

FAST RETAILING WAY **<FR Group Corporate Philosophy>**

Corporate Statement

Change clothes. Change conventional wisdom. Change the world.

The FAST RETAILING Group Mission

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes
- To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society

Our Values

- Approaching issues from the customer perspective
- Embracing innovation & challenge
- Respecting and supporting individuals to foster both corporate and personal growth
- Committing to ethical standards and correctness

Our Principles

Inspired by The FAST RETAILING Group Mission and Our Values, we will:

- Do everything possible for our customers
- Pursue excellence and aim for the highest possible level of achievement
- Achieve strong results through the promotion of diversity and teamwork
- Move speedily and decisively in everything we do
- Conduct business in a very real way based on the current marketplace, products and facts
- Act as global citizens with ethics and integrity

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Our Approach

FAST RETAILING strives to strengthen its corporate governance to ensure proper management action, a responsive and transparent management structure and to continue to grow to be the world's number one apparel retailing group. We have initiated various measures to ensure the independence and strengthen the surveillance powers of the Board of Directors.

Accordingly, we introduced the entrusted officer system in November 2005 to separate the decision-making and execution functions of management. Also beginning in November 2007, we appointed a majority of external directors to the Board.*¹

The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to the Board of Auditors,*² but has also established discretionary governance committees to augment the functions of the Board of Directors. Committees have been formed to oversee human resources, corporate social responsibility (CSR), disclosure, IT investment, the Code of Conduct and corporate ethics. To fulfill their responsibilities, these committees conduct responsive and open discussions and make decisions concerning their respective expertise. An external director, Mr. Hambayashi, serves as the chairperson of the Human Resources Committee. Other committees consist of corporate auditors, external professionals, lawyers and entrusted officers.

*1. External directors as provided for in Article 2-15 of Japan's Company Law

*2. Under Japan's Company Law, large, listed companies may select either the corporate auditor governance model or the "company with committees" governance model. FAST RETAILING has adopted the corporate auditor governance model.

Activities of the Board of Directors

The Board of Directors makes decisions pertaining to management and supervises the activities of the CEO and entrusted operating officers. As a result of the appointment of a majority of external directors, the Board obtains highly professional and objective advice in a broad range of areas.

The backgrounds of external directors in brief are as follows: Toru Hambayashi was the president of one of Japan's general trading companies for many years and has in-depth familiarity with the apparel retailing industry. Nobumichi Hattori's experience includes years of work in a U.S.-based financial institution and he presently serves as a visiting professor at the Graduate School of International Corporate Strategy of Hitotsubashi University. He has in-depth knowledge of M&A. Toru Murayama has a wide range of knowledge and experience related to management and is the top manager of a leading U.S.-based consulting company. He also serves as visiting professor at the Comprehensive Research Organization of Waseda University. Masaaki Shintaku has held top management positions in a U.S.-based information systems company and has in-depth know-how regarding the management of global corporations.

Topics discussed during fiscal 2009 included: Approval of the annual budget and financial statements, the Group's medium-term strategy and plans, the takeover bid for LINK THEORY HOLDINGS, governance committees, a project for structuring business systems, strategies for the footwear and low-priced apparel businesses and a review of J-SOX internal controls. In particular, Board members receive full briefings and thoroughly discuss M&A proposals that are important for the Group's expansion. During fiscal 2009, the Board of Directors met 14 times and the average ratio of attendance of directors at these meetings was 93.6%.

The Auditors

The role of the auditors is to supervise the Board of Directors. The auditors also attend committee meetings as members or as observers to ensure that activities are being conducted appropriately as well as to provide advice. The Board of Auditors consists of five members, four of whom are external auditors.*³ External Auditor Takaharu Yasumoto is a certified public accountant; Norihiko Shimizu is a visiting professor at the Graduate School of International Corporate Strategy of Hitotsubashi University; and Akira Watanabe and Minoru Ota are attorneys at law and provide objective opinions based on their expertise. In fiscal 2009, the average ratio of attendance of auditors at the 14 meetings held by the Board of Directors was 95.7%, and the average ratio of attendance of auditors at the 13 meetings held by the Board of Auditors was 98.4%.

