

Corporate Social Responsibility

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!

CONTENTS

36 UNIQLO All-Product Recycling

38 CSR Policy

39 Compliance

40 Promoting Diversity

41 Environmental Preservation and Community Service

UNIQLO All-Product Recycling

What You May Not Need, Someone Else Does

UNIQLO's Clothes Recycling Expanded from Fleeces to All Products

The first items UNIQLO began to recycle were its fleeces. These items were widely used and loved by UNIQLO customers, but, when they were no longer needed and discarded, they place a burden on the environment. Determined to address this problem seriously, UNIQLO began fleece-recycling activities.

Beginning in September 2006, these recycling activities, which began with fleeces, have been expanded to include "all products sold in UNIQLO stores." Recycling campaigns are held every year in March and September at UNIQLO stores.

Most Items Received from Our Customers Can Still Be Worn

Under UNIQLO's recycling campaigns, customers are requested to bring used clothing to UNIQLO stores. In September 2006, about 140,000 items were collected for recycling, and this figure expanded to 300,000 items in March 2007 and then to 430,000 in September 2007. About 90% of these items were still in wearable condition. We believe that the best way to respond to the goodwill of customers is to reuse the garments customers have left with UNIQLO for recycling.

We made inquiries at various international organizations and considered differing methods for making these items available for reuse. We learned that making garments available for reuse is more difficult than we had imagined, and had to solve a range of problems. These included providing for the costs of necessary storage, transportation, and distribution of the donated apparel items, making applications to the countries that would

receive the items, the sorting and appropriate distribution of the garments, and the choice of partners to work with.

After discovering that there were many constraints, we finally found our way to the United Nations High Commissioner for Refugees (UNHCR). Apparel items are in short supply at refugee camps, and UNIQLO items are able to fill these needs. To provide for the temporary storage of the apparel items and transport, we secured the full cooperation of the Japan Relief Clothing Center, a non-profit organization.

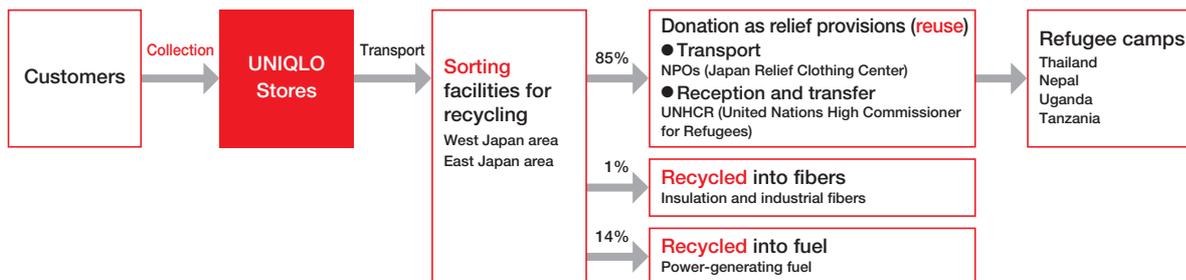
UNIQLO bore the full burden of a series of costs, including transportation expenses, warehousing costs, and the cost of sorting the apparel items into men's and women's and by season.

Items Delivered to Refugee Camps in Thailand, Nepal, Uganda, and Tanzania

Decisions on which refugee centers the apparel items would be delivered to were made in consultation with UNHCR, based on the level of urgency and need. As a result, the apparel items recovered in September 2006 were delivered to refugees in Thailand and Nepal (with deliveries actually made in February 2007). In addition, about 85% of the approximately 300,000 items recovered in the September recycling initiative were given to refugee camps in Uganda and Tanzania through UNHCR (with deliveries made in November 2007).

There was concern about the possible adverse impact on local apparel industries when the apparel items were stolen or delivered. For this reason, UNIQLO employees and the UNIQLO executive officer in charge of CSR went to the local areas to confirm that apparel supplied by customers was actually delivered to their destination.

