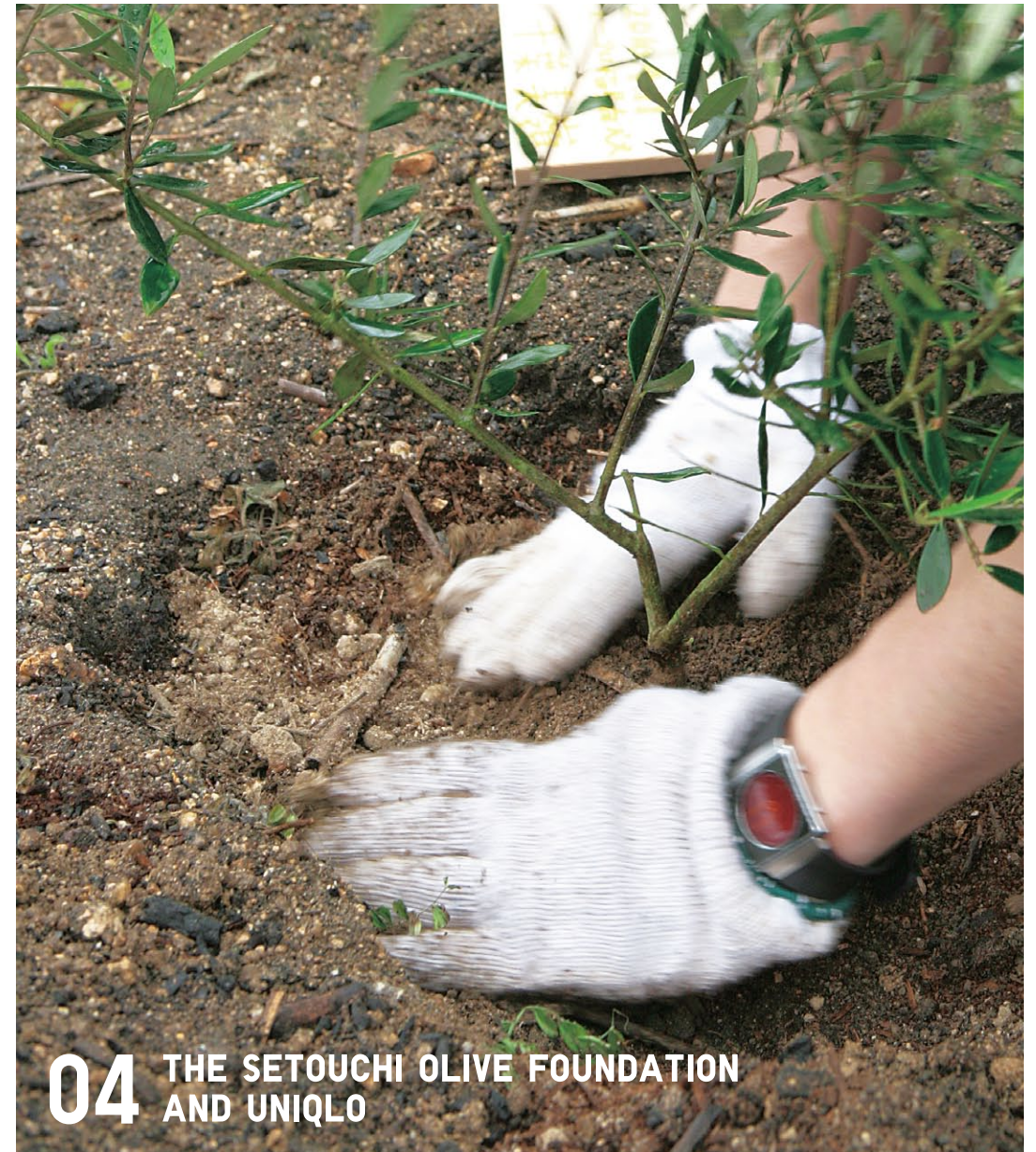


THE POWER OF CLOTHING

— Making The World A Better Place —



04 THE SETOUCHI OLIVE FOUNDATION AND UNIQLO

The Setouchi Olive Foundation and UNIQLO

Looking Beyond Donations and Volunteer Activities

Visit the cash registers at a UNIQLO Japan store and you can expect to encounter the same things: posters, pamphlets and a small, green donation box. Channeled through these donation boxes are the generous contributions of our customers in support of efforts to restore greenery to the Seto Inland Sea region under an initiative sponsored by the non-profit Setouchi Olive Foundation and supported by UNIQLO since 2001.

