



FAST RETAILING

CSR REPORT 2006

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!

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FAST RETAILING CO., LTD.
Kitanomaru Square, 13-12, Kudan-kita 1-chome, Chiyoda-ku,
Tokyo 102-0073 Japan

Editorial Policy

2006 CSR Report

This report represents the first CSR report created by the FAST RETAILING Group. We have disclosed information on the basis of the following policy in order to clarify the social responsibilities that attend the group's activities and to faithfully address the interests and concerns of our various stakeholders.

CSR Report Disclosure Policy

- Disclose matters closely connected to our business as an apparel retailing group.
- Disclose unbiased information to the wide range of stakeholders involved in the Group.
- Actively disclose not only activities in progress but also issues going forward and insufficient activities.
- Make the latest data and supplementary information publicly available on our website as necessary.
(<http://www.fastretailing.com/eng/csr>)

In line with this policy, for this report we endeavored to layout our basic thinking regarding our corporate social responsibilities and to provide as much information as possible on specific activities directed at individual stakeholders. Information that had not been previously available is included in the report along with information on issues we will face moving forward.

While some activities are still insufficient and there may not be as much information provided as necessary in some areas, we believe that publishing this report will serve as an opportunity to deepen our dialogue with our many stakeholders going forward.

•Scope

The report primarily covers the activities of holding company FAST RETAILING CO., LTD. and UNIQLO CO., LTD., which operates the UNIQLO business in Japan. It also includes some information on other group companies.

•Period

The report centers on activities during FY2006 (September 1, 2005 to August 31, 2006), but it also includes information on past activities, and initiatives conducted up through the time of the report's publication, as well as future projections and planned activities.

•Guidelines referred to

Global Reporting Initiative's 2002 Sustainability Reporting Guidelines

Disclaimer

This report not only provides factual information from the past and the present regarding FAST RETAILING CO., LTD. and its group companies, but it 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.

Always Thinking About What is Best for Society



Another Type of Performance Statement

I consider this CSR Report to be another type of performance statement for the FAST RETAILING Group. FAST RETAILING has developed its business around a single brand, UNIQLO, in a relatively limited geographical region, Japan. But, we are now in the process of moving toward the next stage of our development.

We are set to begin the full-fledged export of the know-how we have developed in our manufacturing and retail business in Japan to regions overseas. We plan to aggressively take on this challenge not only in our UNIQLO business but also in a number of related new enterprises. By 2010, we hope to generate ¥1 trillion in sales and ¥150 billion in ordinary income.

In bringing about our business, Japan's homegrown rules may have worked in conventional business contexts—I think for any given industry there was a kind of set of traditional rules by which it operated—but Japanese society has changed immensely. It is also clear that an insider mindset does not work in the global marketplace. We need to sufficiently recognize the extent to which our business activities have an impact on all types of stakeholders in different countries and regions around the world, and to fulfill responsibilities commensurate with that impact.

We must clearly convey who we are, what we have done in the past, and what we intend to do in the future. Moreover, we must assert our willingness to build relationships with stakeholders and also the kind of relationship we intend to build. It is my belief that the global market does not accept companies that do not communicate this kind of information.

We have traditionally announced our performance for each term—the financial side of our business—through the balance sheet and income statement, which is perfectly normal for a private-sector company. This report attempts to take stock of the social aspects of the FAST RETAILING Group and to clarify our approach to corporate social responsibilities as a company. This is what we mean by another type of performance statement.

Prioritizing Harmony with Society

The reason we disclose information is to make it clear that our group contributes to society. It is a matter of course that being in harmony with society is the most important thing when we do business. The people of the FAST RETAILING Group must be people acceptable to

society before they are businesspeople. I believe that corporate social responsibility means having these values and expressing them in action.

For this reason, we must broadly communicate to the public that there is no gap between the common sense and business activities of the FAST RETAILING Group and the common sense shared by society at large, and that our company operates using the same standards used by society. We intend to seek out ideal forms of management while strictly adhering to social norms and taking into account the laws and diverse values of different countries and regions. We will remain humble and continue to reflect critically on ourselves, checking to see whether we are at odds in any way with the common values of society. If a company becomes self-righteous, it will inevitably be rejected by the global community. If we are wrong, we want to know about it. It is in this spirit that we have published this report.

Fulfilling the Essence of Corporate Social Responsibilities

In order to make clear that we are a group of companies that contribute to society, we must take into account laws and diverse values, and we must also articulately communicate the state of specific activities aimed at a variety of stakeholders. The focus of CSR tends to be placed on activities that contribute to society such as monetary donations and volunteer work. Companies, though, have traditionally fulfilled responsibilities to society by generating value through their business activities and paying taxes on their earnings. Appropriately distributing those earnings to shareholders, business partners and employees is another important social responsibility of companies.

Based on this perspective, we will actively carry out activities that contribute to society such as donations and volunteer work, but at the same time we also want to ensure our customers have a pleasant shopping experience at our stores, they are satisfied with the products they buy, and they come visit us again. And, when the factories that make our products increase their revenues and grow, it makes everyone involved in production and distribution happy. Through our CSR activities, we intend to fulfill our responsibilities to individual stakeholders, and we will also work to improve the extent to which our business makes a positive impact on society and the extent to which all the people involved

in our business are happy and content.

I think that a company can only say it is fulfilling its corporate social responsibilities when its business activities accord with laws and diverse values, and when, at the same time, it gives consideration to stakeholders and pursues their satisfaction.

What is Best for Society?

Based on the understanding I have described above, we at the FAST RETAILING Group intend to steadily carry out CSR management into the future. Having said that, however, our progress is still less than mature compared to other progressive companies around the world. Accordingly, when we are trying to decide among a number of options in the day-to-day management of our company, we will first ask ourselves what is best for society, and then make the decision. We will consider the direction in which we should move forward in light of the social mission statement for FAST RETAILING that we have laid out. The decisions we make at times may end up being detrimental to our earnings over the short term. We therefore need to steadily accumulate concrete decision-making standards so that we do not waver in our decisions at such times.

All people want to contribute to society and earn its respect. In order to facilitate the realization of this desire through business activities, it is crucial that unshakeable decision-making standards are in place for all day-to-day business processes. To put it another way, fulfilling social responsibilities should constitute an unwavering standard of judgment. If something comes up, we will first of all return to this perspective. If we go about our jobs while thinking only of improving our financial results, there is actually a strong likelihood that we will end up damaging our company.

What is essential is that management resolutely leads the way. We will accurately assess what has taken place in the past, blaze a course going forward, and clearly communicate that this is the type of company we will be. This is the meaning and the role of this first CSR report of the FAST RETAILING Group.

November 2006

Tadashi Yanai

Chairman, President & CEO
FAST RETAILING CO., LTD.

**From FAST RETAILING = UNIQLO...
...To the FAST RETAILING Group — Opening Up
New Worlds of Fashion with UNIQLO at the Core.**

FAST RETAILING was established in May 1963. It opened its first UNIQLO casual wear store in 1984. In 1998, the company opened its first downtown UNIQLO store in the Harajuku district of Tokyo, and the chain went on to become widely known in Tokyo, Osaka and other urban areas. In November 2005, we converted to a holding company structure. Operating company UNIQLO CO., LTD. has grown into Japan's largest SPA, with a network of 720 stores throughout the country.

As of August 31, 2006, the FAST RETAILING Group consists of FAST RETAILING CO., LTD., 19 consolidated subsidiaries, three non-consolidated subsidiaries, one equity-method affiliate, one non-equity-method affiliate and one affiliated business provider. The group is dedicated to becoming an apparel retail conglomerate with group sales of ¥1 trillion by 2010.

Company Overview* (as of August 31, 2006)

Name	FAST RETAILING CO., LTD.
Established	May 1, 1963
Head Office	717-1 Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan
Tokyo Office	Kitanomaru Square, 13-12, Kudan-kita 1-chome, Chiyoda-ku, Tokyo 102-0073, Japan
Paid-in Capital	10,273 million yen
Line of Business	Control and management of overall group activities as owner and holding company
Consolidated Sales	448.8 billion yen
Group Employees	3,990
Closing Date	August 31

**Board of Directors and Statutory
Auditors' Board (as of November 30, 2006)**

Chairman, President and CEO	Tadashi Yanai
Executive Vice President	Nobuo Domae
Executive Vice President	Masa Matsushita
External board member	Toru Hanbayashi
External board member	Nobumichi Hattori
Standing statutory auditor	Akira Tanaka
External auditor	Takaharu Yasumoto
External auditor	Norihiko Shimizu
External auditor	Akira Watanabe
External auditor	Minoru Ota

*Company Overview
Overviews of group companies are available in our annual report and on
FAST RETAILING's website. <http://www.fastretailing.com>



- UNIQLO CO., LTD. (Japan)
- UNIQLO (U.K.) LTD. (U.K.)
- FAST RETAILING (JIANGSU) APPAREL CO., LTD. (China)
- UNIQLO USA, Inc. (U.S.)
- FRL Korea Co., Ltd. (Korea)
- UNIQLO HONG KONG, LIMITED (Hong Kong)

The UNIQLO brand continuously provides fashionable, high-quality, basic casual wear at the lowest prices in the market — casual wear that anybody can wear whenever and wherever.

