Our Approach to Corporate Governance

Fast Retailing enacts corporate governance to ensure proper management, a responsive and transparent management structure, and growth on its path to becoming the world’s number one manufacturer and retailer of apparel. We have implemented various measures to ensure independence, and strengthen the surveillance powers of the Board.

We introduced a system of entrusted operating officers to separate decision-making from executive functions in management. In addition, a majority of the directors of the Board are external so as to heighten the Board’s independence and surveillance ability.

Outline of Corporate Governance

<table>
<thead>
<tr>
<th>Form of Organization</th>
<th>Corporate auditor governance model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>Tadashi Yanai</td>
</tr>
<tr>
<td>Number of Directors</td>
<td>Five, including four external directors</td>
</tr>
<tr>
<td>Number of Auditors</td>
<td>Four, including three statutory auditors</td>
</tr>
<tr>
<td>Details of Board of Directors Meetings in Fiscal 2011</td>
<td>Number of Meetings Director Attendance1 Auditor Attendance2 Sample Agenda</td>
</tr>
<tr>
<td></td>
<td>13 100% 96.2% Fiscal year budget, approval of corporate results, “Global and Regional Headquarters,” “UNIQLO Thailand,” “UNIQLO Philippines”</td>
</tr>
<tr>
<td>Details of Board of Auditors Meetings in Fiscal 2011</td>
<td>Number of Meetings Auditor Attendance2 Sample Agenda</td>
</tr>
<tr>
<td></td>
<td>13 94.2% Auditing policy, Auditing planning, Discussion with Executive Board, “g.u. business and future issues,” “FRMIC current performance and issues,” “Auditing of UNIQLO Japan and UNIQLO International stores.”</td>
</tr>
<tr>
<td>Main Meetings Requiring Auditor Attendance</td>
<td>Board of Directors meetings, Human Resources Committee, CSR Committee, Disclosure Committee, Code of Conduct Committee, Business Ethics Committee</td>
</tr>
<tr>
<td>Election of Independent Directors</td>
<td>Four external directors and three statutory auditors elected</td>
</tr>
<tr>
<td>Determination of Individual Director Remuneration</td>
<td>Overall limit approved at the general shareholders meeting. Individual remuneration determined by the Executive Board to reflect occupational duties, responsibilities, actual performance and contributions. Fiscal 2011 compensation to the five-member Board of Directors totaled 190 million yen, including 40 million yen to external directors</td>
</tr>
<tr>
<td>Determination of Individual Auditor Remuneration</td>
<td>Overall limit determined at the general shareholders meeting. Individual compensation decided through mutual consultation between auditors. Fiscal 2011 compensation to the four auditors totaled 58 million yen, including 43 million yen to statutory auditors</td>
</tr>
<tr>
<td>Accounting Auditor</td>
<td>Ernst &amp; Young ShinNihon LLC</td>
</tr>
</tbody>
</table>

1. Average attendance of each director.
2. Average attendance of each auditor.

Corporate Governance at Fast Retailing

The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to the Board of Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human resources, corporate social responsibility (CSR), disclosure, IT investment, the Fast Retailing Code of Conduct (CoC) and business ethics.

Fast Retailing Head Office, Yamaguchi
## Committees and Their Responsibilities

### 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 that impact the Fast Retailing Group, and revising personnel systems.

### CSR Committee
The CSR Committee discusses and makes decisions concerning CSR issues, including CSR activities and policies, CSR publications, environmental protection initiatives, community service activities, compliance and diversity issues. The head of the CSR Department chairs the committee, which is made up of members including experts from outside the company, statutory auditors and operating officers.

### Disclosure Committee
Chaired by the individual responsible for disclosing information to the Tokyo Stock Exchange (TSE), committee meetings are held to enhance the transparency of management by providing timely, fair and simply stated disclosure of information. The committee makes decisions regarding information that is required to be disclosed to the TSE on a statutory or discretionary basis that could have a material impact on the judgment of investors.

### IT Investment Committee
This committee discusses IT investment issues at a management level to achieve the optimal use of information system resources and to encourage reform of business operations. In addition, the committee assesses reports on the IT investment budget, verifies the suitability of investments with the help of the participation of external experts, and evaluates the potential 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), giving advice related to the operation of the Compliance Hotline, and increasing awareness about the CoC among officers and employees. The head of the General Administration & Employee Satisfaction Department chairs the committee, which is made up of members including statutory auditors and legal advisors.

### Business Ethics Committee
This committee aims to prevent the abuse of any potential superior bargaining power at Group companies. Examples of this include improper pressure on production plants, suppliers and other business partners. To this end, the committee calls on external experts to conduct surveys of suppliers. Based on the survey results, the committee then issues warnings and advice to various departments. The head of the CSR Department chairs the committee, which is made up of auditors and legal advisors.