In this issue we share information about the process, results and intentions behind our Setouchi Olive Foundation support activities. How many donations have been collected? How much progress has been made to restore the natural environment of the Seto Inland Sea? Of course, it is important for us to report to readers the concrete results of our efforts, but we also want to explain the thinking that underlies UNIQLO's support for this important cause.

UNIQLO's support for these initiatives includes a program in which our employees volunteer their time to improve the environment of Teshima Island in the Seto Inland Sea, allowing them to come face to face with social issues such as depopulation and the aging of Japanese society. Our involvement in these initiatives has prompted us to consider whether our environmental activities should focus on more than just greenery activities and planting trees. We are now examining what corporate social responsibility should mean to a company that designs, produces and sells clothing.

We can start by taking our environmental and social contributions one step further. Moving into the future, we are set on gradually yet steadily expanding our network of like-minded individuals.

CSR Department, Fast Retailing Co., Ltd.

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Where the Donations Go

An Interconnected Chain of Efforts

UNIQLO collects donations from customers in small, green boxes next to the cash registers at every Japan store to support the Setouchi Olive Foundation's ongoing efforts to restore the once beautiful and fertile islands and coastlines of Japan's Inland Sea. UNIQLO also sends teams of volunteers from its head office and stores to the

island of Teshima twice a year to help plant trees. Although the impact of each donation and contributions of individual volunteers may seem small, we can help to save the natural environment through our collective efforts. We believe that there is much to learn from this process, which can raise awareness and form the basis for future action.



About the Setouchi Olive Foundation



The Setouchi Olive Foundation was established to restore the natural beauty of the islands and coastal regions of the Seto Inland Sea in the wake of the so-called Teshima Incident, in which massive amounts of toxic industrial waste were illegally dumped on Teshima Island in the 1980s. The organization was established in 2000 under the leadership of renowned architect Tadao Ando and the lawyer Kohei Nakabo. In 2001, UNIQLO began supporting the foundation's efforts by collecting donations through its stores and employee volunteer activities on Teshima.

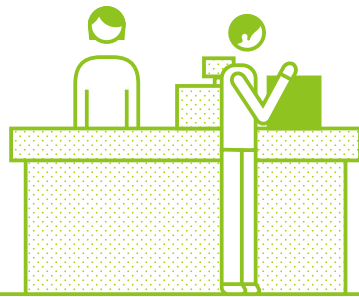


Selecting aid recipients

The foundation considers aid requests from organizations and conducts onsite visits as necessary to determine whether to provide funding for them. It also regularly monitors progress on specific activities to ensure that donated funds are properly managed.



The aging of society and environmental degradation have emerged as serious issues in Japan. Volunteer activities on Teshima provide a meaningful opportunity to give serious consideration to and reflect upon the major social issues that are affecting the country.



Donation boxes next to cash registers at UNIQLO Japan stores

Our customers express their support for the natural environment through their donations, which have reached 155,018,694 yen (US\$1,550,187) as of May 31, 2010.



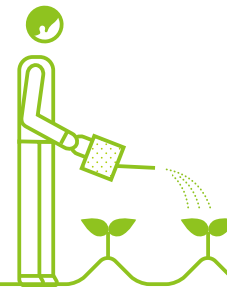
Secretariat of the Setouchi Olive Foundation

All donations are sent to the non-profit Setouchi Olive Foundation. Its secretariat, run by two of its full-time staff members, is located on Teshima Island in Kagawa Prefecture, Japan.



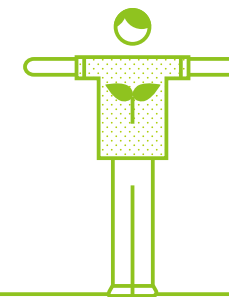
Setouchi Olive Foundation Steering Committee

Experts from a range of fields—including lawyers, university professors and UNIQLO employees—attend monthly meetings of the Setouchi Olive Foundation Steering Committee, which deliberates on how to best use the funding and makes decisions on organization initiatives, such as the Big Tree Project.



