear are too casual.”—Domestic partner
- “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

**FAST RETAILING strives to create comfortable workplaces and continuously enhance employee satisfaction. We respect each individual and foster both corporate and personal growth by establishing environments that cultivate personnel into becoming capable of performing innovative work from a global perspective.**

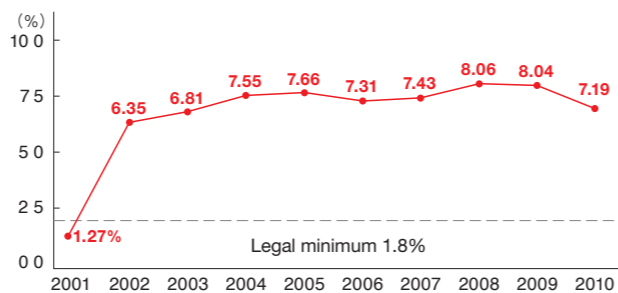
# 7.19%

Employment rate of individuals with disabilities at UNIQLO in Japan (As of June 1, 2010)

## Promoting the employment of people with disabilities

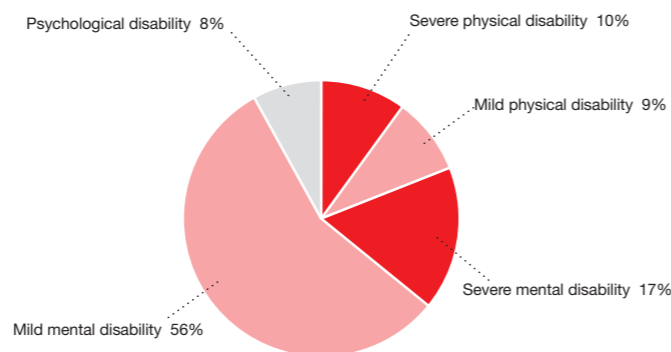
UNIQLO has embraced the goal of hiring at least one person with a disability per store, and has been recruiting people with disabilities since 2001. It is only natural that store staff support an employee with a disability, which thereby promotes overall teamwork. More than 90% of our stores have now 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 Holdings, the employment ratios of persons with disabilities are 3.56%, 1.65% and 1.49%, respectively. We are currently acting to raise this ratio at Group companies where the levels remain below the legal requirement.

## UNIQLO's employment rate of individuals with disabilities



\* Data through FY 2006 is for the period through March; from FY 2007 onward, figures are through the period to June 1.

## Disabilities of employees



Number of UNIQLO employees in Japan who took childcare leave

FY 2009 145



FY 2010

# 234

## Work-life balance

UNIQLO has taken a number of steps to assist employees in balancing work and private life and has created an environment that is conducive to ongoing personal and corporate growth. We have revised our childcare and nursing care leave programs to enable employees to remain even longer with the company. Childcare leave may be taken any time up to the child's first birthday. Upon returning to work, employees are able to work shorter hours until March of the year the child becomes a fourth-grader.

	Full-time employees	Others	Total
Childcare leave	72	162	234
Reduced hours for childcare	46	8	54
Nursing care leave	2	0	2
Reduced hours for nursing care	2	0	2

# 17

or more countries and regions

with FR Group employees

## 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.

# 200

people

Global business manager training target

## 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.

## Employee breakdown by country and region (As of October 1, 2010)



## 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 FY 2010. With 83 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.

## Number of industrial accidents

FY 2009 386

FY 2010 437

## 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.

# Contribution to Local Communities

Developing in harmony with local communities

Our Basic Principle

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 and 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

## Launching a social business

UNIQLO is addressing social challenges in Bangladesh, one of the poorest countries in the world, with the establishment of UNIQLO Social Business Bangladesh Ltd. This subsidiary is engaging in a new type of social business by planning, manufacturing and selling clothing in Bangladesh, with the goal of producing and selling one million articles of clothing per year and creating 1,500 jobs in three years.



# 17 countries

Number of countries to which recycled clothes have been sent

## Supporting refugees and displaced people throughout the world

UNIQLO has been providing clothing to refugees and displaced people throughout the world under its All-Product Recycling Initiative. We delivered 1,069,000 articles of clothing to Kazakhstan, Tajikistan, Kyrgyzstan, Serbia and Haiti fiscal 2010. In places where supplies are insufficient, clothing plays a greater role than simply protecting people from the heat and cold. It can also protect people from injuries and illness and bring joy to those wearing it.



# 1,423 people

Total number of employees who have participated in volunteer activities

## Supporting the activities of the Setouchi Olive Foundation

Since 2000, the Setouchi Olive Foundation, 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 nonprofit organization 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 FY 2010.



