

Making the World a Better Place

We at FAST RETAILING seek to enrich people's lives around the world by continuing to innovate the way we do business in the apparel retail industry.

As a modern company contributing consistent value to the world today, we strive to manage our firm correctly. We aim to grow along with and not at the expense of society, and to help formulate the global standards of the future. We aspire to make the world a better place!

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Thinking About What Is Best for Society

At FAST RETAILING, we are always thinking about how to make the world a better place. We believe that this is part of our role in society and act accordingly. We are committed to fulfilling our responsibilities to various stakeholders. We want to engage in corporate activities that are beneficial to society and we want all the people involved in our business to be happy.



CSR Issues

Priorities

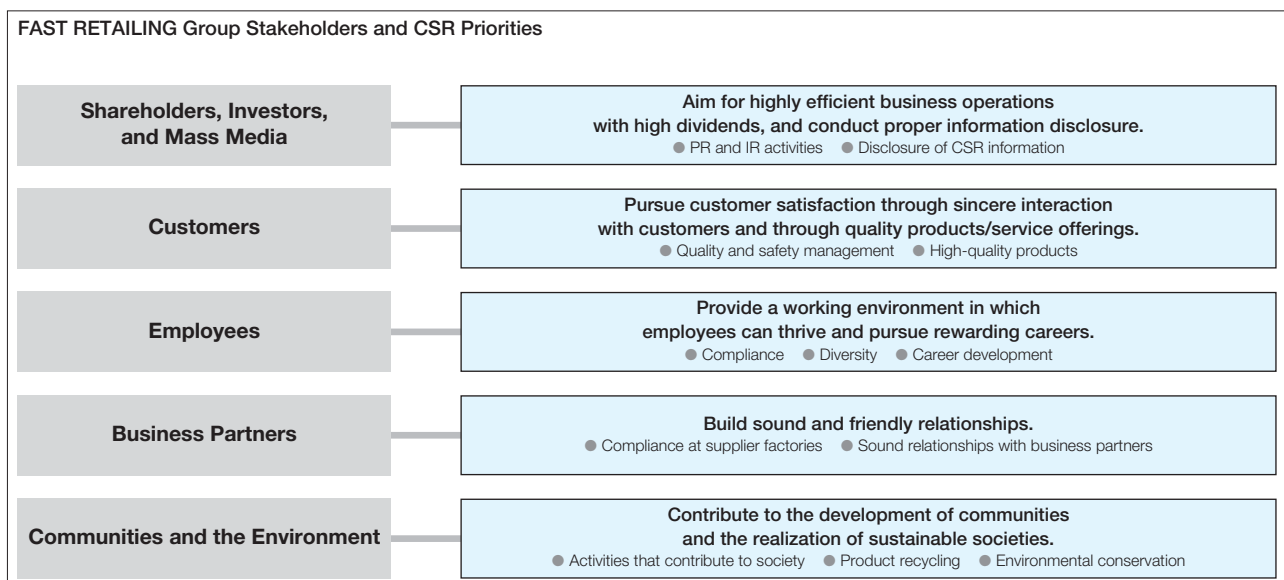
In November 2005, FAST RETAILING set up a Groupwide CSR Committee and identified the themes and priorities to fulfill our responsibilities and actions to take in order to build and maintain good relationships with various stakeholders.

We determined that our first order of business is to establish transparent corporate governance as well as compliance and internal controls that ensure that our business activities remain fair and sound, both of which are vital to the achievement of our goal to become “the world’s leading apparel retail group.” We also identified the need to pursue efficiency and enhance customer services while working to improve the ways employees work and are compensated.

Further, our SPA business model dictates that we go beyond maintaining product quality and safety standards by verifying that our business partners’ compliance initiatives are up to par and promoting efforts to reduce our impact on the environment throughout the entire product lifecycle as we develop our business globally.

In December 2006, FAST RETAILING issued its first CSR report. For the latest information on our CSR activities, please access the following URL.