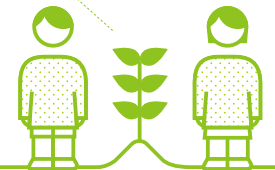
Seto Inland Sea tree-planting goal: 95,000 out of 1,000,000 trees planted

The goal of the Setouchi Olive Foundation is to plant one million trees along the coast and on the islands of the Seto Inland Sea. Approximately 95,000 trees have been planted as of May 31, 2010, including varieties that correspond with native vegetation, as well as olive trees.



UNIQLO employees gather from across Japan to volunteer

Volunteers, including employees from UNIQLO's headquarters and stores, gather on Teshima with their families. For many participants, this is their first volunteer experience. The islanders teach them how to plant trees, trim unwanted greenery and otherwise tend to the island's nature.



Next link in this chain of efforts

A total of 500 UNIQLO employees have already volunteered as of May 31, 2010, and these small, individual contributions have resulted in something bigger than the sum of their total parts. Volunteers return home to share with the people around them what they have learned and seen on Teshima—in this way continuing the chain of efforts.



Launching the foundation's own initiatives

Big Tree Project

A joint effort conducted with island residents, volunteers, experts and the Setouchi Olive Foundation to protect the local community and natural environment.

Undersea debris project

Although the public knows about refuse that has washed up on shore, people are generally less aware of the problem of undersea debris. Study sessions at collection sites and exhibits in the lobby of Takamatsu City Hall (Takamatsu is the capital of Kagawa Prefecture) have helped to raise awareness of this debris.



UNIQLO encourages volunteers to visit the Teshima Museum of the Heart. Nearly half of the waste that was illegally dumped in Teshima still remains on the island. However, new opportunities for change have arisen since a settlement was achieved related to the waste dumping case in 2000, including the Teshima School for the Islands and the Teshima Academic Society.

Sakura, Sakura

Halfway up the path to the summit of the local Dan-yama Mountain, the islanders tell us that at the top a breathtaking view of the surrounding sea awaits us. We leave them eating their boxed lunches and enjoying the floral display of the *sakura* cherry trees.

The trees are a beautiful sight to behold. This row was planted by a local orange farmer after a path was paved to the top of the mountain, the highest point on Teshima Island in Kagawa Prefecture, Japan. The farmer planted each tree one by one over a period of 20 years. He placed the trees at intervals of five to seven meters and cared for them.

He eventually planted more than 200 trees and lined the path with cherry trees. Every spring, the joyous laughter of the islanders echoed amidst the natural beauty of the tree-lined path. Everyone wanted spring to last forever. But with every passing year, it became increasingly difficult for the aging farmer to continue tending to the trees.

"I'd love to see the blossoms—I planted the trees, after all. But there's no way I can keep them up alone. I wish someone could carry on for me," the farmer said.

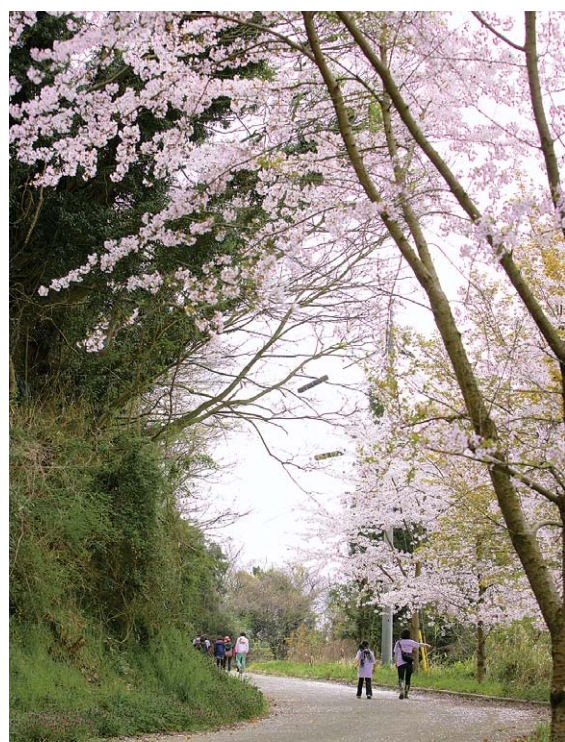
The smiling faces of the islanders filled the farmer's heart with joy, and he looked forward to celebrating the cherry blossoms with his children, who lived on a neighboring island. But with no one to care for the trees, the beauty of their blossoms gradually faded, giving way to the stubborn tall grass that grew by the side of the road. People stopped climbing to the mountaintop and the path became covered with weeds. Life itself seemed to seep from the rows of cherry trees on the mountain.

