Our Approach to Corporate Governance

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

We introduced a system of entrusted operating officers to separate the decision-making and 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 its surveillance ability.

The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a 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 Code of Conduct and business ethics.

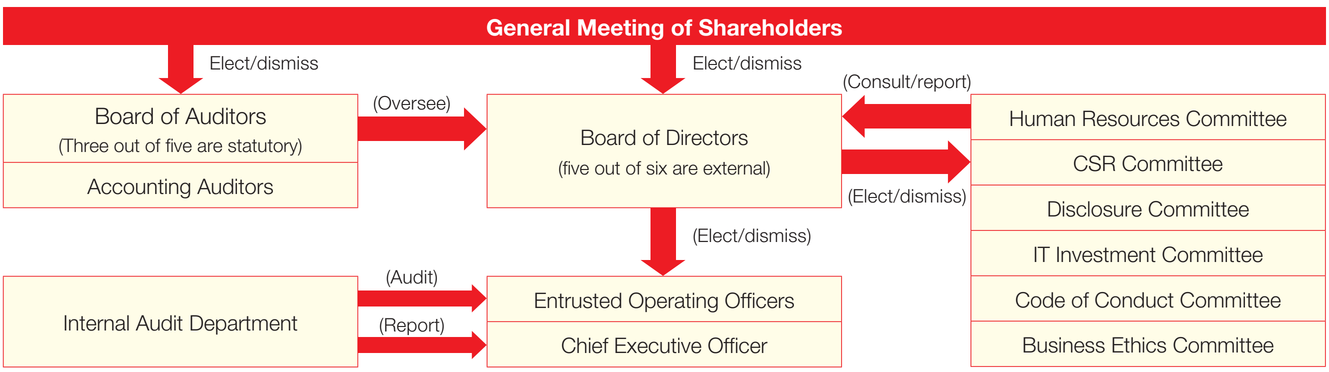
Fast Retailing Head Office, Yamaguchi

Outline of Corporate Governance (Year ending August 31, 2012)

Form of Organization		Corporate auditor governance model
Chairman of the Board		Tadashi Yanai
Number of Directors		Five, including four external directors
Number of Auditors		Four, including three statutory auditors
Details of Board of Directors Meetings in Fiscal 2012	Number of Meetings	13
	Director Attendance[1]	98.1%
	Auditor Attendance[2]	97.4%
	Sample Agenda	Fiscal year budget, Approval of corporate results, Issues relating to globalization of business, UNIQLO operation in Australia, Acquisition of J Brand Holdings
Details of Board of Auditors Meetings in Fiscal 2012	Number of Meetings	13
	Auditor Attendance[2]	97.4%
	Sample Agenda	Auditing policy, Auditing planning, Discussion with Executive Board, g.u. business and future issues, Global store openings and future issues, current Production Department issues, Auditing of UNIQLO Japan and UNIQLO International stores
Main Meetings Requiring Auditor Attendance		Board of Directors meetings, Human Resources Committee, CSR Committee, Disclosure Committee, Code of Conduct Committee, Business Ethics Committee
Election of Independent Directors		Three external directors and three statutory auditors elected
Determination of Individual Director Remuneration		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 2012 compensation to the five-member Board of Directors totaled 395 million yen, including 40 million yen to external directors
Determination of Individual Auditor Remuneration		Overall limit determined at the general shareholders meeting. Individual compensation decided through mutual consultation between auditors. Fiscal 2012 compensation to the four auditors totaled 45 million yen, including 30 million yen to statutory auditors.
Accounting Auditor		Ernst & Young ShinNihon LLC

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

Corporate Governance at Fast Retailing (As of December 31, 2012)



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 (As of December 31, 2012)

✓ = Committee Members

	Internal Director	External Directors					Full-time Auditors		Statutory Auditors			Officers and Other External Professionals
	Yanai	Hambayashi	Hattori	Murayama	Shintaku	Nawa	Tanaka	Shinjo	Yasumoto	Watanabe	Kaneko	
Human Resources Committee	✓	Chairperson	✓	✓	✓	✓	✓		✓			—
CSR Committee	✓						✓		✓			3
Disclosure Committee	✓							✓				6
IT Investment Committee	Chairperson			Observer	Observer			✓				4
Code of Conduct Committee							✓				✓	7
Business Ethics Committee								✓	✓	✓		3

Notes: 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.
The required notification pertaining to independent directors has been submitted to the Tokyo Stock Exchange for Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku, Takaharu Yasumoto, Akira Watanabe and Keiko Kaneko.