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





Toru Hambayashi
External Director

Nobuo Domae
Executive Vice President

Tadashi Yanai
Chairman,
President & CEO

Masa Matsushita
Executive Vice President

Nobumichi Hattori
External Director

Corporate Governance

Strengthening Corporate Governance

In November 2005, the FAST RETAILING Group moved to a holding company structure to bolster its corporate governance. At the same time, the Group instituted an operating officer system, clearly separating managerial oversight, which is handled by the Board of Directors, from business execution, which is the role of the operating officers. In addition, the Group appoints external directors and auditors to reinforce oversight and the checks and balances governing management and business execution.

Regarding management deliberation and decision-making committees, the Board of Directors meets at least once a month to consider issues and make decisions on important managerial matters. In addition, the Executive Committee meets on a weekly basis, enabling top management to review and execute strategies and business plans promptly. Moreover, to oversee and govern Group companies, members of management meet on a monthly basis to examine operating results and other matters to detect any problems at an early stage and solve them rapidly.

Governance Structure

To implement corporate governance effectively, the following committees have been formed under the Board of Directors: the Personnel Committee (FAST RETAILING), the CSR Committee (FAST RETAILING), the Code of Conduct Committee (UNIQLO), and the Business Ethics Committee (UNIQLO).

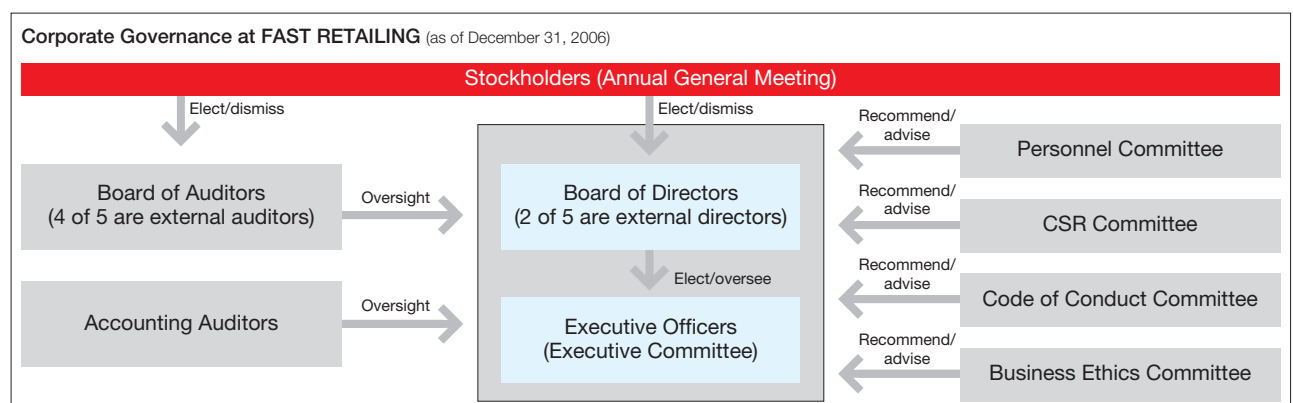
The CSR Committee discusses issues related to compliance systems, corporate citizenship, environmental conservation, and other CSR programs. This committee, which is chaired by the Executive Vice President in charge of CSR, meets once a month and is attended by the CEO, operating officers, senior managers, and experts from outside the Group.

The monthly Code of Conduct Committee is chaired by a standing corporate auditor and is attended by operating officers and outside attorneys. The committee discusses issues on the awareness and observance of the Code of Conduct among management and employees, and identifies compliance-related matters and works to resolve them.

The Business Ethics Committee meets on a monthly basis to discuss measures to prevent actions that would place undue pressure on business partners. Chaired by an independent auditor, the committee's membership also includes the operating officer in charge of the Legal Department and outside attorneys. This committee is also responsible for discussing appropriate policies on various ethical issues to enable UNIQLO to become and act as a global company.

Going Forward

We believe that harmony between the Group's interests and those of its stakeholders is essential for achieving the sustainable development of the FAST RETAILING Group. To this end, we are reinforcing our foundation for corporate governance while fostering communication with our stakeholders. In addition, efforts are under way on a continuing basis to review and improve management of the Group as a whole to build a governance structure that is right for the Group as well as enhance it going forward.