It was then that the young volunteers started to arrive. They cleared the ground around the trees, cut the grass beyond the paved path and began to rebuild the original trail. The sincerity of their efforts ultimately gave the farmer the courage to resume the project that he had nearly abandoned. Seeing the volunteers working so hard, he called on others to do their part.

The island's elders, all men in their sixties and seventies, began venturing beyond the rebuilt path. They started cutting the grass, clearing the ground and laying down gravel. They began making steady progress, sweating and laughing as they poured themselves into this shared task.

They were motivated to pass down to the next generation the hope that infused their youth, by a desire to laugh once again under the canopy of cherry blossoms and to enjoy the sweeping expanse of the seascape from the mountaintop with their children.

By 2009, the path to the top of the mountain was clear once again and the trees were bursting with new life. Halfway up the hill, a new bench now offers commanding views of the shaded portion beneath the strong limbs of the cherry trees and their blossoms—light pink, delicate petals, small, yet seemingly proud and strong. As if engaged in a timeless dance or song, the trees seem to speak as if declaring their intention to bloom in the coming year. While the blossoms may be short-lived, the memories of them in the minds of islanders will live on forever.



A Boy on Teshima



My first volunteer experience and what I learned from the island's cherry blossoms

"The cherry tree I helped care for years ago as a volunteer must be in full bloom by now. Why don't you go see it for me?" It was these words from my store manager that inspired me to go to Teshima. This was my first experience volunteering. I had never been particularly interested in environmental or social issues, but I knew that my company supported the efforts of the Setouchi Olive Foundation. I also knew that we had been entrusted with donations from customers deposited in the boxes next to the cash registers in our stores. But to be honest, I wasn't sure that I really understood the finer points of what we were doing. When I talked to customers about it, I simply parroted the words on the pamphlet instead of being able to explain the true significance of our actions in my own words. I was starting to question whether I should do more, and that was when the words of my store manager prompted me to act. Without much additional thought, I decided to dive in headfirst and get involved.

I had some time to kill when I first landed on the island, so I decided to go for a stroll. The townscape was dominated by houses the color of timeworn plaster that spoke of a bygone time, with dignified stone walls and a well-tended orange grove nearby. Walking to the top of the hill the ocean came into view. It was a bit windy up there, but the scenery was a sublime bucolic expanse of green natural beauty—the template of traditional Japanese rural scenery.

But despite this beauty, I couldn't shake the nagging sense that something was missing. Then I suddenly realized the reason for this odd feeling. The place lacked the vibrant hum of everyday human life including the joyous sounds of children at play. The thought crossed my mind that someday places all around Japan could be like this. That set me to thinking: Were we only on the island to plant more trees and help restore the natural environment? Shouldn't there be smiling children around to enjoy the greenery once it returns? What could we do about this?

I boarded a bus and headed to the site of the dump-

ing on Teshima, which I'd heard about. We toured one site where toxic industrial waste had been illegally dumped, one of the worst cases of its kind in Japan. I was overwhelmed by the sheer size of the gray mountains covered with plastic sheets. This was a manmade debacle, a terrible mess foisted upon the islanders that forced them into a prolonged and bitter battle to protect their home. In today's world we are often inundated with an overabundance of information, but some things can only be understood when you witness them firsthand. I have few words to explain what I saw, but I did want to share my experience with coworkers. Then I had an idea: I would post photographs of the place on the walls of our staff lounge. I quickly started snapping away.

We immediately went to work as soon as we arrived at the olive garden. We dug holes in the ground, planted seedlings, filled the holes with water and covered them with soil again. Then we pulled weeds from the ground, which I can assure you is extremely hard work. The air was cool and the sky was cloudy, but I was sweating profusely. I wasn't really used to that kind of work, and my hands and back hurt. As a young person I am embarrassed to admit this, but I was amazed that the elderly islanders did this kind of work on a regular basis.

