Our Approach to Corporate Governance

Fast Retailing undertakes corporate governance to ensure growth, proper management and a responsive and transparent corporate structure as it seeks to become the world’s number one apparel manufacturer and retailer. We have implemented measures to ensure the independence and robust surveillance powers of the Board.

We introduced a system that uses entrusted operating officers, to separate the decision-making and executive functions of management. The majority of directors on the Board are external 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.

Outline of Corporate Governance (Year ending August 31, 2013)

<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>6, including 5 external directors</td>
</tr>
<tr>
<td>Number of Auditors</td>
<td>5, including 3 external auditors</td>
</tr>
<tr>
<td>Details of Board of Directors Meetings in Fiscal 2013</td>
<td></td>
</tr>
<tr>
<td>- Number of Meetings</td>
<td>13</td>
</tr>
<tr>
<td>- Director Attendance¹</td>
<td>100%</td>
</tr>
<tr>
<td>- Auditor Attendance²</td>
<td>98.5%</td>
</tr>
<tr>
<td>- Sample Agenda</td>
<td></td>
</tr>
</tbody>
</table>

- Fiscal year budget, Approval of corporate results, Approval of group officers appointments, UNIQLO operations in Indonesia

| Details of Board of Auditors Meetings in Fiscal 2013 | |
| - Number of Meetings | 14                             |
| - Auditor Attendance² | 95.8%                          |
| - Sample Agenda      |                                 |

- Auditing policy, Auditing planning, Discussion with Executive Board, GU business and future issues, Key labor 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, IT Investment Committee

Election of Independent Directors

- 3 external directors and 3 external 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 2013 compensation to the six directors totaled 447 million yen, including 47 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 2013 compensation to the six auditors totaled 61 million yen, including 31 million yen to statutory auditors.³

Accountant Auditor

- Ernst & Young ShinNihon LLC

¹ Average attendance of each director  
² Average attendance of each auditor  
³ Includes remuneration for one statutory auditor who resigned his post at the General Shareholders’ Meeting held on November 22, 2012

Corporate Governance at Fast Retailing (As of December 31, 2013)
Internal Control

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.

Guidelines to Prevent the Abuse of Superior Bargaining Power

Building equal and amicable relationships with our business partners is extremely important. The Fast Retailing Group is in a particularly strong position in terms of bargaining leverage given that it operates approximately 2,400 stores worldwide and orders more than 800 million items annually. As a preemptive measure, the Business Ethics Committee established the Guidelines to Prevent the Abuse of Superior Bargaining Power, which ensure that our partner factories and suppliers do not consider themselves under inappropriate pressure.

The Business Ethics Committee sends surveys to the Group’s principal business partners on an annual basis, and discusses and advises the relevant departments if any issues arise. The Committee deliberated on 63 specific survey responses in fiscal 2013.

CoC and Monitoring Workplace Conditions at Partner Factories

UNIQLO works with partner companies to manage product safety, quality and working conditions, and has 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. We have also compiled the Environmental Standards for Materials Factories for sewing factories and fabric manufacturing plants, which are now monitored* by specialized external institutions.

*For more information on monitoring activities, p.58-59

Composition of Committees (As of December 31, 2013)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chairperson</th>
<th>Observer</th>
<th>Observer</th>
<th>Officers and Other External Professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources Committee</td>
<td>Yanai</td>
<td>Hambayashi</td>
<td>Hattori</td>
<td>3</td>
</tr>
<tr>
<td>CSR Committee</td>
<td></td>
<td>Murayama</td>
<td>Shintaku</td>
<td></td>
</tr>
<tr>
<td>Disclosure Committee</td>
<td></td>
<td>Nawa</td>
<td>Shinjo</td>
<td>6</td>
</tr>
<tr>
<td>IT Investment Committee</td>
<td></td>
<td>Tanaka</td>
<td>Yasumoto</td>
<td></td>
</tr>
<tr>
<td>Code of Conduct Committee</td>
<td></td>
<td>Watanabe</td>
<td>Kaneko</td>
<td></td>
</tr>
<tr>
<td>Business Ethics Committee</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

Notes: The head of the CSR Department chairs both the CSR Committee and the Business Ethics 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.
Messages from Our External Directors

Fast Retailing's Growing Orientation as a Public Corporation

Today, Fast Retailing is making the transition from being a ‘my company’ under founder, CEO and major shareholder Tadashi Yanai, to being a ‘your company,’ a more public corporation. While Mr. Yanai is undeniably an amazing businessman, our task is to evaluate, on behalf of various stakeholders, whether Fast Retailing is generating sound results. Although this is still some way off, at some point we will have to offer advice regarding Mr. Yanai’s successor.