Compliance and Internal Control

The FAST RETAILING Group regards compliance as a fundamental requirement for fulfilling its corporate social responsibilities. The Group companies strive not only to comply with the law but also to ensure that all the Group's management and employees act in accordance with business ethics and social norms. To strengthen compliance, we established the Code of Conduct for all management and employees in September 2004, which sets standards for morally and ethically appropriate behavior. In addition, in May 2006, the Group set forth its basic policies for an internal control system and is moving forward with initiatives to ensure proper handling of information and risk management activities.

FAST RETAILING is progressively applying the Code of Conduct to Group companies, and, as of August 31, 2006, the code had been introduced at 6* of the principal 12 Group companies. In those companies, all management and employees are asked to sign an agreement once a year to confirm their understanding of and compliance with the content of the Code of Conduct.

At UNIQLO, we operate an anonymous hotline for receiving information from and providing advice to employees, when they have concerns regarding whether certain business activities may be in violation of the Code of Conduct. Moreover, in July 2005, based on the Group's personal information handling guidelines, entering departments that handle important private information pertaining to customers is restricted by fingerprint identification systems and access to databases containing private information is also restricted.

* FAST RETAILING, UNIQLO, UNIQLO(U.K.)LTD., FAST RETAILING (JIANGSU) APPAREL CO., LTD., ONEZONE CORPORATION, and COMPTIOR DES COTONNIERS JAPAN CO., LTD.

Relationships with Business Partners

To prevent what is described in Japan's Antimonopoly Law as "abuse of a dominant bargaining position," UNIQLO seeks to build relationships of trust with suppliers and others based on equal partnership through such measures as preparation of *Guidelines for the Prevention of Improper Behavior Based on Superior Positions* and the meetings of the Business Ethics Committee.

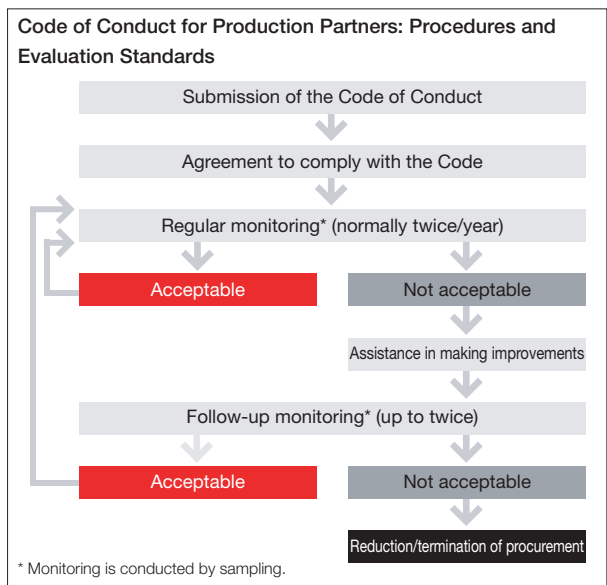
As a part of these activities, to confirm that there are no discrepancies in activities of our management and employees, we send business partners periodic surveys to ask about their dealings with UNIQLO. The survey contains questions about presumable business situations; upon the completion of the survey, the results are discussed at the Business Ethics Committee, and, when necessary, further investigations are undertaken.

In addition, efforts are made to strengthen the compliance systems at the production partners' plants. In January 2004, we drew up the Code of Conduct for Production Partners and requested the partners to comply with its provision. Subsequently, compliance monitoring activities at partners' plants are carried out, and when potential violations are identified, proactive efforts are made to address and resolve them with the production partners.

In preparing the Code of Conduct for Production Partners, reference was made to the treaties and advisories issued by the International Labor Organization (ILO), and the 11 items of the code have been established relating mainly to the working environment. Currently, this code of conduct has been adopted by the principal sewing plants that manufacture products under the UNIQLO brand. Looking ahead, plans call for having this code adopted progressively by other production partners.



Code of Conduct Contents
● Providing Products and Services to Customers Ensuring customer safety, handling of customer information, etc.
● The FR Employee's Creed Prohibition of sexual harassment, abuse of power, etc.
● Relations with Suppliers Prohibition of putting undue pressure on business partners, etc.
● Shareholder and Investor Relations Prohibition of insider trading, etc.
● Relations with Local Communities Understanding of local practices, compliance with laws, contribution to the community, etc.
● Global Environment Reducing environmental impact, etc.
● The Company's Assets Preventing damage or theft of company assets, protecting intellectual property, etc.
● Information Management Prohibition of divulging information, etc.