UNIQLO Stores Overseas



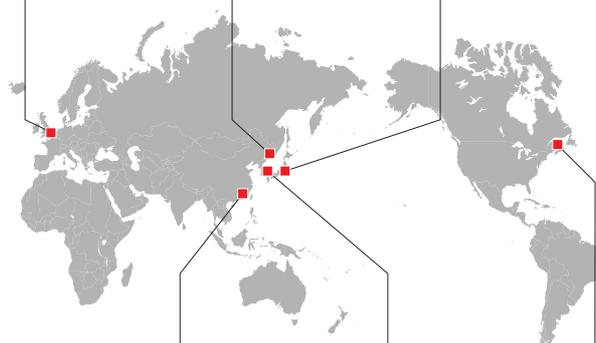
Eight in London and other parts of the U.K.



Seven in Shanghai and other parts of China



720 in Japan



One in Hong Kong



Ten in Seoul and other parts of Korea



Four in New York and other parts of the U.S.

Major Brands and Group Companies (as of August 31, 2006)

■ : Consolidated subsidiary ● : Equity-method affiliate



g.u.

■ G.U. CO., LTD.

The brand name 'g.u.' sounds like the Japanese word 'jiyu' meaning 'free', so the brand incorporates the message to wear with ease the clothes that make you most comfortable.



ASPESI

■ ASPESI Japan Co., Ltd.

A brand evoking classic and modern Milan styles that bring out the inner self of the person wearing them.



COMPTOIR DES COTONNIERS

■ NELSON FINANCES S.A.S.
■ COMPTOIR DES COTONNIERS JAPAN CO., LTD.

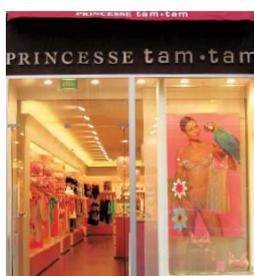
A brand built on the concept of mothers and daughters that values heart-to-heart connections and close, natural relationships.



FOOT PARK

■ ONEZONE CORPORATION

A brand that proposes free, comfortable lifestyles in the form of footwear fashions.



PRINCESSE tam•tam
PARIS

■ PETIT VEHICULE S.A.

A French brand established in 1985 for chic, creative lingerie, nightwear and swimwear.



ZAZIE

■ CABIN Co., Ltd. (TSE, First Section)

A brand offering total styling for women sensitive to the latest fashion trends.



theory

● LINK THEORY HOLDINGS CO., LTD.
(TSE, Mothers)

A brand that meets the needs of people with contemporary lifestyles.

Social Responsibilities of the FAST RETAILING Group



Masa Matsushita
Executive Vice President
(CSR
Committee Chairman)

Promoting CSR Activities

A company is a for-profit enterprise created by shareholders based on the legal system. At the same time, it constitutes a mechanism for distributing earnings to stakeholders through taxes, employee remuneration and paying suppliers. A company is therefore public in nature.

On the other hand, a company is an entity that is accepted by society and grows by facing its various stakeholders with specific businesses and a unique set of values, and by continually responding to their interests, expectations and concerns.

For a company that has both shared and unique characteristics, the pursuit of profit alone is not acceptable; it must at the same time fulfill its social responsibilities as a corporation. CSR must not be viewed as a temporary trend or social phenomenon; rather, companies must work to integrate it into the foundations of their management.

Establishing Priorities for the Group

Based on this understanding, FAST RETAILING CO., LTD., which supervises and oversees group companies, established a CSR Committee in November 2005 for the group as a whole. As a corporate group involved in apparel retailing pivoting on the SPA business model*, we established themes and priorities regarding the types of stakeholders to whom we are responsible, the kinds of responsibilities we are obliged to fulfill, and the nature of the relationships we need to build. (See the upper-right diagram on pg. 9.)

We believe the foundation of CSR consists of both highly transparent corporate governance, which is needed to carry through on our high ideals and ambitions of becoming the world's leading apparel retail group, and compliance, to maintain the fairness and soundness of

our business practices. Additionally, since the retail industry is labor-intensive, we must work for greater efficiency and more sophisticated services, and also find answers to appropriate employee work formats and pay levels.

Moreover, as business activities from raw material procurement to processing, distribution and sales go global, the SPA business model requires not only that quality and safety be secured, which is a matter of course, but also that we keep track of compliance at our business partners and that we implement environmental activities that take into account the full lifecycles of our products.

FY2006 Initiatives

Rooted in this perspective and based on the progress we have made in globalizing our operations, in FY2006 (September 1, 2005 to August 31, 2006), we began revising the Code of Conduct that we initially established in September 2004 and reconfirmed the basic approach of our corporate conduct (pg. 11). We also started a project to expand our recycling program for fleeces to encompass our entire product lineup (pg. 24). The FAST RETAILING Group has been steadily implementing CSR activities in this way, but it is absolutely essential that the cycle of carrying out activities in a planned, organized manner, then appropriately evaluating their effectiveness and making improvements on an ongoing basis, becomes firmly rooted in our corporate culture.

Agendas Moving Forward

In FY2007, our main agenda will be to institute and raise awareness of the Code of Conduct at group companies and to begin considerations on environmental audits at partner factories.

In addition, because FAST RETAILING CO., LTD. has only just started CSR management on a group-wide basis, our core operating company, UNIQLO CO., LTD., is currently at the center of our concrete initiatives.

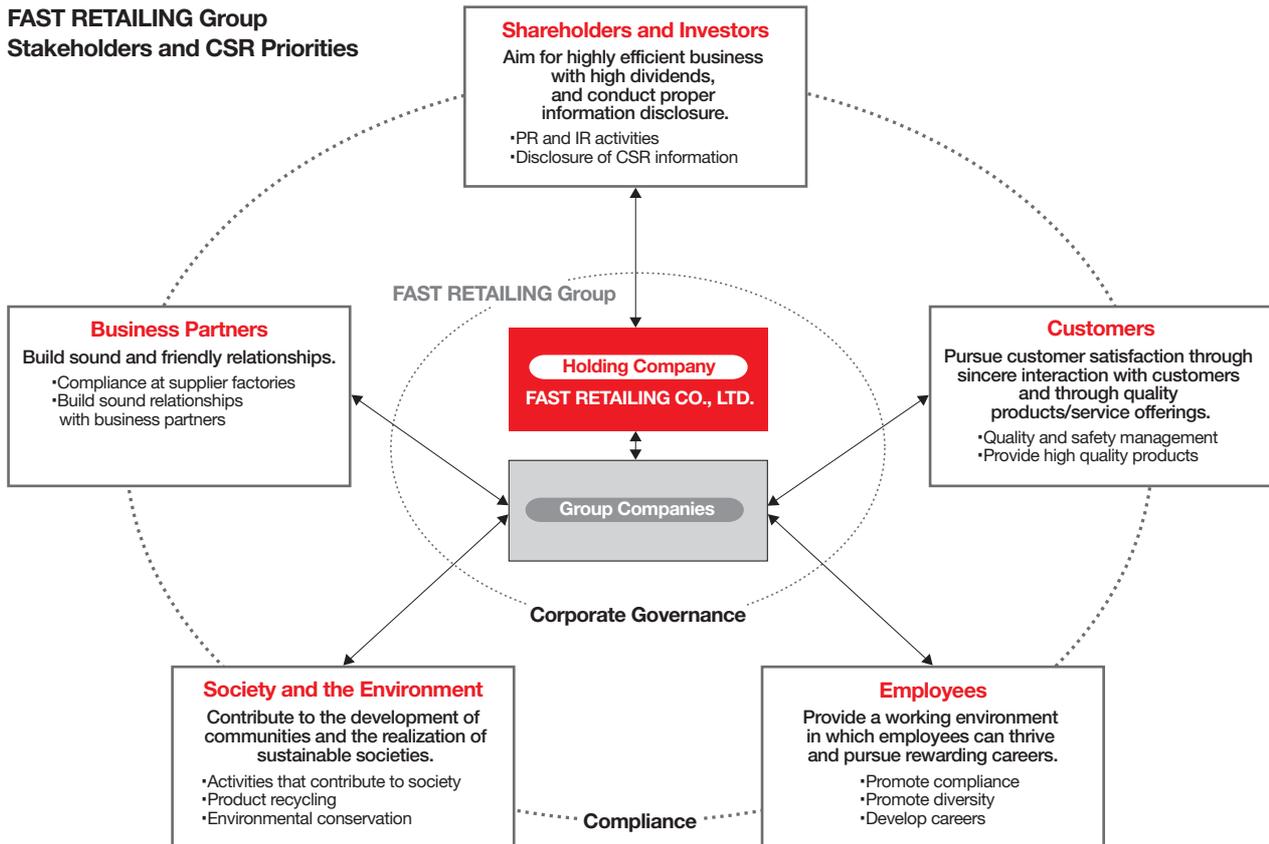
Considering this situation honestly, the FAST RETAILING Group plans to develop CSR activities on a group-wide basis and steadily fulfill our social responsibilities by engaging in more active dialogue with stakeholders. Building on the momentum generated through the publication of this report, we intend to continue to actively disclose information.