Flow of UNIQLO All-Product Recycling



These recycling activities are being undertaken with the cooperation of many groups of people, including our customers, other corporations, NPOs, UNHCR, and the recipient countries.

Collection: Products that are no longer needed are directly collected from customers at UNIQLO stores.

Sorting: The products are sorted at two facilities in Japan into either reusables or recyclables.

Reuse: Reusable clothing is donated to refugees as relief provisions in cooperation with the UNHCR and NPOs.

Recycling: Depending on the material recyclable clothing is used as fuel for electric power generation or as material for new fiber products.



Kazuhiro Nitta, Vice President in charge of CSR, presents garments directly to refugees in a camp in Nepal.

Nitta says, "Speaking with the refugees, I had opportunities to rethink the role clothes play in people's lives—keeping peace of mind and making life cheerful. For UNIQLO to continue this initiative is for us to keep learning about life and people."

Our Standard for CSR Activities: “Is It Good for Society?”

Our Approach

We believe the ultimate goal of CSR activities is to change the world for the better. Companies fulfill their social responsibilities by creating value through their business, making profits and paying taxes, and maintaining employment. Corporate responsibilities also include the proper allocation of earnings to shareholders, partners, employees, and management. Moreover, we believe truly global companies should look beyond national borders and ethnic identities and consider how they can better contribute to those who suffer from international disputes, catastrophes, and other circumstances beyond their control.

In our day-to-day business activities, we constantly ask ourselves: “Is it good for society?” FAST RETAILING always considers this before taking action.