Fast Retailing aspires to become the world’s top apparel retailer, and I intend to use my management experience to help realize that aim. Regardless of what happens in the global economy, we need to maintain profitability at UNIQLO Japan, expand buoyant and profitable UNIQLO operations in Asia, and nurture a strong operational base. Accelerating UNIQLO’s development in the United States and Europe will also be key. No doubt, Fast Retailing will face some tough challenges, and this is why it must continue improving its corporate culture and push on with its philosophy of ZEN-IN KEIEI, where everybody thinks like 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.
Making Winning Investments

Mergers and acquisitions are all about the bidder’s premium or added value. In that sense, M&A starts from a point of defeat. If we grasp this concept and fully discuss the potential Group synergies 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 and attempt to improve the corporate value of Fast Retailing from a capital markets perspective.

Fast Retailing is now much more adept than it once was at conducting in-depth discussions on levels of profit and potential growth following a merger or acquisition, as well as on the potential synergies for the Group and 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, including even some large-scale candidates. In such an environment, the Board of Directors has the increasingly important role of resolutely highlighting any downside risks.

Conflict and Tradeoffs — Energy Sources for Growth

Companies face conflicts of interest and tradeoffs as they expand and grow, but in resolving these issues they often discover new sources of further growth. Under the astute leadership of Mr. Yanai, Fast Retailing has developed new approaches to management. Now, in the manner of a true global retailer, its management team must strive to resolve conflicts by forming strong channels of communication across all geographical locations, businesses and operations. To that aim, it is extremely important to instill FR’s management principles in all employees worldwide, and ensure they have the appropriate means to act on these principles swiftly.

Fast Retailing’s success to date has been based on its ability to constantly question established convention, develop new product concepts, and suggest new lifestyles. The development of innovative ideas will always generate some friction, but that friction can also generate fresh energy and momentum. I will help train FR’s new managers to keep on generating these vital sources of power.

Implementing Our Determined Global Strategy

Over my four years as external director, I have witnessed the determined progress that Fast Retailing has made on its globalization strategy. Employees and top management are united in their quest to build a successful presence in markets worldwide. The challenges are clear, the people and systems are in place, and the Group is pursuing global expansion with speed and conviction. Resolving difficult problems is a great way to grow and evolve. But the starting line is the toughest place to be.

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, who all bring our different backgrounds to bear. The Board of Directors, as a team, plays a vital role in accelerating the development of Fast Retailing and contributing to its future growth.

Training New Leaders to Promote Global Growth

Training new leaders is key to ensuring successful sales growth for any globally expanding company. As a consultant, I have advised companies not just from Japan, but also from places including the United States, China, and South Korea on global development. In order to help Fast Retailing achieve global growth, I consider whether its training systems can equip new managers with the entrepreneurial spirit they need, and whether the company as a whole is achieving diversity.

Employing my expertise in working with non-Japanese companies and IT firms inside and outside Japan, I aim to point out the best global corporate governance practices. The Fast Retailing Board of Directors is extremely sharp and dynamic. Our frank exchanges and lively debates help us form firm decisions on how to move forward. I have been on the Board for one year now, and I will continue to support Fast Retailing in its pursuit of global growth.
Auditor Message

Nurturing a Better Corporate Culture for Women

I have only been a statutory auditor for a little over a year, and I believe that I can therefore offer firm, fresh ideas. As a member of the Code of Conduct Committee, I comment frequently on Fast Retailing’s working environment. The company’s strict policy on working hours supports women who want to continue their careers after marrying and having children. Female personnel constitute a formidable force in a business where the majority of customers are women, and I believe more and more women will fill positions of responsibility at Fast Retailing in the future.

I have worked with a variety of companies in my capacity as a lawyer. Our society is built on the rule of law, and management decisions should also be governed by rules. Mr. Yanai is an impressive leader, but I sometimes feel the company’s culture is rather male-oriented and could benefit from a stronger female perspective. In general, Fast Retailing must take into account more diverse opinions as it seeks to promote globalization and expand its corporate group. I hope to continue expressing objective views and offering candid advice regarding the company’s corporate culture.

Keiko Kaneko
Statutory Auditor