*SPA

A business model that minimizes loss and waste down the entire supply chain by integrating all processes into a single flow, including materials procurement, planning, development, manufacturing, distribution, sales, inventory management and store planning.

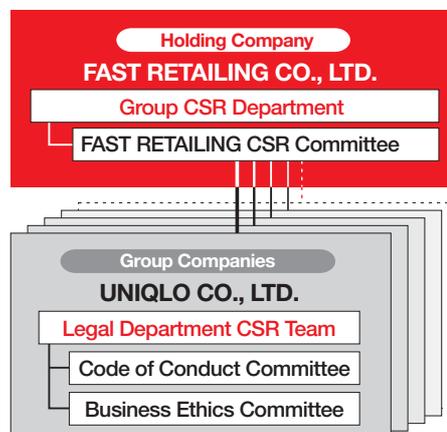
Stay focused on our own identity and vision.
Take into account the business of each group company
we are growing and developing.

Based on the CSR priorities we have established,
FAST RETAILING will continue to steadily make improvements,
one after another.



CSR Promotion

The FAST RETAILING Group converted to a holding company-based corporate structure in November 2005 and at the same time established the FAST RETAILING CSR Committee (pg. 10), which is spearheaded by FAST RETAILING CO., LTD.'s Group CSR Department and makes decisions on important matters related to the group's CSR activities. In addition, the UNIQLO Code of Conduct Committee (pg. 10) and the UNIQLO Business Ethics Committee (pg. 10) promote activities on an ongoing basis through core operating company UNIQLO CO., LTD.'s Legal Department CSR Team and will deliberate on the establishment of equivalent bodies at other group companies.



Strengthening Corporate Governance Constitutes Our Basic Approach.

Corporate Governance

With a view to achieving ¥1 trillion in group sales and ¥150 billion in group ordinary income by 2010, FAST RETAILING CO., LTD. is working to strengthen corporate governance to enable fast managerial decision-making and ensure transparency.

When we converted to a holding company structure on November 1, 2005 we also instituted an executive officer system*, clearly separating managerial oversight, which is handled by the Board of Directors, from business execution, which is the role of the executive officers. At the same time, in order to reinforce oversight and the system of checks and balances with respect to management and business execution, we appoint external directors and external auditors, who provide oversight from their respective, highly specialized outside perspectives.

In terms of management committees, the Board of Directors meets at least once a month to deliberate and make decisions on important managerial matters. In addition, by having weekly Executive Committee meetings, we have established a system by which management strategies and business plans are promptly executed and reviewed. Moreover, in order to ensure oversight and supervision of group companies, we check on management conditions on a monthly basis, which includes looking at operating results, in an effort to detect problems early and solve them rapidly. In this way we endeavor to practice an innovative and fast-moving form of management.

***Executive officer system**

This system involves delegating duties to retired former employees by having them serve as executive officers. It is designed to strengthen the sense of responsibility that executive officers possess with respect to their duties as well as to ensure that business is carried out with expertise and speed.

CSR Committee ———— FAST RETAILING CO., LTD.

This committee discusses issues concerning compliance systems, corporate citizenship, environmental protection and other CSR programs throughout our Group. The Committee, which meets once a month, is chaired by an Executive Vice President in charge of CSR, and members include senior management, Executive Officers, and experts from outside the Group.

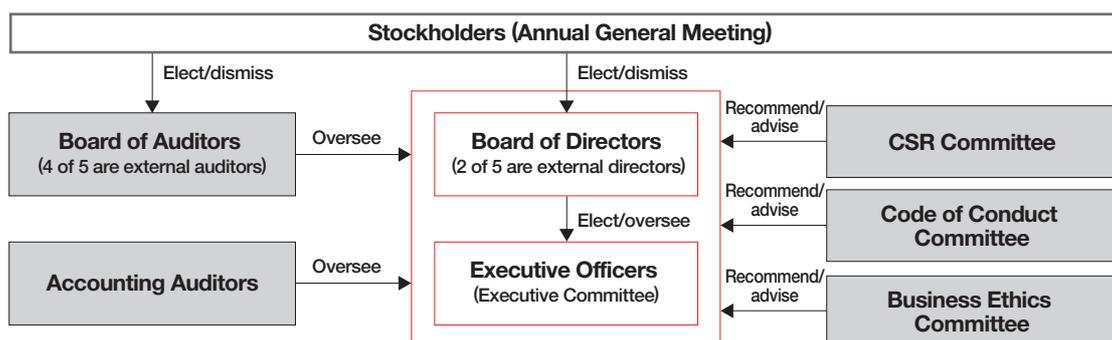
Code of Conduct Committee ———— UNIQLO CO., LTD.

UNIQLO CO., LTD. holds meetings of the Code of Conduct Committee every month. The committee's membership includes executive offices and outside attorneys. The committee discusses issues related to the penetration of our Code of Conduct, takes up compliance-related matters in the company and works to resolve them.

Business Ethics Committee ———— UNIQLO CO., LTD.

UNIQLO CO., LTD.'s Business Ethics Committee meets on a monthly basis to prevent the occurrence of actions that would place undue pressure on domestic and overseas business partners. Chaired by an external auditor, the committee's membership also includes the executive officer in charge of the Legal Department and outside attorneys. It discusses policies that would befit the multinational corporation that UNIQLO is seeking to become, as well as ways to address a variety of issues.

Corporate Governance at FAST RETAILING (as of November 30, 2006)



Ongoing Process of Establishing, Enacting, Verifying and Improving Rules.
The FAST RETAILING Group not only works to build compliance mechanisms
but also to raise the awareness and improve the conduct
of each and every group employee.

Compliance

FAST RETAILING CO., LTD. regards compliance as a fundamental requirement for fulfilling its corporate social responsibilities. We strive not only to comply with the law but also to ensure that behavior rooted in business ethics and social norms permeates our group companies.

Code of Conduct ————— **FAST RETAILING Group**
 FAST RETAILING CO., LTD. established its Code of Conduct for employees in September 2004. In addition to legal compliance, the code lays out standards for morally and ethically proper behavior that employees are obliged to engage in, and it covers all corporate activities. It was revised in October 2006 to take into account our further global business expansion.

FAST RETAILING is progressively instituting the code at group companies, and as of the end of August 2006, it has been put into effect at six of the group's 12 principal companies*.

Once a year employees at companies where the code has been enacted sign a statement testifying that they have understood the content of the code and will comply with it. A presentation on the code is given to all new employees and pledges are collected. These are part of our efforts to ensure the code thoroughly penetrates the organization.

All consolidated group companies will institute the code in FY 2007.

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

Code of Conduct Contents

- Providing Products and Services to Customers
Ensuring customer safety, handling of customer information, etc.
- The FR Employee's Creed
Prohibition on sexual harassment, abuse of power, etc.
- Relations with Suppliers
Prohibition on putting undue pressure on business partners, etc.
- Shareholder and Investor Relations
Prohibition on 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 on divulging personal information, etc.

Establishment of a Compliance Hot Line

————— **UNIQLO CO., LTD.**
 UNIQLO CO., LTD. has put a hot line in place that employees can use to talk anonymously about work-related concerns or report activities that may be in violation of the Code of Conduct. There are various means of communication that every employee can use, including phone, fax, email and regular mail. The anonymity of whistleblowers is protected, and retribution of any kind is strictly prohibited so that whistleblowers are not disadvantaged in any way. Measures for addressing the information that has been reported are determined if necessary by the Code of Conduct Committee and every effort is made to resolve matters quickly and fairly.

Protection of Personal Information—UNIQLO CO., LTD.

UNIQLO CO., LTD. has identified issues and developed specific measures related to the handling of personal information through a company-wide project that began before the enactment of Japan's Act on the Protection of Personal Information.

Reflecting these activities, in July 2005 we formulated and implemented personal information handling guidelines.

Our major initiatives include restricting access via fingerprint authentication to offices housing departments that handle personal information pertaining to customers and restricting access to customer information databases. In addition, we work to raise awareness by explaining the importance of customer information in our training program on the Code of Conduct. We have also made the company's privacy policy available on our website.



Presentation on the Code of Conduct

Making Clothing That Can Be Worn by Anybody, Anywhere, Everyday. Committed to Being a Highly Responsive Group That Promptly Addresses Customer Needs.

Dialogue with Customers

The FAST RETAILING Group receives questions and opinions from many customers at its stores everyday. Group companies endeavor to actively communicate with customers so that this valuable feedback leads to improvements in product development, customer service, sales floor design and store development.

Customer Service Desk ————— **UNIQLO CO., LTD.**
UNIQLO CO., LTD. has set up a Customer Service Desk section on its website, and the feedback we receive from many customers via email or the phone is incorporated into management and daily business activities.

Opinions, questions and complaints from customers around the country are complied by the CS (Customer Satisfaction) Promotion Department, which is wholly dedicated to improving customer satisfaction, and communicated to the departments in charge, while taking precautions with regard to personal information. We then work to respond quickly and accurately.