We decided to have lunch on benches along a path of cherry trees on Dan-yama Mountain that my store manager had told me about. But nothing prepared me for the breathtaking beauty of the cherry blossoms in full bloom. Gazing in awe at the blossoms, I climbed the slope to the mountaintop. Initially, this path was cleared by volunteers. Local islanders in their sixties and seventies then took over where the volunteers had left off, once again extending the path all the way to the top of the mountain. I stood at the summit and marveled at the blue skies above me. The sea was visible in every direction and lush greenery unfolded below me. I took a deep breath and looked out at the heart of the Seto Inland Sea where—through the accumulation of myriad small efforts—I was able to discover the true beauty of nature.



An Ensemble of Islands

People, time and nature existing comfortably together:
An overview of the islands of the Seto Inland Sea



Don't dump waste

The illegal dumping of toxic industrial waste on the island of Teshima began in 1978 and continued 13 years. At the time, it was definitely known as the worst case of illegal dumping in Japan. Today it has been recast as only "one of the worst" as other instances of industrial waste dumping in other parts of the country have come to rival it.

Shodoshima olives and organic Teshima lemons

Olives are a specialty item found in the Seto Inland Sea for which the island of Shodoshima is particularly famous. The region's mild climate is also ideal for growing citrus fruit and pesticide-free lemons cultivated on the island of Teshima.



Restoring the historical seasonal sight of pyrethrum plants to Shodoshima

At their peak, some 200 hectares of pyrethrum plants were cultivated on Shodoshima Island for use as a natural insecticide. This cultivation ceased, however, when synthetic chemicals with similar properties became widely available. In 2009, a project was launched to revive interest in pyrethrum flowers and by 2010, the white flowers were once again blooming on Shodoshima, restoring a small piece of the island's forgotten past.

The finest fish

The Seto Inland Sea is an environment rich in nutrients making it an excellent habitat for fish. The waters off Ibukijima Island are particularly famous for sardines. And tasty *tairagi* shellfish (*Atrina pectinata*), which have become rare in other places, can be caught in the area's waters.



The Seto Inland Sea: A jewel of the world

Renowned educator Inazo Nitobe is said to have described the Seto Inland Sea as a "jewel of the world." He is not alone. Over the years, many people, both from Japan and other countries, have been captivated by the beauty of the region's seascape and seasonal colors.



Demographic dilemma

Depopulation and the graying of society are more pronounced in this rural region than in urban areas. More than 50% of the population on some islands is over the age of 65. In recent years, arts festivals, volunteer activities and exchange programs have helped to revive interest in the islands.

Faces of the Seto Inland Sea

How far does the Seto Inland Sea extend?

The Seto Inland Sea, Japan's only inland sea, is surrounded by three major islands: the mainland island of Honshu, Kyushu and Shikoku. Its name was translated from the English "inland sea" in the early days of the Meiji period (1868–1912). A total of 11 prefectures are adjacent to the Seto Inland Sea, from Osaka in the east to Oita in the west. It is home to more than 700 big and small islands, but this number rises to 3,000 if rocky reefs and outcrops are included.

A setting for celebrated stories

About 200 people live on the island of Megijima, which is just off the coast from the city of Takamatsu. It is also known as Onigashima, or "the island of ogres," due to it being home to ogres in the ancient folk tale *Momotaro*. In Mitoyo, Kagawa Prefecture, the names of some places are also linked to popular legends, such as Urashima Shrine and Hako-ura, where the hero of the popular *Urashima Taro* legend is said to have opened a mysterious gift box.

Reference: *Our Home the Ocean, People, Towns and Daily Life of the Seto Inland Region*, and *Memories of Beaches, Encyclopedia of Seto Naikai* (both in Japanese)

Discoveries Through the Lens

I boarded a small, high-speed vessel at the port of Takamatsu and sat back to enjoy the 30-minute jaunt over to Teshima Island, which is also in Kagawa Prefecture. Mindful of how Western visitors in the 19th century were amazed by the region's natural beauty, I was excited about the prospect of seeing this legendary seascape up close, and I couldn't keep my hands off my camera. Japan's Seto Inland Sea region is one of the most scenic inland saltwater bodies in the world, with an unparalleled natural bounty both in the waters and on land. The area's resource-rich waters boast over 500 species of fish, while its forests provide an abundant source of fresh water for rice cultivation. The islands and other coastal areas, meanwhile, are particularly suitable for growing citrus fruit.