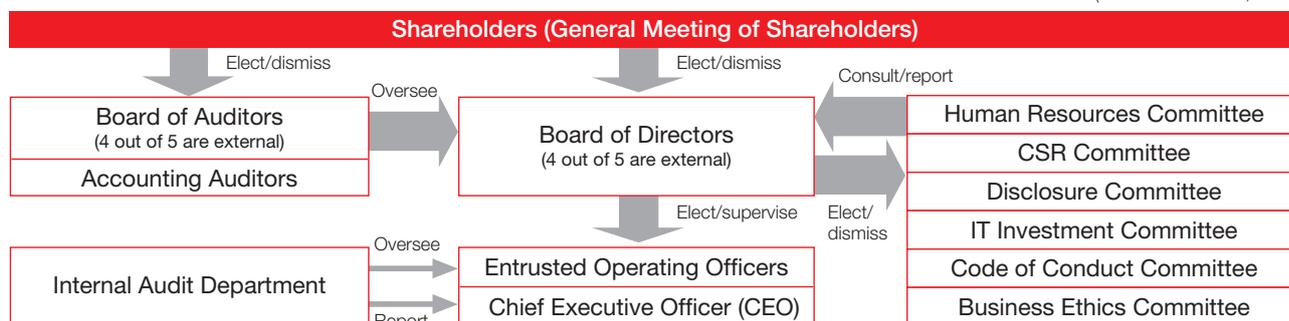
*3. Pursuant to Article 2-16 of Japan's Company Law



FAST RETAILING's Head Office in Yamaguchi Prefecture

■ Corporate Governance at FAST RETAILING

(As of December 1, 2009)



■ Composition of Committees

✓ Committee Members (As of December 1, 2009)

	Internal Director	External Directors				Full-time Auditor	External Auditors				Officers and other external professionals
	Yanai	Hambayashi	Hattori	Murayama	Shintaku		Tanaka	Yasumoto	Shimizu	Watanabe	
Human Resources Committee	✓	Chairperson	✓	✓	✓	✓	✓	✓			—
CSR Committee	✓					✓	✓				3
Disclosure Committee	✓					✓					6
IT Investment Committee	Chairperson										5
Code of Conduct Committee						✓				✓	5
Business Ethics Committee						✓	✓		✓		4

Notes: 1. The Disclosure Committee is chaired by the officer in charge of information disclosure to the Tokyo Stock Exchange.

2. The CSR Committee, the Code of Conduct Committee and the Business Ethics Committee are chaired by the officer in charge of CSR.

■ Committees

■ Human Resources Committee

Chaired by External Director Toru Hambayashi, this committee is responsible for providing proposals and recommendations to the Board regarding major organizational changes impacting the FAST RETAILING Group and for revising personnel systems. In addition, the committee discusses and makes proposals and recommendations to the Board concerning the election, dismissal, performance and compensation of directors, entrusted operating officers and the representative directors of Group companies.

■ CSR Committee

The CSR Committee discusses and decides all CSR activities, including CSR policies, publication of the CSR Report, environmental protection initiatives, community service, compliance and diversity issues.

■ Disclosure Committee

Chaired by the person responsible for disclosure to the Tokyo Stock Exchange (TSE), meetings of the committee are held to enhance the transparency of management by providing timely, fair and clear disclosure. The committee makes decisions regarding issues to be disclosed to the TSE on a statutory or discretionary basis that would have a material impact on the judgments of investors.

■ IT Investment Committee

This committee discusses whether IT investments are sufficient and works to reform the business process. In addition, the committee assesses reports on the IT investment budget, verifies the appropriateness of investments with the participation of third-party experts and evaluates the return on investment proposals.

■ Code of Conduct Committee

This committee is responsible for deliberations regarding responses to violations of The FAST RETAILING Group Code of Conduct (CoC) and giving advice related to the operation of the Compliance Hotline. Also, the committee is primarily responsible for increasing awareness regarding the CoC.

■ Business Ethics Committee

This committee aims to prevent any abuse of the superior bargaining position of the Group companies: for example, exerting improper pressure on production plants or any of our other business partners. To this end, the committee calls on external third parties to conduct surveys and implements a written questionnaire survey among its suppliers. The committee issues warnings and advice to various departments based on surveys performed by third parties.

Messages from External Directors



Toru Hambayashi, External Director
External director since November 2005. Mr. Hambayashi was formerly the president of Nichimen Corp. and then became chairman and co-CEO of Nissho Iwai-Nichimen Holdings Corp. (currently Sojitz Corp.).

Transition from “My Company” to “Your Company”

At first glance, FAST RETAILING appears to differ from other companies because its founder, Tadashi Yanai, is a major shareholder and serves as chairman, president and CEO. This means that the surveillance functions of the Board over management are quite important and that the external directors, who account for a majority of the Board, must express their views proactively. As an external director, I feel a strong sense of responsibility, and, from the stakeholders' perspective, I believe the time has come to move from being “My Company” to being “Your Company.”