## Composition of Committees

<table>
<thead>
<tr>
<th></th>
<th>Internal Director</th>
<th>External Directors</th>
<th>Full-time Auditor</th>
<th>Statutory Auditors</th>
<th>Officers and Other External Professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yanai</td>
<td>Hambayashi</td>
<td>Hatton</td>
<td>Murayama</td>
<td>Shintaku</td>
</tr>
<tr>
<td>Human Resources Committee</td>
<td></td>
<td>Chairperson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR Committee</td>
<td></td>
<td>Chairperson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disclosure Committee</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>IT Investment Committee</td>
<td>Chairperson</td>
<td>Observer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Code of Conduct Committee</td>
<td>Chairperson</td>
<td>Observer</td>
<td></td>
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<td>Chairperson</td>
<td>Observer</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Note: The head of the CSR Department chairs both the Business Ethics Committee and the CSR Committee.

The Disclosure Committee is chaired by the individual responsible for disclosing information to the Tokyo Stock Exchange.

The head of the General Administration & Employee Satisfaction Department chairs the Code of Conduct Committee.
Messages from Our External Directors

Transition from ‘My Company’ to ‘Your Company’

Today, Fast Retailing is at the stage where it increasingly needs to make the transition from being a ‘my company’ under founder, CEO and major shareholder Tadashi Yanai, to becoming what I call a ‘your company,’ a more public corporation. As external directors, our task is to evaluate, on behalf of the various stakeholders, whether Fast Retailing is generating sound results. While CEO Yanai is undeniably an amazing businessman, he nevertheless sometimes needs to hear some frank feedback, regardless of how unpalatable it might be. That is where we four external directors, with diverse backgrounds, can voice valuable opinions unfettered by retail industry convention.

The next few years will be key to the future of Fast Retailing and will also test our powers as external directors. I plan to follow the dynamics closely, drawing on my experience as CEO of a general trading company. While the world economy continues to stagnate, steadily increasing the number of new stores in the buoyant Chinese market is an important growth strategy. To this aim, Fast Retailing needs to create a global training system that instills a deep sense of loyalty among employees. The road ahead will undoubtedly be tough as the Group seeks further robust growth both in Japan and internationally. That is precisely why it is imperative that Fast Retailing fosters a better corporate culture and pushes on with its aim of ZEN-IN KEIEI, where every employee adopts the mindset of a business manager.
Objective Evaluation from a Capital Market Perspective

Given my background managing M&A activities at a leading U.S. financial institution, my role is to assess the corporate value of Fast Retailing from the perspective of capital markets, and suggest ways to improve that value. I focus on how to convey the Group’s growth potential to the markets or improve the Group, whether an M&A candidate would boost corporate value, and how to attain steady gains in the share price.

One item that came under my area of expertise was the transformation of Theory into a fully consolidated subsidiary. Before finally deciding on the appropriateness of the Theory acquisition, I clarified issues including future levels of profit, potential growth and post-acquisition management systems. As a result of this detailed study, the decision to purchase Theory was taken. Indeed, given the steady expansion in profits since the acquisition, I believe the Theory acquisition has proven successful. Going forward, I will draw upon my experience, learning from past successes and failures when considering future large-scale M&A candidates. Fast Retailing is a company that aims to achieve unprecedented levels of growth and, as such, the Board as a whole will continue to ensure that potential downside risks are considered.

Building a Global One Management Platform

As a leading Japanese company that is transforming itself into a global retailer, Fast Retailing will need to stand out as the number one retailer in Asian markets, and not just Japan. Based on the superior UNIQLO business platform, all future products, services and employee training must be developed with world markets in mind. To that end the Group needs a management framework that will be effective globally, and a management vision that can be shared by all employees. It is my role as an external director to provide ideas and inspiration that are relevant to this goal.

Recently, we have been having more frequent and vigorous discussions on the Board about how best to realize Fast Retailing’s global ambitions. The scenarios for growth within the Group are changing and developing at an increasingly fast pace, and the Board must be able to respond accordingly. In the past, I have managed growth businesses for a global corporation, and have many years of experience as a consultant implementing business reform across a wide range of industries. I intend to use my expertise to help build a management system that can support the company’s Global One management platform.

Seeking Solutions to Facilitate Long-term Growth

Fast Retailing is embarking on a new chapter as a global company. Having served as an external director for over two years, I am ever more keenly aware of the need to contribute to the Group’s long-term vision. I intend to fulfill the role that I expected of external directors when I managed a company. This entails striving to avoid potential risks, and to help solve any risks that do emerge.

A company’s performance is always compared to the previous year’s results. Naturally performance fluctuates from year to year. But valuable experience can be gained from this volatility, and middle management is likely to increase in importance going forward. Fast Retailing is a company looking to expand its business worldwide, and its employees should proudly embrace the inherent challenges. They should not be swayed by fluctuations in short-term performance, but be aware of the broader possibilities and how to realize them. The external directors come from diverse backgrounds, making for lively debate. Mr. Yanai is always attentive, and it is incumbent on the Board to continue to work as a team to support him.
Takaharu Yasumoto
Statutory Auditor
Statutory auditor since November 1993. President of the Yasumoto CPA Office. Serves as statutory auditor for UNIQLO, Link Theory Japan and ASKUL Corp. Also guest professor at the Chuo Graduate School of International Accounting.