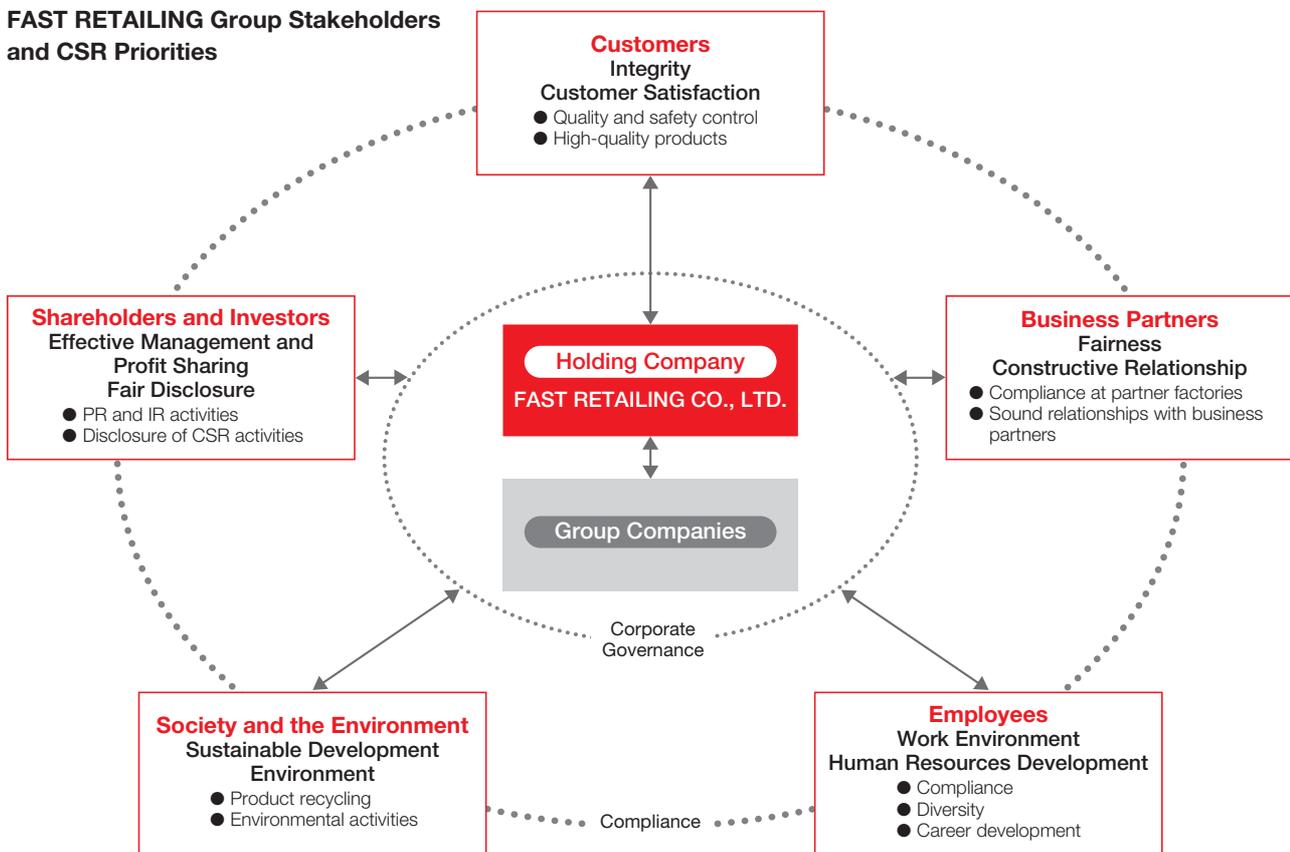
Promoting CSR Activities

To promote CSR activities, in November 2005, FAST RETAILING formed the CSR Committee on a Groupwide basis. This committee meets every other month and is chaired by the vice president in charge of CSR. Members include external directors, the CEO, other officers, and influencers from outside the Group. The committee is responsible for clarifying the priorities for CSR activities (see below) and discussing such issues as compliance, diversity, quality and safety management, the environment, and community service.

In 2006, we issued our first CSR Report 2006 and distributed it to all employees to enhance their understanding of CSR activities. We believe this report can serve as a tool to ensure proper disclosure and improve our communication with our stakeholders.

You can access our CSR report on our Website at:
<http://www.fastretailing.com/eng/csr>

FAST RETAILING Group Stakeholders and CSR Priorities



Compliance in Decision Making and Business Processes

Our Code of Conduct

In September 2004, FAST RETAILING set its Code of Conduct (CoC) and introduced it to all employees. As our business activities have become global in scope, we have also prepared English, Chinese, Korean, French versions in addition to the original Japanese-language version, and, as of the end of fiscal 2007, all Group companies* had adopted our CoC. We conduct training for employees to confirm the CoC once a year.

*Excluding equity-method affiliates

Compliance Hotline (Reporting/Counseling)

In case employees have concerns about their work or become concerned about violations of the CoC, we have established a hotline to allow them to report their concerns and provide information as well as receive counseling on a confidential basis. All employees can use this hotline and receive advice from external legal counsel. Reports and the content of advice are kept in strict confidence, and, when necessary, the CoC committee decides on appropriate measures in response.

Guidelines to Prevent Improper Behavior Based on Superior Positions

FAST RETAILING believes that it must take the initiative in ensuring that it does not misuse its superior bargaining position. UNIQLO in particular, which has 790 stores around the world and orders large volumes of merchandise, is believed to be in a position to easily use its superior bargaining position against its partners. For this reason, UNIQLO established its Business Ethics Committee in 2004 and has prepared Guidelines to Prevent Improper Behavior Based on Superior Positions. UNIQLO conducts periodic surveys to determine whether its employees are exerting improper pressure on its principal partners in Japan and overseas. The committee then gives guidance to units that appear to have problems in this area.

Code of Conduct for Production Partners

UNIQLO emphasizes compliance throughout its supply chain. With this in mind, in 2004, UNIQLO prepared a "Production Partner Code of Conduct" for its approximately 70 principal production factories overseas, principally in China, and designated those factories that signed a pledge to abide by this CoC as its partner factories. At these facilities, a third party monitors activities, with the aims of protecting the human rights of the people employed by these factories and improving their response to environmental issues.