Based on my experience as CEO of a general trading company, I understand the crucial importance of human resources. FAST RETAILING's Human Resources Committee has a major role to play in making stable growth possible. Reflecting the views of external directors in the decisions of this committee is an important step forward. We have to develop a sense of “moving forward towards objectives with everyone contributing to management.” I will continue to provide suggestions on organizational changes, the selection of officers and grooming future management officers.



Nobumichi Hattori, External Director
External director since November 2005. A former managing director at Goldman Sachs & Co. (N.Y.), he is also visiting professor at the Hitotsubashi Graduate School of International Corporate Strategy and the Waseda Graduate School of Finance.

A Capital Markets Perspective Is Important

In my role as external director, I provide advice on FAST RETAILING's acquisition proposals based on my many years of experience at a leading U.S. financial institution and my background as manager of M&A advisory services. Given its objective of continued growth, FAST RETAILING aims to make the businesses it acquires successful and raise corporate value. Good deals are those where we are confident the business will grow and improve. I always analyze the value of an acquisition and how that acquisition will be evaluated by the market.

The difficulty in corporate M&A is to get acquired companies to show a performance that exceeds the premium paid by the buyer. Just as with the synergies the acquisitions of ONEZONE and VIEWCOMPANY created for UNIQLO in the footwear business, past acquisitions provide us with important experience. The pattern of success that has emerged from these transactions has been invaluable. Going forward, M&A will be an important issue for FAST RETAILING, and I intend to thoroughly fulfill my obligations as an external director.



Toru Murayama, External Director
External director since November 2007. Previously director and chairman of Accenture Japan Ltd., he now holds the position of corporate advisor to that company while serving as visiting professor at the Comprehensive Research Organization of Waseda University.

Building a Global Management Platform

I have about 30 years of experience managing the growth of a global corporation and I have participated in formulating and implementing business reforms as a consultant in a wide range of industries. At FAST RETAILING, I participate in discussions with the Board and make suggestions for long-term strategy. I believe that “having big aspirations while acting cautiously” is one of the iron rules of management, and that the role of external directors is to give accurate advice regarding resource allocation priorities, including personnel, when action is required. The Board of Directors is constantly discussing which measures are a priority for growth.

FAST RETAILING has become one of Japan's leading corporations. Today, as we begin to move towards becoming a global retailer, we must create a management framework that will be effective globally. In the steady march forward to become number one both in Japan, the rest of Asia and the world, it is essential to have a management vision that will be shared by all employees. To realize this objective, external directors must offer ideas, including new and different concepts.



Masaaki Shintaku, External Director
External director since November 2009. Previously executive vice president of Oracle Corp. (U.S.) and chairman of Oracle Corp. (Japan). Currently, he is also vice chairman of the NPO Special Olympics Nippon.

Board of Directors Contributes to Sound Growth as a Team

As chairman of Oracle Corporation Japan and as executive vice president of Oracle Corporation (U.S.), I have seen Oracle grow as a global corporation by taking advantage of M&A opportunities. I want to provide suggestions to address issues that arise as FAST RETAILING strives to become a global company. I am excited to contribute to FAST RETAILING's growth and its globalization. I know that doing business in Japan and the United States is different, however, the importance of making sound decisions for growth is the same. External directors have to make judgments about whether management decisions will result in stable growth for the Company and its employees.

The external directors of FAST RETAILING have widely varying backgrounds and experience. We express many opinions and Mr. Yanai listens carefully. He then uses these opinions to supplement his own thinking about opportunities and as a guide when considering new risks. The role of external directors should be to contribute views and experience that the company and the CEO may not have. As such, the Board must work as a team to support Mr. Yanai.

Directors



From left: Toru Hambayashi, Toru Murayama, Tadashi Yanai, Masaaki Shintaku and Nobumichi Hattori

Auditors



From left: Takaharu Yasumoto, Akira Watanabe, Akira Tanaka, Minoru Ota and Norihiko Shimizu

Takaharu Yasumoto

Statutory auditor since November 1993. President of the Yasumoto CPA Office. He also serves as statutory auditor for UNIQLO and is a guest professor at the Chuo Graduate School of International Accounting.

Akira Watanabe

Statutory auditor since November 2006. Attorney and a representative of the Seiwa Meitetsu Law Office. Since 1995, he has chaired the committee revising Japan's bankruptcy code and has broad experience as a corporate reorganization trustee.