Improvements Inspired by Customer Feedback -Shopping Strollers

We received a request from a customer that shopping strollers be made available at stores selling baby clothing, and in response we began providing the strollers at UNIQLO stores. As of the end of August 2006, out of 378 stores stocking baby clothing, 145 stores where there was enough space to do so have made shopping strollers available.

Quality and Safety Management

Because apparel comes in direct contact with the bodies of customers and others around them, high levels of safety and quality are required from the stage of material selection to processing and distribution. FAST RETAILING Group companies are building systems for quality management in line with the specific characteristics of different products. We are also taking steps to ensure that customers can buy our products with ease, such as appropriately labeling sizes and the materials used.

Product Quality & Safety Management

————— **UNIQLO CO., LTD.**
UNIQLO CO., LTD. has built a system for stringently checking product safety and quality throughout the planning, production, distribution and sales stages. Specifically, quality is maintained and improved by comprehensive factory examinations and independent inspections prior to examinations and shipment at the sample stage, direction from artisans (pg. 14), and factory visits and inspections by local managers from business offices where the factories are located.

Also, in the event a defect is discovered, the relevant departments collaborate to understand the situation, the product is recalled and payment returned, and information is disclosed via our website and the mass media. These steps are all part of our effort to address any issues quickly and appropriately.

In FY2006, UNIQLO CO., LTD. recalled two products and is taking this situation very seriously. We are striving to regain the trust of customers by working to prevent recurrence and to make further improvements to safety and quality with efforts that are being led by an in-house Quality and Safety Management Team*.

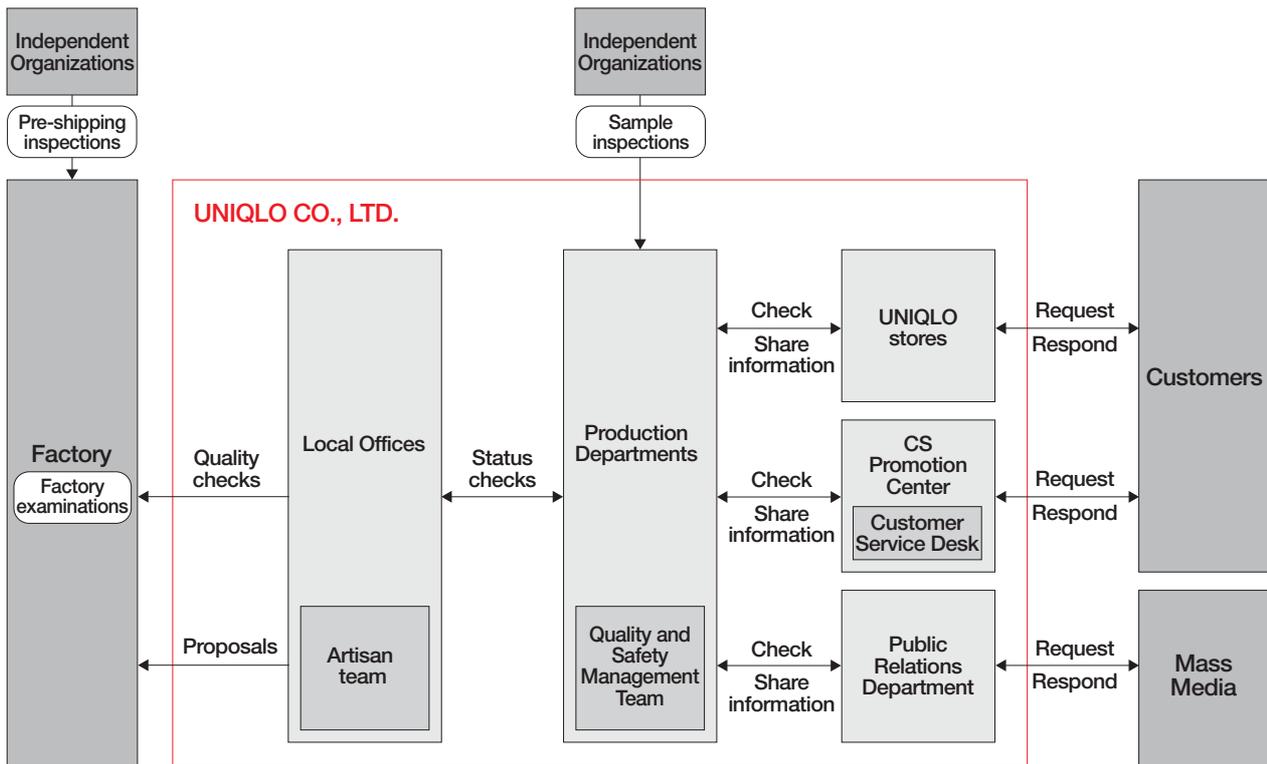
*Quality and Safety Management Team

A team specializing in the fast collection and sharing of information and in determining policy on product safety and quality. Its activities include receiving requests from customers regarding quality, obtaining information from our stores, sharing information within the organization, devising countermeasures and responding to customers.



From material selection to production and distribution — the FAST RETAILING Group pursues high levels of safety and quality in every business process.

UNIQLO CO., LTD. Quality and Safety Management



Regarding Product Recalls

•Baby Short Pants

In June 2006, it was revealed that formaldehyde emissions (formaline) had been discovered that exceeded the level stipulated in Ministry of Health, Labour and Welfare Ordinance Article 4 for the baby product BI Stretch Short Pants with the camouflage pattern (sizes 80, 90 and 100cm; sales volume of 15,000). The cause was that formaline, which was not supposed to have been used, became mixed in with some print processing agents during the product's manufacturing process.

We intend to work to further strengthen our management system for harmful substances by testing for formaline prior to print processing, and having a public body test for it after processing and before shipment to our stores.

•Boys' Swimming Trunks

In September 2005, it came to light that there was a danger of skin being pinched and injury caused by the mesh holes of the mesh liner on the inside of Boys' Panel Swim Shorts (sales volume of 50,000). It was determined that on rare occasions this type of incident could occur when a number of factors coincided, including a difference between the air and water temperature, and the impact of salt water. We are working to prevent recurrence by improving the mesh material and by strengthening inspections at the product stage.

We Continually Strive to Provide Higher Levels of Satisfaction to Our Customers.

Improving Customer Satisfaction

UNIQLO CO., LTD. provides high-quality, basic casual wear that anybody can wear whenever and wherever. We also strive to provide products, stores and services capable of satisfying anybody, whenever and wherever. To this end UNIQLO runs the Artisan Project, the goal of which is ever higher quality, has established a system of expert service attendants, implements customer satisfaction campaigns, and works to make its stores barrier free. These and a variety of other activities are designed to enable us to provide even higher levels of satisfaction to customers.

Artisan Project ——— UNIQLO CO., LTD.

UNIQLO CO., LTD.'s workforce includes a number of apparel professionals who have earned the name "artisan" with at least thirty years of experience in Japan's traditional textile industry. Their expertise covers fields such as spinning, dyeing, weaving, sewing and factory management. Our Artisan Project sends these specialists to partner factories in China, where they share techniques and know-how underpinned by their vast experience. Presently, 20 UNIQLO artisans are engaged in the project based out of our Shanghai Office.

Expert Service Attendants ——— UNIQLO CO., LTD.

UNIQLO CO., LTD. has established the position of service attendant, specialists in customer service and sales, in order to further bolster the level of service offered at our stores. The attendants not only guide customers around the floor and explain the features of our products, but they also offer suggestions for coordinating different clothing items and sometimes provide information about the neighborhood. The overriding goal of our expert service attendants is to make shopping a more pleasant experience for customers. Service attendants were first made available at our Ginza store, which opened in October 2005.

To become a service attendant, selected employees undergo training conducted by specialists in coordinating products and in providing customer service, in order to acquire a broad range of skills and knowledge. We have plans to increase the number of expert service attendants and strengthen our customer service on a nationwide basis.



Best Customer Satisfaction Campaign

UNIQLO CO., LTD.

UNIQLO CO., LTD.'s stores regularly run the "Best Customer Satisfaction Campaign" for store staff members. The campaign consists of converting praise received from customers via feedback cards, phone calls and email into points, then honoring the staff members and stores that get the highest points during the campaign period. Specific activities that constitute best practices are communicated throughout the company and used to further improve customer satisfaction.

Presenting People-Friendly Stores - UNIQLO CO., LTD.

UNIQLO CO., LTD. posts assistance dog stickers at all of its stores to let customers with assistance dogs know they are welcome at our stores. We also educate employees by distributing the *Guide Dog Handbook*, which is a publication of the National Federation of All Japan Guide Dog Training Institutions and by conducting training on serving people with handicaps.

For people with physical handicaps and for senior citizens, we have worked to make our stores barrier-free through such initiatives as adding ramps, establishing special restroom facilities, and widening store aisles.

We intend to make further progress in making our stores as people-friendly as possible while taking into account store formats and site and lease restrictions.