If, as a result of monitoring activities, certain workplaces receive a classification of C (deficiencies in labor contracts, working hours, or other matters) or D (use of child labor or forced labor), UNIQLO visits these factories and provides advice. Factories that fail to receive ratings of A or B after their second monitoring are subject to cutbacks or the suspension in transactions.

Quality and Safety of UNIQLO Products

UNIQLO has formed quality and safety control teams in its Japan and Shanghai offices. They are responsible for confirming that all products meet UNIQLO's internal standards for product quality and safety and for responding to customer inquiries regarding quality.

Japan Industrial Standards (JIS) specifications have been adopted for all apparel products sold in Japan, and systems for inspection and supervision are in place to check on whether products meet UNIQLO's even stricter quality and safety standards. In addition, since safety criteria outside Japan vary from country to country, UNIQLO has established quality and safety standards that meet the standards of each country and has established systems for strict inspection and supervision. Samples of all materials used in UNIQLO products are subjected to inspections for safety (including inspections for the fastness of dyes, formalin, and other substances) by third-party public inspection agencies and other organizations. In addition, various inspections are carried out in the production and distribution stages.

In the event that problems related to products are discovered, the safety of customers is confirmed, and investigations are conducted on the causes of these problems. Depending on the circumstances, UNIQLO may conduct recalls or suspend sales and production. In addition, UNIQLO discloses related information to its customers through its Website, newspapers, and other media.



Testing for formalin conducted at partners' factories

Promoting Diversity

Creating Work Environments with People from Diverse Backgrounds

Promoting Diversity

As part of its commitment to promoting diversity, UNIQLO inaugurated its Female Store Manager Project. This project offers support for long-term career building to UNIQLO's female store managers, who account for about 20% of all UNIQLO store managers in Japan. In addition, UNIQLO publishes a magazine entitled style that highlights the activities of female employees and holds a "Women's Forum" conference periodically on the theme of career development for women. Male supervisors and other male employees are invited to these conferences, and they stimulate a lively exchange of opinions.

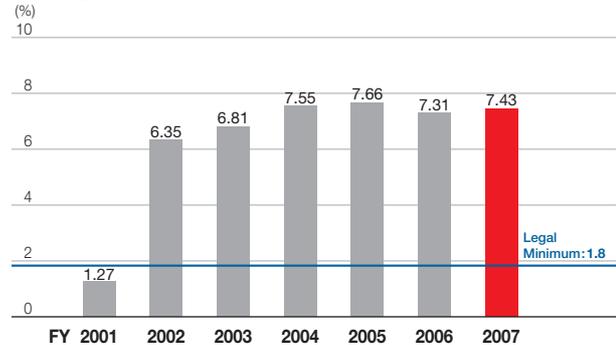
Employment of Persons with Disabilities

Beginning in 2001, UNIQLO has adopted a goal of having at least one worker with disabilities on the staff of each of its stores, thus providing UNIQLO staff with opportunities to work with team members from diverse backgrounds. As of June 2007, 7.43% of UNIQLO employees have disabilities, thus making UNIQLO one of the leaders of such initiatives in Japan among companies with 5,000 or more employees. These initiatives have been recognized, and in June 2007, UNIQLO received the "Award for Supporting Re-Challengers" from Japan's Cabinet Office.

Improving "Work/Life Balance"

One of UNIQLO's main aims is to create an environment where employees can work with ease and feel secure, and in keeping with this, there is a system in place that allows time off for child-rearing and caring for sick family members as well as a consulting function for mental health care. In the Tokyo Office, Tuesdays through Fridays each week are "no overtime days," and there is a cap on overtime hours per month at UNIQLO stores. UNIQLO has initiated a program to promote a good work/life balance that includes encouraging the use of allotted vacation time.