Akira Tanaka

Full-time corporate auditor since November 2006. Entered McDonald's Co. (Japan), Ltd. (now, McDonald's Holdings (Japan)) in September 1972 and later became deputy president and director of McDonald's (Japan).

Minoru Ota

Statutory auditor since November 2006. Attorney and a partner of Nagashima Ohno & Tsunematsu. He was also a professor at Keio Law School from 2004 through 2007 and published a book on Japan's Company Law.

Norihiko Shimizu

Statutory auditor since November 2004. Statutory auditor of UNIQLO and other leading Japanese companies and serves as a visiting professor in corporate strategy at Hitotsubashi University.

FAST RETAILING is committed to enhancing the FAST RETAILING WAY, which defines our corporate philosophy and basic principles, and The FAST RETAILING Group Code of Conduct, which articulates our fundamental approach towards corporate ethics and compliance. We strive to operate legitimately, ethically and efficiently, and to produce accurate financial statements as well as controlled environments and procedures conducive to the disclosure of corporate information. To ensure these are occurring, we conduct objective internal audits and regularly analyze risks for the Group.

Code of Conduct for Officers and Employees

The FAST RETAILING Group Code of Conduct (CoC) has been implemented at each Group company. To heighten awareness of the CoC, officers and employees are required to confirm the principles of the CoC and sign a written pledge.

There is a hotline that can be accessed by any employee in the event of violations to the CoC. Employees are able to receive confidential advice via the hotline pertaining to communication problems with managers, sexual harassment, working hours and paid vacations, as well as problems relating to employment contracts, etc. In addition, in some cases it is possible to ask for advice from external legal counsel. Reports and any advice received are kept in confidence. The Code of Conduct Committee*1 considers specific solutions and makes improvements whenever necessary.

CoC and Monitoring Workplace Conditions at Partner Factories

UNIQLO works with approximately 70 partner companies, principally in China and other countries in Asia, and endeavors to manage product safety and quality and improve working conditions at factories. In 2004, UNIQLO instituted a Code of Conduct for Production Partners and called on specialized external institutions to monitor the operations of major sewing factories—with special attention to working conditions—that signed a pledge to abide by the Code of Conduct for Production Partners.*2

Protection of Personal Information

In its CoC training program, the Group emphasizes the importance of managing personal information and conducts activities to increase the awareness of personal information issues. Measures include enforcing guidelines for the handling of personal information, utilizing fingerprint identification to control access to areas where important personal information is handled, and other restrictions on access to personal data. In addition, the person responsible for personal information at each store is required to strictly observe rules for handling customer information.

Preventing Improper Behavior Based on Superior Bargaining Positions

FAST RETAILING believes that it is of utmost importance to build equal and amicable relationships with its partner companies.

UNIQLO, in particular, which has approximately 850 stores around the world and orders about 500 million items annually, is in a position to leverage its superior bargaining position. For this reason, FAST RETAILING has established its Business Ethics Committee*3 and works to prevent violations in advance by requiring strict compliance with its Guidelines to Prevent Improper Behavior Based on Superior Bargaining Positions. Members of this committee include full-time corporate auditors, external auditors, legal counsel, persons in charge of related internal departments and persons in charge of CSR matters.

This committee administers a questionnaire survey to principal transaction partners on an annual basis. It also conducts a survey of all departments in the FAST RETAILING Group four times a year to identify problems related to transaction partners and, when necessary, verifies records. The CSR Department closely examines the results of these surveys and submits reports to the Business Ethics Committee.

In fiscal 2009, the committee discussed 45 issues identified through these activities. These included such specific issues as unreasonable suspension of business and whether the financial burden was equitably assumed when conflicts emerged.

FY2009 Results of Business Partner Survey

- **Implementation:** August to October 2009
- **Subject:** Major business partners of FAST RETAILING and UNIQLO
- **Responses:** Domestic 134 out of 202 companies (66%)
Overseas 83 out of 135 companies (61%)
- **Questionnaire items:**
 - Attitudes and responses of our employees (sales or rebate issues, behavior in meetings, etc.)
 - Attitude toward negotiations (changes in business terms, deliveries made outside the contract, enforced discounts, etc.)

*1. For further information on the Code of Conduct Committee, please refer to page 17.

*2. For further information on monitoring activities, please refer to page 52.

*3. For further information on the Business Ethics Committee, please refer to page 17.