Assistance dog sticker and the *Guide Dog Handbook*



**Ensuring High Levels of Customer Satisfaction.
Enabling Our Clothes to Be Worn with Peace of Mind.**

Bolstering Production Partner Compliance

Our mission is to continuously provide high-quality, basic casual wear that anybody can wear whenever and wherever. In order to fulfill this mission, UNIQLO CO., LTD., the core operating company of the FAST RETAILING Group, works closely with our approximately 70 overseas factories centering on China as production partners to raise production efficiency and improve quality. These activities must by no means sacrifice the human rights and working conditions of the people involved in production at partner factories. We have established the Code of Conduct for Production Partners in accordance with this approach. We demand that our partners comply with this code, and beyond that we monitor employee working conditions at partner factories on an ongoing basis. If monitoring turns up any problems, we make concerted efforts to resolve the problems together with the factories.

Code of Conduct for Production Partners

UNIQLO CO., LTD.

In January 2004, UNIQLO CO., LTD. established its Code of Conduct for Production Partners and began efforts to strengthen compliance at the principal garment factories that produce UNIQLO brand products.

The Code of Conduct stipulates rules for 11 different areas primarily related to working conditions, and is based on International Labor Organization conventions and recommendations.

With regard to carrying out the code, we consider factories that have pledged in writing to uphold the code to be our partner factories, and have independent organizations monitor these factories twice a year. These independent organizations check on the state of compliance from a neutral perspective. In addition, UNIQLO CO., LTD. evaluates the results of the monitoring with four rankings, and works to resolve any problems by sending representatives from UNIQLO to visit partner factories where improvements are required, in order to provide instruction on improvements.

Expertise and neutrality is given precedence in selecting outside organizations, which include a monitoring organization affiliated with an auditing firm*1 and an examination and certification institution in the area of quality, environment, and occupational health and safety*2.

*1 Auditing firm-affiliated monitoring organization — MISUZU Sustainability Research Institute Co., Ltd. (A network firm of PricewaterhouseCoopers)

*2 Examination and certification organization — SGS Group

Code of Conduct for Production Partners

- **Child Labor***3
 - Prohibition on labor performed by children
 - Proof of age required of workers
- **Forced Labor***4
 - Prohibition on forced labor (forced, imprisoned, bonded, etc.)
 - Prohibition on factories keeping important documents or money belonging to laborers when they start work
- **Coercion and Harassment**
 - Prohibition on corporal punishment and physical, sexual, mental and verbal harassment
- **Discrimination**
 - Prohibition on discrimination by race, gender, color, nationality, religion, age, etc.
- **Health and Safety**
 - Required to provide a safe and healthy environment
- **Freedom of Association**
 - Must respect the right to associate and bargain collectively
- **Wages and Benefits**
 - Compliance with national and regional laws and regulations on wages and benefits
- **Working Hours**
 - Must maintain appropriate working hours in line with relevant national and regional laws and regulations
- **Environmental Protection**
 - Compliance with relevant national and regional laws and regulations
- **Documentation and Communication**
 - Must establish and maintain internal rules that meet conduct standards
- **Monitoring and Compliance**
 - Must accept monitoring for confirmation of compliance with conduct standards and authorize the monitors to have access to all facilities and relevant documents

***3 Child Labor**

With regard to work by employees younger than the minimum working age, UNIQLO CO., LTD. compares the minimum working age established by laws and ordinances in the country or region where production takes place and the minimum working age established by the Code of Conduct for Production Partners (which is 15 years old), and regards the higher of the two as the minimum working age.

***4 Forced Labor**

This includes circumstances in which there is a possibility of forced labor, including requiring permission to take a break to use the restroom or drink water, and programs that require monetary deposits ostensibly for health checkups and other uses.



UNIQLO CO., LTD. conducts regular monitoring based on our Code of Conduct for Production Partners. We strive together with our production partners to fulfill our social responsibilities in the regions where UNIQLO products are produced.

Code of Conduct for Production Partners: Procedures and Evaluation Standards

The monitoring results for each factory are graded as A, B, C or D according to standards developed by UNIQLO CO., LTD.

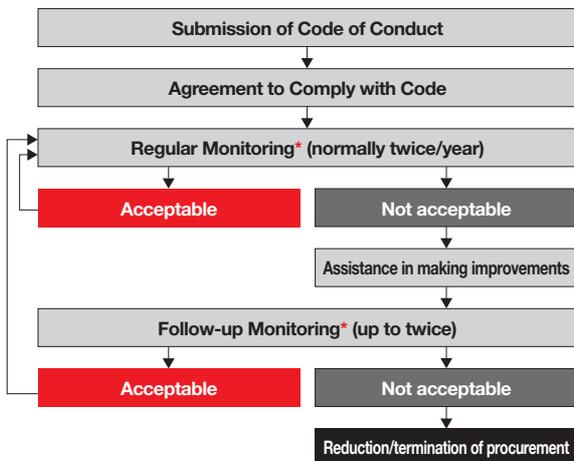
The evaluation is weighted most heavily toward the prohibitions on child labor and forced labor. Factories that do not comply with rules in these areas receive a D grade and improvement is requested as a top priority. We then check on whether improvement has actually been made.

Failure to provide documents necessary for monitoring, including labor contracts, personnel files, and time cards, results in a C grade.

If a factory receives a C or a D grade, a representative from UNIQLO will visit and provide advice to spur improvement. Monitoring on a follow-up basis is then conducted. If the factories that received a C or D grade have not shown signs of improvement after a second round of follow-up monitoring, business transactions may be reduced or terminated.

This evaluation system gives priority to matters that require quick rectification. We plan to further improve our evaluation standards as the system is implemented going forward.

Procedures



*Monitoring
Monitoring is conducted using sampling.

Evaluation Standards

Grade	Findings	Actions
A	<ul style="list-style-type: none"> •Environmental Protection •Dormitory Health and Safety •Documentation and Communication 	Formulate improvement plan within one year
B	<ul style="list-style-type: none"> •Coercion and Harassment •Discrimination •Occupational Health and Safety •Freedom of Association •Wages and Benefits •Working Hours 	Formulate improvement plan within three months
C	<ul style="list-style-type: none"> •Monitoring and Compliance Important documents not available (labor contracts, time cards, etc.)	Targeted improvement within three months; if improvement is not recognized in follow-up monitoring, transaction volume may be reduced or terminated
D	<ul style="list-style-type: none"> •Child Labor •Forced Labor 	Targeted improvement within one month; if improvement is not recognized with follow-up monitoring, transaction volume may be reduced or terminated

Status of Implementation in FY2006

In FY2006 (September 1, 2005 to August 31, 2006), regular monitoring was conducted at a total of 59 partner factories in China and Southeast Asia. All of the eight factories that received a C grade with the first round of follow-up monitoring had made improvements by the time of the second round of follow-up monitoring. There was no factory in FY2006 that was subject to a second round of follow-up monitoring because of a D grade.

Factory Grades and Issues Going Forward

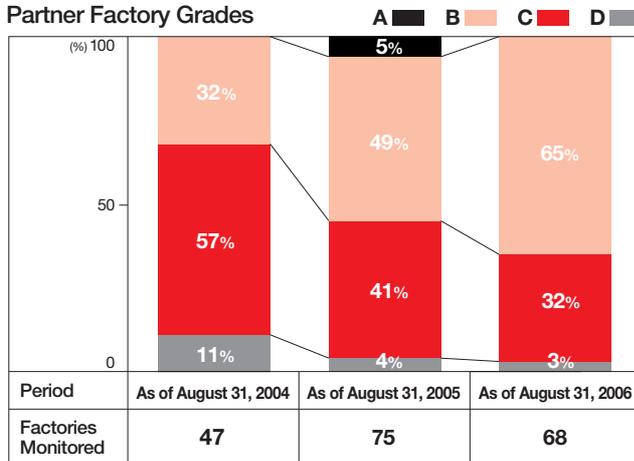
The grades that our factories have received are shown in the graph below. On the issue of child labor, we have demanded that appropriate hiring mechanisms be put in place and thoroughly committed to, such as checking the ages of potential employees when hiring them by having them show proof of identification, and we confirm that improvements have been made. For programs that could potentially lead to forced labor, we demand that they be abolished as soon as they are discovered and then check to see that improvements have been made.

With respect to C grades, we check a number of conditions: whether labor contracts are being concluded and documents proving the age of workers, etc. are being kept, as well as whether working hours are being

accurately recorded. Partner factories receiving a C or D grade have steadily decreased over these past two years; a sign that our program is proving to be effective. We, however, need to conduct more rigorous checks and consider specific improvement measures regarding appropriate working hours and wages, and we plan to further bolster these activities going forward. We also intend to put greater focus on checking not only matters related to working conditions, but also environmental measures.

Moreover, we plan to apply our Code of Conduct to factories other than the principal garment factories that are already bound by it, as well as to partner factories that make non-UNIQLO brand products.

Partner Factory Grades



*Figures are compiled for each grade (A through D) for factories that have signed the Code of Conduct and have undergone monitoring as of the end of the fiscal year.