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

Messages from Our External Directors

Transitioning from ‘My Company’ to ‘Your Company’

Fast Retailing is at the stage where it needs to make the transition from being a ‘my company’ under founder, CEO and major shareholder Tadashi Yanai, to being 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 Mr. Yanai is undeniably an amazing businessman, he nevertheless sometimes needs to hear frank feedback, regardless of how unpalatable it might be. That is where we five external directors, with our 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 struggle, steadily expanding new store openings in the buoyant Asia region is an important growth strategy. But we also need to create a global training system that instills a spirit of warmth and loyalty among our personnel. The road ahead will undoubtedly be tough as the Group seeks further robust growth both domestically and internationally. That is precisely why it is imperative for Fast Retailing to foster a better corporate culture and push on with its philosophy of ZEN-IN KEIEI, where every employee adopts the mindset of a business manager.

Toru Hambayashi
External Director

Appointed November 2005. Former president of Nichimen Corp., then chairman and co-CEO of Nissho Iwai-Nichimen Holdings Corp. (currently Sojitz Corp.). Also an external director at Maeda Corp. and Unitika Ltd.

Turning a Losing Investment into a Winner

Mergers and Acquisitions are all about the bidder's premium or added value. In that sense, M&A start from a point of defeat. If we grasp this concept and fully discuss the potential Group synergies to be derived from any particular merger, then we can conduct M&A with minimum risk and the greatest chance of success. Given my background managing M&A activities at a leading U.S. financial institution, I assess the corporate value of Fast Retailing from the perspective of the capital markets and suggest ways to improve that value.

Fast Retailing's experience of M&A to date has proved invaluable. Fast Retailing is now much more adept at conducting in-depth discussions on levels of profit and potential growth that will follow from M&A, as well as potential synergies for the Group and necessary adjustments to its management systems. Fast Retailing's high level of growth is clearly an advantage and has attracted a greater number of potential M&A opportunities, even some large-scale candidates. In such an environment, the Board of Directors has the increasingly important role of resolutely highlighting any potential downsides.

Nobumichi Hattori
External Director

Appointed November 2005. Former managing director at Goldman Sachs, currently an M&A research specialist. Visiting professor at Graduate School of International Corporate Strategy at Hitotsubashi University and Waseda University Graduate School. External director at Miraca Holdings Inc.

Building a Global One Management Platform

To become a truly global retailer, Fast Retailing must stand out as the number one retailer in the Asian market as a whole, not just in Japan. Using the superior UNIQLO business platform as a base, all products, services and employee training must be developed with world markets in mind. The Group needs a management framework that will be effective globally and a management vision that can be shared by all employees.

Recently, the Board has had more frequent and vigorous discussions about how to realize Fast Retailing's global ambitions. The scenarios for growth within the Group are changing and developing rapidly and the Board must respond accordingly. 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. My expertise can help build a management system to support the company's Global One management platform.

Toru Murayama
External Director

Appointed November 2007. Previously representative director, chairman and president of Accenture Japan Ltd., he is now a professor in the Faculty of Science and Engineering at Waseda University.

Ready for Action on FR's Global Strategy

Three years have passed since I became an external director and I can feel how Fast Retailing's globalization strategy is being put into practice full-scale. Top management and employees are united in the same quest to build a successful presence in markets all over the world. The challenges have been clarified, the people and systems put in place. Now the Group is ready to pursue global expansion with speed and conviction. Facing and overcoming difficult issues is a great way to grow and evolve. But the starting line is the toughest place to be. We should all join forces and move forward in a proud and gallant way.

Top managers of fast-growing companies must be aggressive. Mr. Yanai is a strong leader, and he heeds the lively and often heated debate among us external directors, with our different backgrounds. The Board of Directors, as a team, will play a vital role in accelerating the development of Fast Retailing and contributing to its future growth.