### Donations received from our customers to date and performance results

Cumulative donations total: 163,758,628 yen

Number of grant recipient organizations in FY 2010: 58

(As of October 31, 2010)

## 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 FY 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 keeps abreast of issues facing the international community and the global environment. We believe the first thing 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, FAST RETAILING 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 2006, in which we can work together with customers through our core business and see the veritable effects of our efforts.

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

#### A 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 take the environment into consideration.

#### B Carrying out environmental initiatives at factories

We introduced the FR Environmental Standards at material factories and commenced monitoring.

#### C Increasing energy and resource efficiency in distribution

We are constantly working to improve or restructure our distribution flows to significantly boost efficiency. The company has also reduced the weight of cardboard boxes, used when transporting products, to raise load efficiency.

#### D 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.

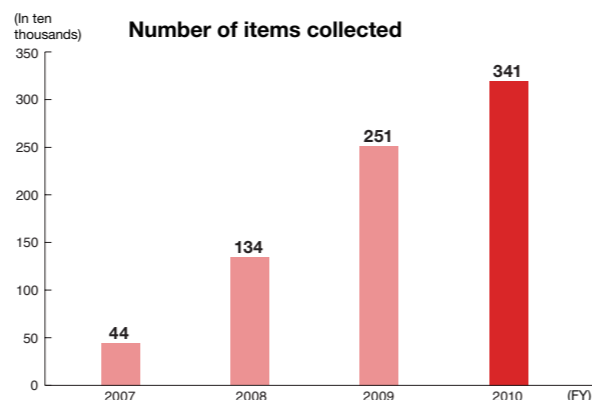
#### E Increasing energy and resource efficiency in our stores

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. For example, installing air-conditioning controllers and environmentally sound lighting equipment.

#### F 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.



In	Energy, raw materials, etc.	Headquarters		Distribution in Japan		Stores	
		Power consumption	Gas consumption	Power consumption (calories)	Power consumption		
Energy and fuel		5,099,541 kWh	7,871 m <sup>3</sup>	182,498 GJ	125,737,307 kWh		
		11,379,539 sheets					
	Materials					Packaging: 4,539 t	
CO <sub>2</sub> and waste emitted	CO <sub>2</sub> emissions	3,228.5 t-CO <sub>2</sub>		12,492 t-CO <sub>2</sub>	56,959 t-CO <sub>2</sub>		
	Waste and recycling	Combustible waste (paper waste, etc.): 391 t	Incombustible waste (plastic, etc.): 4 t				
						General waste: 22,609 t	Customers Products collected through the All-Product Recycling Initiative: 471 t

Reference • In principle, figures represent results in fiscal 2010. • Data is not included for some UNIQLO stores that operate in buildings as tenant stores. • Headquarters-related gas and water data only applies to the head office in Yamaguchi Prefecture, Japan. All other data refers to both the Tokyo and Yamaguchi head offices. • Packaging includes paper and plastic shopping bags used at UNIQLO CO., LTD. and GOV RETAILING CO., LTD. • Logistics data is for the period from April 2009 to March 2010.

# 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 FR Group.**

### All employees must understand the Code of Conduct\*

The FR Group has implemented its Code of Conduct (CoC) at all of the Group companies, including UNIQLO. Every employee receives and must sign an explanation of the CoC when they join the Group. All of our employees throughout the world are expected to understand the content of the CoC and sign a pledge every year declaring their intent to follow and fully implement the code.

\* The CoC is available in Japanese, English, Korean, French and Chinese and at all times accessible via our intranet.

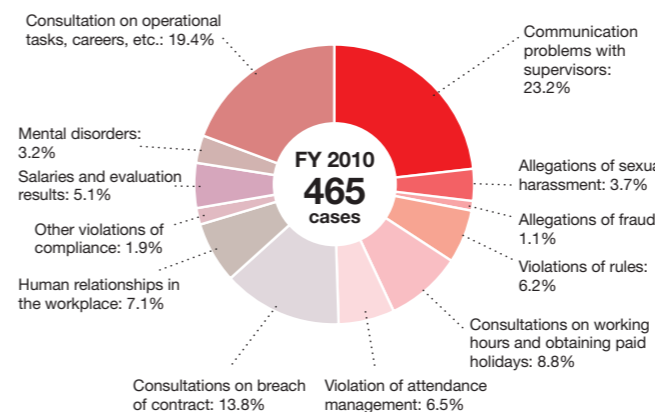
### Number of hotline cases



### Hotline operations

FR has set up hotlines at every Group company to help employees anonymously discuss work-related problems and report potential CoC violations by telephone, e-mail, letter or other means. Hotline access information is posted on the intranet and displayed on posters in employee lounges at all Group stores in order to encourage employees to freely use the hotline. In the event of a potential violation, hotline teams investigate the matter while protecting the anonymity of the person reporting the alleged incident. Meetings of the CoC Committee, held regularly, discuss specific actions to be taken. As the number of employees has risen, the number of calls has increased. Despite reminders to be duly careful, communication problems between superiors and subordinates have not been fully eliminated. We will continue to prevent such incidents by disclosing compliance violation cases to all Group companies.