Improving Upon a D Grade

• In a random check of 25 employees working at a partner factory in China, one employee was discovered to have been hired when he was 15 years old after the Code of Conduct had been signed. (He was 16 when the monitoring took place; China's minimum working age is 16.) The employee was affiliated with an employment agency, so the partner factory canceled its contract with that agency and started directly contracting all of its employees, managing its personnel data and checking on the age of its workers.

• At another partner factory in China, workers needed to have permission before taking a break to go to the bathroom or have a drink of water. These types of rules have the potential to lead to forced labor, so we requested that the factory stop requiring such permission and later confirmed that the improvement had been made.



Before monitoring our production partners, we strictly regulate ourselves and take steps to build better partnerships.

Building Better Partnerships

The FAST RETAILING Group, which is conducting initiatives to strengthen compliance at partner factories, recognizes that as a precondition we must strictly regulate our own actions and build trusting relationships based on equal partnerships. For the UNIQLO business in particular, with its 720 stores in Japan alone, we must be determined to thoroughly prevent and eliminate the act of taking advantage of a superior position to conduct improper behavior* toward our business partners, as prescribed in Japan's Anti-Monopoly Law, and have mechanisms in place to do so.

UNIQLO CO., LTD. has carried out a variety of measures based on this recognition. They include establishing the Guidelines for the Prevention of Improper Behavior Based on Superior Positions and holding meetings of the Business Ethics Committee.

***Taking advantage of a superior position to conduct improper behavior**
The use of a position of superiority in a business transaction to exert pressure on the other party for the purpose of forcing that party to accept disadvantageous conditions that would not occur if the transaction were between equals.

Establishment of Guidelines ——— UNIQLO CO., LTD.

UNIQLO CO., LTD. established its Business Ethics Committee (pg. 10) in 2004. We further established the Guidelines for the Prevention of Improper Behavior Based on Superior Positions because, with ongoing business expansion and globalization, we are interacting with more and more business partners. Along with creating rules on transactions between companies, we are also working to raise awareness in the company and foster a corporate culture of compliance through dissemination and education.

Guidelines for the Prevention of Improper Behavior Based on Superior Positions

Objective: To prevent improper behavior by employees of UNIQLO CO., LTD. involving transactions with other companies, as UNIQLO CO., LTD. aims to be an organization that meets global standards for corporate behavior.

Substance: Policy to prevent improper behavior concerning transactions with other companies and to establish necessary and appropriate internal procedures.

Examples

- Employees shall not make one-sided revisions to contract terms.
- Employees shall not make one-sided decisions to downsize or terminate a business relationship.
- Employees shall not make improper demands for loss compensation.
- Employees shall not request entertainment or gifts, etc.

Business Partner Surveys ——— UNIQLO CO., LTD.

UNIQLO CO., LTD. regularly surveys its business partners to find out whether its executives or employees have engaged in any problematic behavior that would be in violation of the Code of Conduct. The survey questions are based on specific scenarios that actually occur in the business world. For example, it asks business partners whether any unilateral changes were made to orders, and whether they were coerced to provide meals or entertainment. The results of the survey are discussed within the Business Ethics Committee, and detailed investigations or punitive measures are carried out as necessary.

In FY2006, the survey was given to 266 business partners in Japan with whom transactions exceeded a given amount for the year. We received 212 responses for a response rate of 79.7%. We also distributed the survey to 69 of our partner factories overseas and received responses from 53 of them, for a response rate of 76.8%.



FAST RETAILING Believes That a Company That Treats Its Customers and Business Partners Fairly Must Treat Its Employees Impartially.

Promoting Diversity

FAST RETAILING CO., LTD.'s management principles clearly state that the company will not tolerate discrimination based on race, nationality, age, gender or any other characteristic. We are committed to having a workplace completely free of discrimination in employee hiring, assignments and evaluations, and where employees can work with vigor. In order to achieve this goal, we positively promote diversity, not only by employing women, but also by actively hiring people with various handicaps. Going forward, as we aim to expand our business further into the global arena, we will be hiring more foreign employees and promoting some of them to managerial posts.

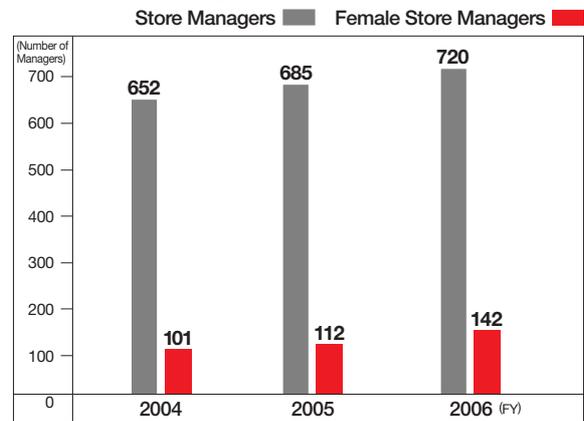


At the Store:

Female Store Manager Project — UNIQLO CO., LTD.

Around 20% of UNIQLO stores have female store managers and they play indispensable roles in the company's business. In order to develop the careers of our female store managers on a long-term basis, UNIQLO CO., LTD. does its best to accommodate individual circumstances and requests, granting transfers following marriage, setting different working hours, and providing vacation days. Additionally, in order to develop the careers not only of female store managers but also of female employees working at our stores, we publish a periodical on our intranet four times a year called *style*, which showcases the activities of female employees in stores around the country. We also hold a Women's Forum on a regular basis related to women's career development. Male managers also participate in the forums, where career issues are debated and discussed.

Female Store Managers



*Figures are as of August 31 of each year.

At the Head Office:

Promoting Diversity at the Head Office

— UNIQLO CO., LTD.

In December 2004, UNIQLO CO., LTD. (at the time, FAST RETAILING CO., LTD.) established the Women's Career Promotion Department to provide support for women working at our offices. The department conducts career training designed to improve awareness of, and to provide empowerment in the jobs carried out by female employees. It also conducts awareness training on these matters for male managers.

Given its activities, the department was renamed the Career Development and Diversity Team in July 2006 to

We are committed to creating a workplace that does not tolerate discrimination on the basis of race, nationality, age or gender, that pools a diverse array of talents and skills, and that allows everyone to share in the joy of working as a group.



facilitate the promotion of diversity not only for women but also for people with handicaps and non-Japanese. The team is planning a range of practical initiatives as it continues to work toward the goal of greater diversity throughout the company.

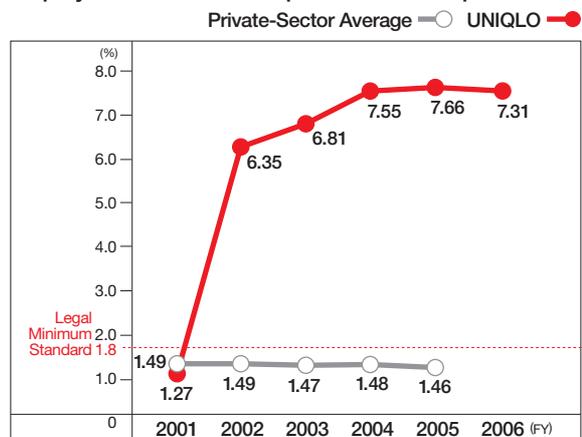
Promoting Employment for People with Handicaps

UNIQLO CO., LTD. made it a policy in March 2001 to try to hire one handicapped person at each store and has since actively pursued this policy. As of the end of March 2006, around 80% of our stores had met this goal, and our employment ratio for people with handicaps reached 7.3%, which far exceeds the legal standard of 1.8%.

The key to maintaining this high employment ratio is found in the working environment at the UNIQLO stores where people with handicaps are assigned. For example, 1) our workplaces average 30 people, so every person becomes familiar with everyone else, and 2) store operation is built on a well-established management system that consists of operation manuals, training programs and goal achieving procedures.

UNIQLO intends to promote employment for people with handicaps at the remaining 20% of its stores and to provide a working environment that supports their autonomy by improving the communication skills of store staff members.

Employment Ratio for People with Handicaps



*Figures are as of March 31 of each year.

Improving Motivation by Fairly Evaluating the Efforts of Each Individual. Creating Safe and Pleasant Workplaces.

Skill Development and Evaluation

UNIQLO CO., LTD.

UNIQLO CO., LTD. devotes effort to developing the skills of its employees through a variety of support programs and through UNIQLO University, an internal organization dedicated solely to training employees. UNIQLO University runs various programs that are based on the types of employees needed by our stores and offices, and provides support for employee career development.

At the Store: Store Manager Career Support

UNIQLO CO., LTD. has a number of career development programs in place in order to help talented store managers further refine their skills.

The Superstar Store Manager Program involves designating store managers with outstanding track records who serve as exemplars for staff members. The mission of “Superstar” managers is to lead the way in identifying issues and problems related to the company’s overall business in the course of managing their stores and to share solutions to these problems, expertise, and ideas on new business development with the rest of the company.

The Employee Franchise Program provides support for employees establishing an independent company and operating a UNIQLO franchise store. The program provides knowledge for business management such as accounting and finance, as well as know-how related to launching a business. As of August 31, 2006, eight UNIQLO store managers have established independent companies and operate them as franchise owners.