But the natural environment on Teshima is widely known for being the site of one of Japan's worst environmental tragedies. In 1978, a private company started to illegally dump industrial waste on the island. Over more than 13 years, 668,000 tons of toxic waste was dumped, burned and buried on Teshima, contaminating the soil and coastal waters with dioxins from the incinerated waste and severely damaging the local ecosystem. During my stay, a local fisherman told me how he felt compelled to give up fishing so he could join the protest movement. He said he simply couldn't in good conscience allow anyone to eat contaminated fish.

The problems actually began in 1975, when a company filed a request for a permit to build a waste disposal facility. Local residents launched a 25-year, nationwide protest campaign that ultimately exposed the truth, which was that waste from Japan's urban centers had been illegally dumped on the island. In 2000, the islanders' lengthy battle culminated in a legal settlement, paving the way for the start of the detoxification and waste-removal process. But their fight continues to this day, and the islanders will remain vigilant until the island has been completely cleaned up and the natural vegetation has been completely restored. And the story of their struggle will live on in the public consciousness for generations to come.

I am shocked that people are capable of such folly, especially amid the blessings of a vast and largely

unspoiled wilderness. This kind of incident can only be made possible when individuals who do not care about the effects of toxic waste on the natural environment team up with other individuals who will do anything for money. This problem occurred at a time in which high economic growth, mass production and rampant consumption had become an ideological priority in Japan. There are fears that similar incidents will continue to occur throughout the world as long as we live in societies that are primarily focused on economic growth and the consumption of material goods.

Since 2000, volunteers on Teshima have been planting olive trees and other vegetation with a view to restoring the island's devastated natural environment. UNIQLO identified with this important cause and began supporting these efforts in 2001. It is vitally important to bring young people who are unaware of the Teshima tragedy to the island to help restore the natural environment to its original state with their own hands.

This is about more than simply planting trees, because it is the islanders themselves who must engage in the truly hard work, which is caring for reforested areas after replanting. I imagine that a time will come when people begin to question the volunteer efforts on Teshima, but the divine and gentle scenery of the Seto Inland Sea's natural environment will remain, leaving me with a sense that the nature here is instructing us by showing us the harmony inherent in the earth's cycles—something we must understand if we hope to coexist harmoniously with nature in the future.

Masataka Nakano

Born in Fukuoka in 1955, Nakano became a freelance photographer in 1980 with his photographs appearing on a number of magazine covers and advertisements. *Tokyo Nobody*, a collection of photographs that Nakano took over the course of a decade, was a bestseller. In 2001, the Photographic Society of Japan recognized this work and its stark images of the populous streets of Tokyo completely devoid of people by giving Nakano its best new artist award. In 2005, he received the 30th Kimura Ihei Award for his *Tokyo Through the Windows* photo collection.