### Number and content of hotline cases in FY 2010



Total results for the domestic operations of all Group companies, specifically FR, UNIQLO, Cabin and GOV Retailing.

### 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 FY 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 FY 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 FY 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.

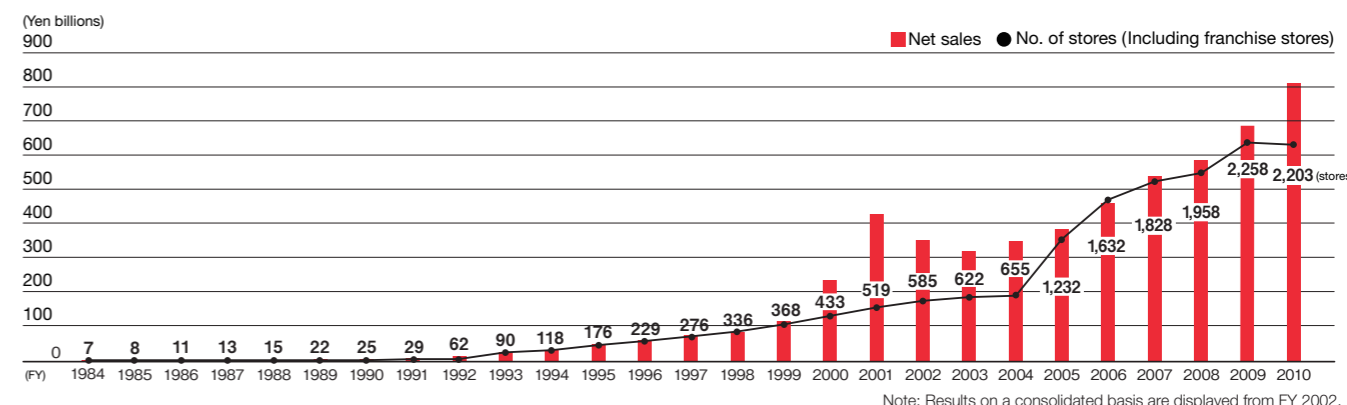
Fast Retailing is a retail apparel group that operates not only in Japan but in markets worldwide with the UNIQLO casual wear brand as its core business. Under the UNIQLO brand, the Group maintains 808 stores in Japan and 136 overseas and has established a highly profitable SPA (see page 8) business 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 Sayama, Yamaguchi City, Yamaguchi 754-0894, 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: 814.8 billion yen  
 Consolidated Ordinary Income: 123.7 billion yen  
 Closing Date: August 31

### Group net sales and number of 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)

## Global Brands



theory

COMPTOIR DES COTONNIERS

PRINCESSE tam•tam PARIS

g.u.

Fiscal year ended August 31, 2010

Net sales: 125.2 billion yen  
 Operating income: 7.8 billion yen  
 Stores: 1,169 (Including franchise stores)

### 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 through 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 smooth fit, offers lingerie, homewear and swimwear collections through famous department stores and specialty outlets mainly in France and 40 countries worldwide.

### g.u.

Our low-cost g.u. clothing line attracted a flurry of attention with the launch of its ¥990 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.

## UNIQLO International (China, United Kingdom, South Korea, United States, Hong Kong, France, Taiwan, Russia, Singapore, Malaysia)



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, Hong Kong, 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 that accounted 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 FY 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: 72.7 billion yen  
 Operating income: 6.3 billion yen  
 Stores: 136

### 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/jp/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.

Publication: January 2011 (The next issue is scheduled to be published in January 2012.)  
 Inquiries: CSR Department FAST RETAILING CO., LTD. FR\_G\_frgcsr@fastretailing.com

Disclaimer: This report not only provides factual information from the past and the present regarding FAST RETAILING CO., LTD. and its group companies, but also includes plans and projections made as of the publication date, and future forecasts based on management policies and strategies. These future forecasts are assumptions or judgments made based on information available at the time. Actual results and circumstances of future business activities may diverge from these forecasts due to changes in various conditions. Your understanding with regard to this matter is appreciated.