At the Tokyo Office: Training the Next Generation of Managers

Training for Tokyo office employees at UNIQLO University consists of a multifaceted program designed to develop personnel into the company’s next generation of managers.

In 2004, we ran a framework logic tree course to provide fundamental business problem-solving skills to people involved in management, including senior executives, division managers and team leaders. And, in 2006, we conducted a program for supervisors on the proper mindset and approach to their work in order to facilitate better communication within the company. Coaching was provided to both supervisors and the employees they supervise over a period of six months.

Evaluation System

UNIQLO CO., LTD. has introduced an evaluation system based on a fully merit-based approach. Goals are set depending on each employee’s grade through discussions with managers. Evaluations are then determined through discussion on the degree of achievement of those goals for each quarter and interim period. Managers make evaluations not only in terms of goal achievement but also the process of business execution. Individual evaluations are incorporated into half-yearly bonuses and grade-setting, and each employee receives feedback from their manager.



The power and creativity of the FAST RETAILING Group is underpinned by the determination of each and every employee to make the company a world-class company that is broadly respected.

Safe and Pleasant Working Conditions

UNIQLO CO., LTD.

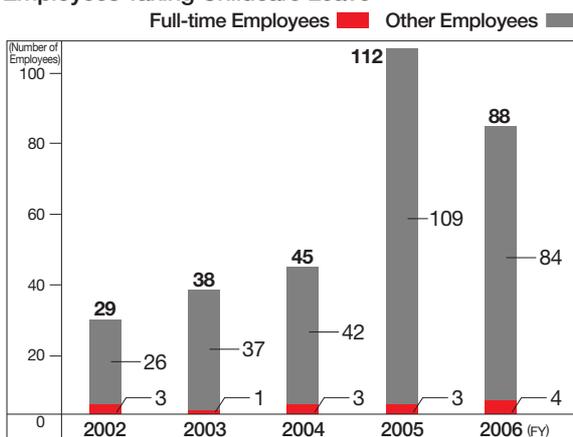
Employees at UNIQLO CO., LTD.'s offices and 720 domestic stores work in a variety of formats, including as full-time employees, contract employees and part-time workers. In order to provide safe and pleasant working conditions for this diverse range of employees, UNIQLO offers childcare and nursing care leave, prohibits overtime work on certain days and provides information on mental healthcare, among other initiatives.

Childcare and Nursing Care Leave

UNIQLO CO., LTD. offers childcare and nursing care leave for full-time employees, contract employees, junior employees and part-time workers with a least one year of service. The childcare leave program can be utilized from eight weeks after the child's birth until the day before the child turns one year old. It can also be extended to until the child reaches 18 months old due to individual circumstances, such as the inability to secure a place in a daycare facility.

Nursing care leave can be taken for up to 93 days with company approval.

Employees Taking Childcare Leave



*Figures are as of August 31 of each year.

Balancing Work and Private Life

In an effort to support employees in balancing their work with their private lives, UNIQLO CO., LTD. strives to curtail long working hours by setting standards for monthly working hours at its stores. The Tokyo office is also involved in this effort, designating two days a week as "no overtime day."

Occupational Health and Safety

At UNIQLO stores, accidents tend to happen most often when staff members are working at sewing machines, and sometimes occur when moving products from high places or in warehouses. UNIQLO CO., LTD. has taken measures to track the frequency of such workplace accidents and takes appropriate steps when an accident occurs. We also regularly make efforts to raise the vigilance of employees.

Health Management and Mental Healthcare

UNIQLO CO., LTD. requires all employees to undergo a checkup once a year. We have also set up a consultation desk with counselors from outside the company for health insurance members.



Striving to Build Fair Relationships with Its Stakeholders, FAST RETAILING is Also Committed to Being an Environmentally Friendly Company.

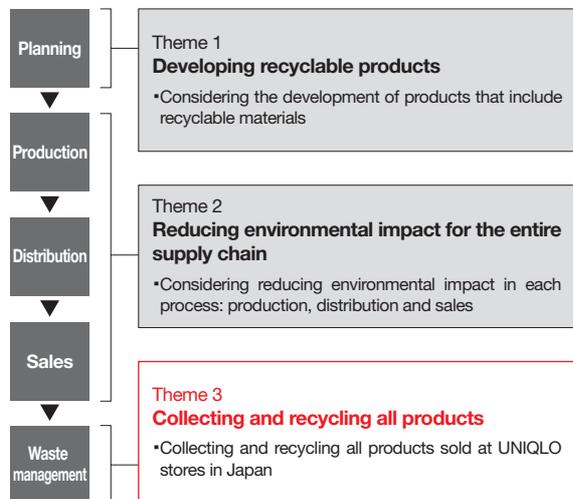
Basic Approach to Environmental Activities

FAST RETAILING CO., LTD. complies with all environmental laws and regulations in each of its business processes, from product planning to production, distribution, sales and waste management. We, moreover, strive to reduce the environmental impact of our business activities in a sustainable manner.

Presently, our specific activities center on product recycling, but looking ahead, we plan to make steady progress in developing recyclable products and reducing environmental impact throughout the supply chain.

As well as working to reduce the environmental impact of our business, we plan to continue other unique initiatives such as supporting the Setouchi Olive Foundation.

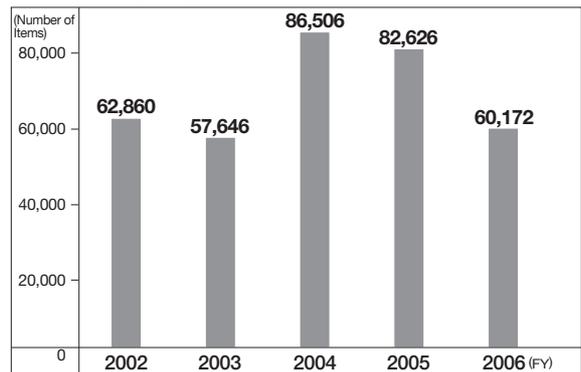
Areas of Environmental Activities



Product Recycling ———— UNIQLO CO., LTD.

As a company employing the SPA business model, UNIQLO CO., LTD. is involved in product planning, production, distribution and sales in an integrated manner. In order to reduce environmental impact throughout the lifecycle of our products, in August 2001, we started collecting and recycling fleece products that were sold at our stores and are no longer needed by customers. As of August 2006, we had recycled around 350,000 individual fleece products.

Fleece Recycling



Total products recycled: **349,810**

(As of August 31, 2006)



Sliced fleeces for thermal recycling



Collected items

We will do what we can, in a sustainable manner, one step at a time.
We aim to reduce environmental impact in the entire supply chain,
starting with the recycling of our entire product line.

Recycling All Products on a Trial Basis

—UNIQLO CO., LTD.

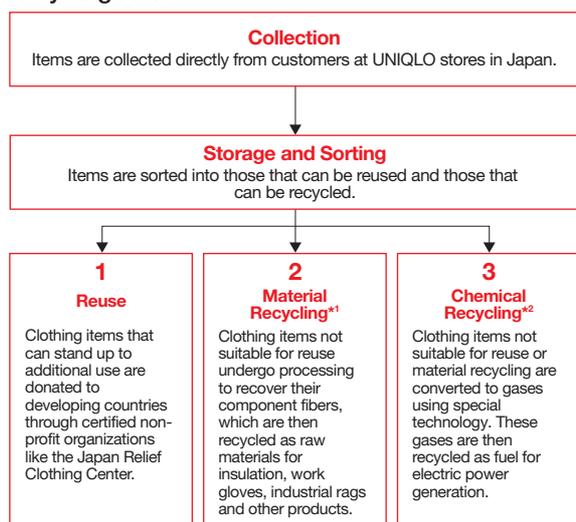
UNIQLO CO., LTD. ran a project for one month from September 1 to September 30, 2006 in which we collected all products sold at UNIQLO for the purpose of recycling. The aim of the project was to expand the scope of the fleece recycling program to our entire product line.

After the products were collected, items in good condition were donated to developing countries, while the others were processed by material or chemical recycling with minimal environmental impact, in line with the type of material.

The accomplishments of this recycling project are posted and updated on our website at <http://www.fastretailing.com/eng/csr>



Recycling Flow



***1 Material Recycling**
Recycling products for use as raw materials in vehicle insulation, industrial rags, etc.

***2 Chemical Recycling**
Heat and pressure are applied to return the products to their original petroleum and basic chemical components, which are then used as fuel for power generation and in other applications.

Setouchi Olive Foundation — UNIQLO CO., LTD.

UNIQLO CO., LTD. endorses the goals of the Setouchi Olive Foundation, which is involved in planting olive and other trees on the islands in Japan's Seto Inland Sea and along the coastline. We have, therefore, supported the foundation by donating on an ongoing basis since 2001. Donation boxes are located in all UNIQLO stores and donations are solicited from customers. Every donation made by a customer is matched by UNIQLO CO., LTD. and the total is then contributed to the foundation.