Employees and Social Contribution

Promoting Diversity

FAST RETAILING has been promoting diversity through such activities as elimination of discrimination from employee hiring, work assignments, evaluation, and compensation; creation of a workplace where all employees can work energetically; and proactive employment of females and handicapped people.

For example, to enable female store managers to plan their careers from a long-term perspective, UNIQLO takes into account individual situations and necessity to the extent possible as regards transfers after marriage, setting working hours, taking vacations, and other personnel matters.

In addition, UNIQLO actively promotes the hiring of persons with disabilities, and, in March 2001, we set a goal of employing one person with disabilities per store. As of March 31, 2006, about 80% of UNIQLO stores had attained this goal, bringing the percentage of employment of persons with disabilities to 7.3%, well above the legally required rate of 1.8%.

UNIQLO has established a Women's Career Promotion Department, which provides career training for female employees and managerial training for male superiors. In July 2006, to promote diversity through hiring persons with disabilities and of non-Japanese nationality, the department was renamed as the Career Development and Diversity Team. Looking ahead, UNIQLO plans to further promote diversity and, with an eye toward globalization of its activities, to hire non-Japanese people and promote them to key positions.

Environmental Protection Activities

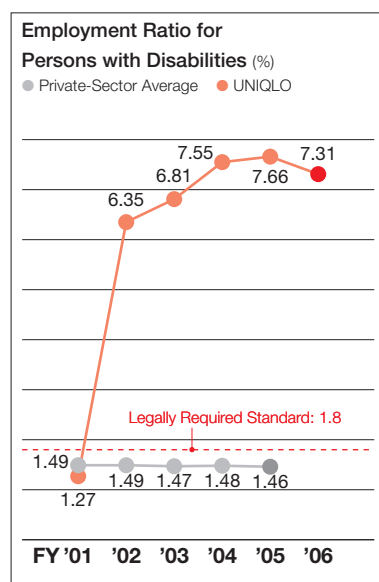
The FAST RETAILING Group complies with the law regarding the environment in all phases of its business processes, from design to manufacturing, distribution, sales, and disposal, and we aim to reduce the burden on the environment arising from our business activities in a sustainable manner.

In August 2001, UNIQLO began collecting and recycling of the fleece products that its customers no longer wished to own. As of August 2006, we had recycled around 350,000 individual fleece products. Going forward, aiming to expand the scope of this recycling program, UNIQLO has instituted a project to recover and recycle all items it has sold thus far. The first recovery activities under this new program took place from September 1 through September 30, 2006. After recovery, clothing in good condition was donated to developing countries, and all other products collected were put through recycling processes that use methods, with low environmental impact, appropriate to the materials used in the products. Looking forward, UNIQLO is considering going beyond just the recycling of products and is striving for "recyclable product design" and "environmental impact reduction in all supply chain processes."

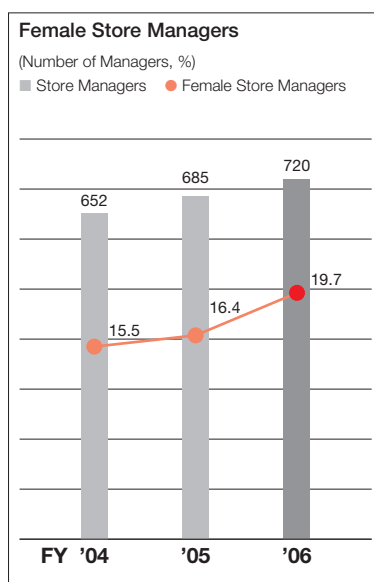
Contributing to Society

UNIQLO endorses the Setouchi Olive Foundation's mission to plant olive and other trees on the islands in Japan's Seto Inland Sea, including Teshima Island where there was an illegal dumping of industrial waste. Since 2001, UNIQLO has provided support to the foundation. Specifically, UNIQLO solicits donations from customers via donation boxes placed at all stores. UNIQLO then matches these customer contributions and presents the total amount to the foundation.

In addition, UNIQLO has lent a hand to the Special Olympics Japan, an international sports organization that offers opportunities to mentally challenged persons to engage in sporting activities, since 2002.



* Figures are as of March 31 of each year.



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