Employment Ratio of Persons with Disabilities



Note: The employment ratios for the years through 2006 are as of March 31 of each year; the employment ratio for 2007 is as of June 1, 2007.

Regional Regular Employee Program

Beginning in April 2007, UNIQLO introduced a program for regular employees that allows them to be employed in a specific region and not be subject to rotation among different areas. This program is targeted at capable employees who otherwise would not aspire to become regular employees because of the issues that regional job rotation would pose for their personal lives and it provides them with opportunities for a fuller work life. As of September 2007, about 1,900 persons had become regional regular employees, and UNIQLO is scheduled to provide this status to about 5,000 employees by the end of March 2009.

Chizuru Takeda of the Ginza Store Comments:

"The regional regular employee program has definitely raised my motivation."

"I joined UNIQLO as a part-time employee, but took advantage of this new program to become a regular, permanent employee. I thoroughly enjoyed serving customers but wanted to move to a more-responsible position. My motivation went way up when I became a permanent staff, and I told myself 'I'm going to give it all I got!'"



Environmental Preservation and Community Service

Serving Communities in Ways Only an SPA Enterprise Can

Energy Conservation in UNIQLO Stores

UNIQLO conducts a range of activities to conserve energy and resources in its stores. These activities began in 2003 with a 10% reduction in electric power usage and this was followed by success in making a 10% cut in 2006 in the use of cardboard for transporting products to UNIQLO retail stores and an approximate 10% reduction in 2007 in shopping bag raw materials through the use of lighter, polyethylene materials. In October 2007, UNIQLO implemented its Environmental Policy and Environmental Guidelines. Looking ahead, UNIQLO is moving forward with initiatives that will make more specific reductions in the burden its activities place on the natural environment.

Emergency Disaster Relief

Based on customer views that UNIQLO should supply goods to assist refugees and people victimized by natural disasters, in 2001 UNIQLO began to provide clothing and make donations to people living in regions plagued by conflicts and the effects of natural disasters.

Support for the Special Olympics

The Special Olympics is an international sports organization that provides opportunities to persons with intellectual disabilities for training and participation in games and competitions. UNIQLO became an official partner offering support for these activities beginning with the Special Olympics Nippon in 2002. UNIQLO personnel participated as volunteer staff members at the Summer National Games Kumamoto in November 2006, and UNIQLO donated about 3,000 uniforms to the Japan national team participating in the 2007 World Summer Games Shanghai in October 2007.

Initiatives to Recycle All Products

In September 2006, UNIQLO launched a program to provide customers the opportunity to recycle all the products sold in its stores. UNIQLO now implements programs to recover such goods at its stores in March and September each year. Since the beginning of this program, items recovered have been as follows:

Apparel items collected (estimates):	September 2006	140,000
	March 2007	300,000
	September 2007	430,000

Note: For further details on Recycling Initiatives, please refer to pages 36 and 37.

Support for the Setouchi Olive Foundation

The Setouchi Olive Foundation engages in the planting of olive trees on the islands in Japan's Seto Inland Sea, including Teshima Island, where illegal dumping of industrial waste, the extraction of sand and other soil deposits, and harmful gas emissions have damaged the beautiful natural environment of the area.

UNIQLO endorses the activities of the foundation and has supported its activities by placing donation boxes at all its stores throughout Japan since 2001 and matching the funds collected at its stores with its own contributions to the foundation.

Through the UNIQLO Volunteer Club, a total of 200 FAST RETAILING employees have participated in the planting of olive trees as of October 2007. Participants in these tree-planting activities have included personnel from UNIQLO stores nationwide, Head Office employees, and operating officers. Residents of Teshima Island spoke to participants about the history of environmental pollution on the island and related problems, and these activities provided those involved with an opportunity to experience environmental issues firsthand.



Planting olive trees

■ Number of trees planted:	57,144
■ Total donations received from customers:	¥103,637,519

As of November 2007.