About the Setouchi Olive Foundation

The Setouchi Olive Foundation was started on the initiative of Kohei Nakabo and Tadao Ando in 2000. It is involved in afforestation activities to restore the once rich natural environment of Teshima, which faces the Seto Inland Sea, and where there was an illegal dumping site for industrial waste, as well as of other Seto Inland Sea islands and coastal areas. The goal of the foundation is to plant one million trees – olive trees, in particular – that match the vegetation of the area.

Results of Support Activities

Trees planted:	44,227
Total amount donated from customers:	¥77,974,999
(cumulative total as of August 31, 2006)	

Setouchi Olive Foundation Administrative Office
<http://www.olive-foundation.org>

T O P I C S

Olive tree planting on Teshima to raise employee awareness of the environment

The UNIQLO Volunteer Club (pg. 28) is an organization run by UNIQLO CO., LTD. employees on their own volition. Twice a year, members of the club travel to Teshima and help plant olive trees there as volunteers. Participants include store staff from nearby Kagawa and Okayama Prefectures as well as employees from as far away as Kanto and Kyushu. As of August 2006, a total of 100 employees had volunteered to plant the trees. Volunteers have an opportunity to learn about the illegal dumping of industrial waste that took place on Teshima, from the residents of the island.



In addition to planting trees, this activity has contributed to raising our awareness about environmental issues as something that closely affects us, and as such we will continue the activity going forward.

We Will Do What We Can, Step by Step, a Little at a Time.

Activities that contribute to society, voluntarily participated in by employees, are just the same.

Basic Approach to Activities that Contribute to Society

The FAST RETAILING Group is committed to being a company that is loved and respected by its customers as a corporate citizen through locally rooted activities that contribute to society, in which employees play an active role. What we can do is limited, however, we will do what we can, step by step, a little at a time. We fully intend to remain vigorously committed to activities that contribute to society.

Support for Special Olympics Nippon

—UNIQLO CO., LTD.

UNIQLO CO., LTD. has actively employed people with handicaps for quite some time (pg. 21). We pride ourselves on being a company that provides casual wear that anybody can wear and we have an equally strong desire to make our company a place where anybody can work. As a background to these efforts, in 2002, we began providing support for Special Olympics Nippon as an official partner. Special Olympics Nippon is an international sports organization that provides mentally challenged people opportunities to participate in sporting events.

Specifically, we donate uniforms to athletes and volunteers at various sporting events, and encourage our employees to participate as volunteers.

About the Special Olympics

The Special Olympics are sporting events for mentally challenged people. Like the Olympics, they take place once every four years and are global in scale. In February 2005, the first Winter World Games in the Asia-Pacific region were held in Nagano. The National Summer Games were held in Kumamoto Prefecture in November 2006. For more details, see the Special Olympics Nippon website at <http://www.son.or.jp>.

Support Initiatives in 2006

We donated uniforms for the National Summer Games Kumamoto held in November 2006, and employees participated in the event as volunteers. In addition, we have established charity vending machines in the break rooms at some UNIQLO stores, and a portion of the sales is donated to assist regional branches of Special Olympics Nippon. (Charity vending machines had been set up in about 150 stores as of the end of August 2006.)

We intend to continue our active involvement with Special Olympics Nippon regional branches, which are located in 45 areas throughout Japan.

- March 2006** Donated 600 polo shirts for use as the uniform for volunteers at the Sports Caravan (Aichi, Miyagi, Tokushima, Kumamoto)
- April 2006** Donated 790 T-shirts for volunteers at the Memorial Floor Hockey Tournament
- November 2006** Donated 3,500 windbreakers for use as the uniform for staff at the National Summer Games in Kumamoto; employees also participated in the event as volunteers

Major Support Initiatives to Date

- August 2002** Donated volunteer staff uniforms for the National Summer Games in Tokyo; approximately 250 executives and employees participated as volunteers
- June 2003** Donated official uniforms to the Japanese team for the World Summer Games in Ireland
- January 2004** Donated volunteer staff uniforms for the National Winter Games in Nagano
- February 2005** Donated official uniforms to the Japanese team and volunteer staff uniforms for the National Winter Games in Nagano; employees also participated as volunteers



Emergency Disaster Support – UNIQLO CO., LTD.

UNIQLO CO., LTD. has responded to customers' calls for it to donate UNIQLO products to refugees and disaster victims, and has worked with non-profit organizations and non-governmental organizations since 2001 to donate clothing items and monetary gifts, in order to provide emergency support to people in Japan and abroad victimized by natural disasters or conflict. We will continue donating products and monetary gifts for emergency support to help meet the needs of people affected by disasters.

Emergency disaster relief (photo provided by JEN)



Major Support Initiatives to Date

- | | |
|----------------------|--|
| February 2001 | Donated 10,000 fleeces to victims of the major earthquake in western India |
| December 2001 | Donated 12,000 Airtech jackets to Afghanistan refugees through the non-profit organization, JEN |
| November 2002 | Donated 30,000 Airtech jackets to serve as cold weather clothing for victims of a major cold wave that hit Peru |
| February 2004 | Donated 10,000 plain white T-shirts to victims of the major earthquake in Iran |
| July 2004 | Provided emergency relief in the form of 24,000 T-shirts, innerwear items and other articles of clothing to victims of floods and landslides in Niigata, Japan; employees participated as disaster relief volunteers |
| October 2004 | Provided emergency relief in the form of 44,000 outerwear, innerwear and other articles of clothing to the victims of the Niigata-Chuestu earthquake in Japan |
| January 2005 | Donated ¥20 million to countries affected by the great Sumatra earthquake and Indian Ocean tsunami through the Japan Red Cross |
| October 2005 | Donated 23,000 winter clothing articles to victims of the earthquake in northern Pakistan through the non-profit organization, JEN |
| July 2006 | Donated ¥20 million to countries affected by the central Java earthquake in Indonesia through the Japan Red Cross |

Volunteer Club ————— **UNIQLO CO., LTD.**

The UNIQLO Volunteer Club, a volunteer organization made up of UNIQLO CO., LTD. employees, was established in 2004 for the purpose of engaging in locally rooted activities that contribute to society.

All employees working at UNIQLO and their families are eligible to join the club. Activities are supported by annual membership fees, which also cover transportation and participation costs for volunteer activities.

Major Initiatives to Date

January 2006	<p>NPO Adaptive World Donated 300 clothing articles for volunteer staff and coaches in support of the activities of Adaptive World, a non-profit organization that promotes the enjoyment of outdoor sports activities for people with and without handicaps</p>
April 2006	<p>Special Olympics Nippon, Tokyo Branch Participated in a charity concert sponsored by the Tokyo Branch of Special Olympics Nippon and donated products; staff from the UNIQLO Ginza Store participated in the bowling program as volunteer coaches</p>
May 2006	<p>Donation of Children's Clothing to a Myanmar Orphanage Donated around 200 clothing articles to children living at an orphanage in Yangon, Myanmar through the JUNKO Association, an international non-governmental organization</p>
May 2006	<p>Kids' Guernica Project In support of the activities of the Kids' Guernica Project, which involves children from around the world creating paintings symbolizing peace on large canvasses, we donated uniforms for volunteer staff, and employees participated as volunteers</p>

July 2006

The UNIQLO Anan Apika Store's Coastline Clean-Up Campaign

Employees at the Anan Apika Store in Tokushima Prefecture conducted a regular coastline clean-up campaign, which was initiated out of employees' desire to take part in local volunteer activities

Top: Coastline clean-up campaign (Anan Apika Store)
 Bottom: Kids' Guernica Project (Photo: courtesy of @Kids' Guernica Project in Shibuya Committee)



Editor's Note

The FAST RETAILING Group is committed to becoming an apparel retailing group with sales of ¥1 trillion by 2010. At the same time, we are working to become a true multinational corporate group, respected throughout the world. To achieve these goals, it is not enough to simply increase sales figures; we must sufficiently realize that the scope and impact of the corporate social responsibilities attending our business activities will continue to expand. We must also fulfill our various responsibilities through ongoing dialogue with our diverse range of stakeholders.

The CSR initiatives of the FAST RETAILING Group, however, have only just begun and they are not yet sufficient by any means. Clear targets have not yet been established for many of our individual activities.

Building on the momentum of the publication of our first CSR report, the FAST RETAILING Group seeks to make steady progress in its activities while remaining fully aware of those issues. With our CSR vision of “Making the world a better place,” we will continue to innovate the way we do business in the apparel retail industry and improve the relationships we share with all of our stakeholders. We look forward to your candid opinions and comments on this report.



The FAST RETAILING logo - the flag motif

The new FAST RETAILING flag motif logo signifies our corporate group breaking out of its existing mode, and presenting new perspectives and new values on a global level. We chose the flag motif for the new FAST RETAILING logo to illustrate the powerful cohesive force of people pursuing this vision together. The flag is also symbolic of our willingness to challenge various innovative tests and progressive, creative ideas without fearing the risks.

The corporate color red signifies many things to us.

The FAST RETAILING corporate color, red, evokes the powers of innovation, reinvention, passion, strength, independence and progress. The vibrant red is fueled by the DNA of pioneers flowing constantly through the UNIQLO operation.

FAST RETAILING CO., LTD.
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