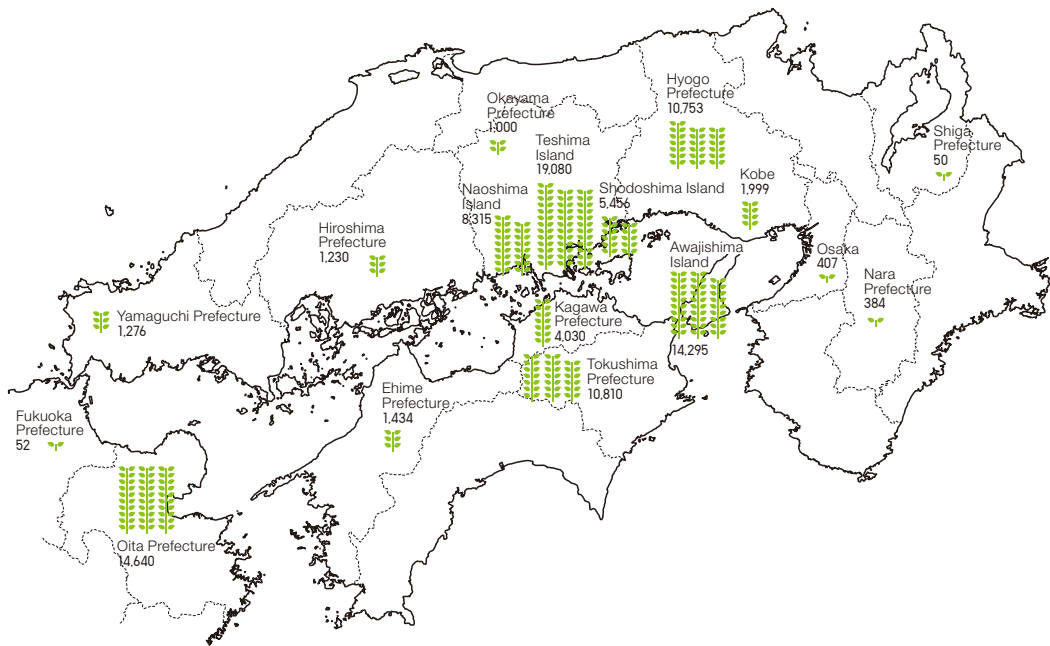


The Setouchi Olive Foundation: Activity Report



10 Years On
Preserving the
Beauty of the Seto
Inland Sea for
Future Generations

The Setouchi Olive Foundation celebrated its tenth anniversary in 2010. Due to the support and understanding of the public, we have planted approximately 90,000 trees in the coastal areas of the Seto Inland Sea region. We are also working to raise awareness about debris on the seafloor, in addition to initiatives such as the Big Tree Project that are designed to revitalize communities. Ultimately, we plan to plant one million trees throughout the Seto Inland Sea region, and we hope you will continue to support our efforts.



Trees Planted:

95,211

Donations Received:

155,018,694 yen
(US\$1,856,711) As of May 31, 2010

Key Projects Supported

- Tree planting
- Environmental conservation
- Support for academic research and environmental education
- Measures to protect rare plant species

Support Recipients

- Organizations and individuals that tackle projects meriting support
- School club activities, town activities
- Individuals focused on initiatives that benefit the greater public

Support Recipients: Key Projects (Fiscal 2009)

- Onomichi Vacant Lot Revival Project: Creating Natural Forests in 20 Years (Hiroshima Prefecture)
- Pyrethrum Revival Project (Kagawa Prefecture)
- Yukitsune Happiness Forest Development 2009 Project (Hyogo Prefecture)
- Kuju Cherry Tree Forest Development (Oita Prefecture)

Volunteer Activities: Opportunities, Not Just Goals

UNIQLO established its Social Contribution Office in 2000. Around that time, the company made the decision to support the Setouchi Olive Foundation, which was established by renowned architect Tadao Ando and lawyer Kohei Nakabo. We started contributing by collecting donations at UNIQLO stores and encouraging our employees to volunteer to plant trees.

As we enter our tenth year of supporting these initiatives, our customers have donated more than 150 million yen and UNIQLO employee volunteers have helped to plant almost 100,000 trees. We initially thought that the more trees we planted, the better. We also thought that we would be able to plant one million trees in a very short period. But as our employees started volunteering, we began to understand the importance of planting not only olive but other trees that are suited to the native environment and the vegetation of the Seto Inland Sea region. Our interactions with local residents prompted us to start thinking

about important social issues with nationwide implications, such as depopulation and the aging of Japanese society.

UNIQLO employees currently attend the Setouchi Olive Foundation's monthly steering committee meetings to facilitate the effective use of customer donations. We have also reaffirmed the foundation's goal to leave a rich natural environment for our children as we constantly review how best we can as a company offer support.

While the power of each individual is relatively small, we hope that publications such as *The Power of Clothing* will help us to turn these small, individual contributions into a movement of greater significance, by increasing the number of likeminded individuals who think and act with us.

We thank you for your interest and look forward to your continued support.

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Spotlight on Employees with Disabilities



Vol. 02

Where UNIQLO Products Come From



Vol. 03

UNIQLO's All-Product Recycling Initiative



Vol. 04

The Setouchi Olive Foundation and UNIQLO



The Power of Clothing is available on our website.

URL: <http://www.fastretailing.com/eng/csr/>