Masaaki Shintaku
External Director

Appointed November 2009. Previously executive vice president of Oracle Corp. (U.S.) and chairman of Oracle Corp. (Japan). Currently, he is Advisory Board member of NTT DOCOMO, INC., and also vice chairman of the NPO Special Olympics Nippon.

Cultivating Next-Generation Managers for Global Growth

Successful sales growth for any company that is expanding into global markets is closely linked to how well that company trains its next generation of managers. As a consultant, I have advised many companies from Japan, the United States, China and South Korea on global development. Here, I want to consider whether Fast Retailing's training systems equip new managers with the innovative approach to corporatization they will need to promote global growth, and whether they are sufficiently diverse.

Given my expertise in working with non-Japanese companies and IT firms both inside and outside Japan, I can also suggest the best global practices in terms of corporate governance. The Fast Retailing Board of Directors is extremely sharp and dynamic. Our exchanges are frank and the debate is lively, and this ultimately enables the Board to make firm decisions on how to move forward. I was newly appointed to the Board in November 2012 and I look forward to supporting Fast Retailing steadily and thoroughly in its pursuit of global growth.

Takashi Nawa
External Director

Appointed November 2012. Previously a director of McKinsey & Company, he is currently professor in the Graduate School of International Corporate Strategy at Hitotsubashi University, senior advisor to the Boston Consulting Group and external director at NEC Capital Solutions.

Auditors

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.

Akira Watanabe
Statutory Auditor

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

Akira Tanaka
Full-time Corporate Auditor

Full-time internal corporate auditor since November 2006. Entered McDonald's Co. (Japan), Ltd. (currently McDonald's Holdings) in September 1972 and rose within the company to become deputy president and advisor.

Keiko Kaneko
Statutory Auditor

Statutory auditor since November 2012. Currently a partner in the Anderson, Mori & Tomotsune law firm and guest associate professor at Tokyo University Graduate School of Law.

Masaaki Shinjo
Full-time Corporate Auditor

Full-time internal corporate auditor since November 2012. Since joining FR in February 1994, he has held the positions of general manager of both FR Group Auditing and FR Group Planning Management and auditor of G.U. Co., Ltd.

Auditor Message

A Fair and Earnest Corporate Approach

As an SPA-style apparel manufacturer and retailer, Fast Retailing outsources the manufacture of its clothes to partner companies. The Business Ethics Committee plays a very important role in this by making fair and neutral judgments on whether orders are achievable and avoiding placing any undue cost burden on a partner factory. It is a revolutionary idea for a company to have external auditors serve on such a committee and we take our job very seriously. In fact, all the committees at Fast Retailing from human resources and CSR to disclosure, IT investment and Code of Conduct are fair and extremely earnest in their recommendations.

I was appointed in 2006 when our global expansion was in the early stages. Now, that goal is becoming a reality. We will need to extend and strengthen the Group's auditing systems in line with its globalization. The first female statutory auditor, Keiko Kaneko, was appointed in November 2012, and the addition of such an experienced professional will help us generate more effective advice. Undoubtedly, top management faces many issues as a company expands. We believe the best form of support is to offer forthright and sincere opinions.

Akira Watanabe
Statutory Auditor

Fast Retailing seeks to consistently improve its corporate ethics and compliance through a number of internal controls, 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 internal control systems for financial reporting and information disclosure. Our Internal Audit Department, which is entirely separate from Group business activities, and our Legal Department, which oversees compliance issues, work to ensure the smooth operation of this system. These departments regularly conduct risk analyses.

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 to 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[1] to consider specific solutions and improvements.

1. For more information on the Code of Conduct Committee, see page 23.

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 introduced 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[2] by specialized external institutions.

2. For more information on monitoring activities, see pages 58, 59.

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 1,100 stores worldwide and orders more than 600 million items annually. Therefore, as a preemptive measure, the Business Ethics Committee[3] established the Guidelines to Prevent the Abuse of Superior Bargaining Power[4].

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 issues relating to business partners. In fiscal 2012, we received survey responses from 207 business partners. Some responses referred to business-related matters such as issues meeting delivery deadlines when orders were submitted late, or strong demands made 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 issues to the Business Ethics Committee. In fiscal 2012, the committee investigated 79 issues.

3. For more information on the Business Ethics Committee, see page 23.
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.