Norihiko Shimizu
Statutory Auditor
Statutory auditor since November 2004, serves as statutory auditor for UNIQLO and Yamaha Motor Co., Ltd. Also visiting professor of Graduate School of International Corporate Strategy at Hitotsubashi University.

Akira Tanaka
Full-time Corporate Auditor
Full-time internal auditor since November 2006. Entered McDonald's Co., Ltd. (currently McDonald's Holdings (Japan)) in September 1972 and later became deputy president and advisor of McDonald's (currently, McDonald's Holdings Japan).

Akira Watanabe
Statutory Auditor
Statutory auditor since November 2006. Attorney and representative of the Seiwa Meitetsu Law Office. Serves as statutory director to Japan Pile Corp. and Maeda Corp. Serves as statutory auditor to Kadokawa Group Holdings.

Auditor Message
A Company Learning as It Grows

The Personnel, CSR, Disclosure, IT Investment, Code of Conduct and Business Ethics Committees have been established to support the smooth and effective functioning of the Fast Retailing board. As members or advisors, auditors offer advice and proposals to each committee and ensure that all items discussed are both legally sound and fully appropriate.

I make recommendations to the Business Ethics Committee. For example, if a certain product proves defective, my job is to determine, from a fair and neutral standpoint, whether it is right or reasonable to expect the partner factory to bear the financial burden. I would also consider whether the initial order submitted by UNIQLO was too difficult for the partner factory.

Fast Retailing adhered to the Global One principle of management even before the firm went public, and Mr. Yanai has successfully expanded the Group by listening attentively to outside advice. He might not agree at the time, but Mr. Yanai is adept at deliberating on suggestions and blending them effectively into a sharp, well-balanced view. With our varied backgrounds, I believe the current board can effectively support the learning process that will shape Fast Retailing into an even better company. Risk is inherent in all that we do and our job is to voice opposing views frankly and fuel a vigorous debate of proposals and recommendations.
Internal Control

Fast Retailing has sought to consistently improve its corporate ethics and compliance by putting in place a number of internal controls and ensuring strict adherence to the Group’s policies and rules, including the Group’s management principles, the Fast Retailing Way and the Fast Retailing Group Code of Conduct (CoC). In conjunction with this, we have also established internal control systems for financial reporting and information disclosure. Our Internal Audit Department, which is entirely separate from Group business activities, and the Legal Department, which oversees compliance issues, work to ensure the smooth operation of this system. These departments regularly conduct risk analyses to manage risk.

Code of Conduct for Officers and Employees

We heighten awareness of the Fast Retailing Group CoC by requiring all officers and employees to confirm and sign a written commitment each year. Our internal reporting system, or hotline, is accessible by any employee wishing to report a potential violation of the CoC or discuss work concerns. Employees receive confidential advice pertaining to communication problems with managers, sexual harassment, working hours and paid vacations, renewal of employment contracts, etc. In some cases, advice can be sought from external legal counsel. If necessary, reports received via the hotline will be referred to the Code of Conduct Committee to consider specific solutions and improvements.

CoC and Monitoring Workplace Conditions at Partner Factories

UNIQLO works with partner companies, principally in China, to manage product safety, quality and working conditions. In 2004, UNIQLO instituted a Code of Conduct for Production Partners. We check working conditions at partner factories twice a year for any inappropriate practices such as child or forced labor and instigate improvements. In 2010, we compiled the Environmental Guidelines for Fabric Production for sewing factories and fabric manufacturing plants which are now monitored by specialized external institutions.

Guidelines to Prevent the Abuse of Superior Bargaining Power

We believe one of our most important tasks is to build equal and amicable relationships with our business partners. UNIQLO is in a particularly strong position in terms of bargaining leverage given that it operates approximately 1,000 stores worldwide and orders more than 600 million items annually. Therefore, as a preventative measure, the Business Ethics Committee established the Guidelines to Prevent the Abuse of Superior Bargaining Power.

The Business Ethics Committee administers a questionnaire survey to the Fast Retailing Group’s principal business partners on an annual basis. It also conducts a survey of all Group departments four times a year in order to identify and, if necessary, clarify any problems relating to business partners. In fiscal 2011, we received survey responses from 156 business partners. Some responses referred to business-related matters such as problems meeting delivery deadlines when orders were submitted late, or strong demands during price negotiations. Others related to business etiquette, including the clothes worn or the language used by our employees.

The CSR Department closely examines the results of these surveys and refers any potential problems to the Business Ethics Committee. In fiscal 2011, the committee investigated 57 problems.

1. For more information on the Code of Conduct Committee, see page 21.
2. For more information on monitoring activities, see pages 56, 57.
3. For more information on the Business Ethics Committee, see page 21.
4. Improper use of superior bargaining power occurs when a company uses its superior position in business transactions to apply pressure on the other party, and unilaterally extorts unprofitable business conditions that would not occur in an equal business relationship.