

Our Approach to Corporate Governance

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

We employ 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.

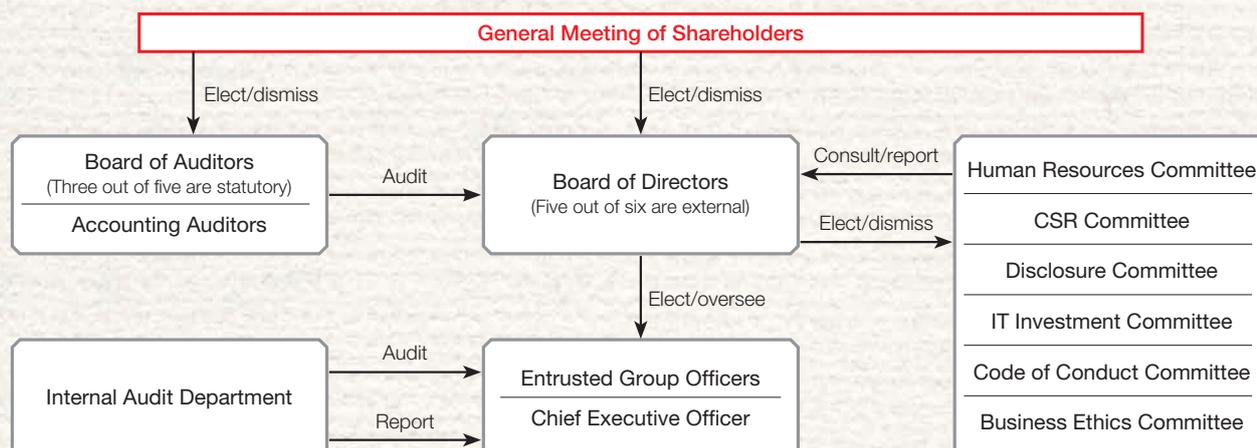
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human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

Outline of Corporate Governance (Year ended August 31, 2014)

Form of Organization	Corporate auditor governance model
Chairman of the Board	Tadashi Yanai
Number of Directors	6, including 5 external directors
Number of Auditors	5, including 3 statutory auditors
Board of Directors Meetings in Fiscal 2014	<ul style="list-style-type: none"> • Number of Meetings 13 • Director Attendance*1 96.2% • Auditor Attendance*2 98.5% • Sample Agenda Fiscal year budget, Approval of corporate results, Approval of group officers appointments, GU operation in Taiwan
Board of Auditors Meetings in Fiscal 2014	<ul style="list-style-type: none"> • Number of Meetings 13 • Auditor Attendance*2 98.5% • 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 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 2014 compensation to the six directors totaled 290 million yen, including 50 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 2014 compensation to the five auditors totaled 65 million yen, including 30 million yen to statutory auditors.
Accountant 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, 2014)





Fast Retailing Head Office, Yamaguchi

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 2,700 stores worldwide and orders more than 800 million items annually. As a pre-emptive 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 53 specific survey responses in fiscal 2014.

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 regularly check working conditions at partner factories* for any inappropriate practices, such as child or forced labor, and instigate improvements. We have also compiled the Environmental

Standards for Materials Factories. These are adopted by sewing factories and fabric manufacturing plants, which are now monitored* by specialized external institutions.

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

Composition of Committees (As of December 31, 2014)

✓ = 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							✓		✓			12
Disclosure Committee	✓							✓				6
IT Investment Committee	Chairperson			Observer	Observer			✓				3
Code of Conduct Committee							✓				✓	7
Business Ethics Committee								✓	✓	✓		3

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.

Directors



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

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 both NEC Capital Solutions Limited and Denso Corporation.

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 an external director at Cookpad Inc. and vice chairman of the non-profit organization Special Olympics Nippon.

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 of Waseda University, specializing in management design.

Nobumichi Hattori

External Director

Appointed November 2005. Former managing director at Goldman Sachs, currently an M&A research specialist. He serves as visiting professor at the Graduate School of International Corporate Strategy at Hitotsubashi University and at the Waseda Graduate School of Finance, Accounting and Law. External director at Miraca Holdings Inc.

Toru Hambayashi

External Director

Appointed November 2005. Former president of Nichimen Corp. and chairman and Co-CEO of Nissho Iwai-Nichimen Holdings Corp. (currently Sojitz Corp.). Currently serving as an external director at Maeda Corp. and a statutory auditor at Unitika Ltd.

Tadashi Yanai

Chairman, President and CEO

Entered Fast Retailing Co., Ltd. in August 1972. Appointed president and CEO in September 1984. Currently also chairman, president and CEO of UNIQLO Co., Ltd., chairman of G.U. Co., Ltd., director of Link Theory Japan Co., Ltd., and external director at SoftBank Corp.

Auditors



From left: Masaaki Shinjo, Keiko Kaneko, Akira Watanabe, Akira Tanaka, Takaharu Yasumoto

Masaaki Shinjo

Full-time Internal Corporate Auditor

Full-time internal corporate auditor since November 2012. Since joining FR in February 1994, he has served as general manager of FR Group Auditing, FR Group Corporate Transformation, Sales Support at UNIQLO Co., Ltd. and FR Group Planning Management, as well as statutory auditor of G.U. Co., Ltd.

Akira Watanabe

Statutory Auditor

Statutory auditor since November 2006. Currently a partner in the Seiwa Meitetsu Law Office. Also serves as an external director for Maeda Corp, MS&AD Insurance Group Holdings, Inc. and Dunlop Sports Co. Ltd.

Takaharu Yasumoto

Statutory Auditor

Statutory auditor since November 1993. President of the Yasumoto CPA Office. Also serves as statutory auditor for UNIQLO Co., Ltd., Link Theory Japan Co., Ltd., ASKUL Corp. and UBIC, Inc.

Keiko Kaneko

Statutory Auditor

Statutory auditor since November 2012. Currently a partner in the Anderson Mori & Tomotsune law firm and statutory auditor at The Asahi Shimbun Company and UNIQLO Co., Ltd.

Akira Tanaka

Full-time Internal Corporate Auditor

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

Messages from Our External Directors



Toru Hambayashi
External Director

Fast Retailing: A Responsible, Accountable Public Company

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. Furthermore, and this is still a way off, but 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 own 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 U.S. and Europe will also be key. Without doubt, FR will face some tough challenges, and this is why it must continue improving its corporate culture and push on with its Zenin Keiei philosophy, where everybody is encouraged to think like a business manager.



Nobumichi Hattori
External Director

Making Winning Investments

Mergers and acquisitions are all about the premium the bidder pays. In that sense, M&A start from a position of loss. 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 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.



Toru Murayama
External Director

Conflict and Challenge Reveal Growth Potential

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 end, it is extremely important to instill FR’s management principles in employees worldwide, so that 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.



Masaaki Shintaku
External Director

Advancing Globalization and Zenin Keiei

As someone well versed in the positive and negative aspects of managing a global company, I can offer objective advice to Fast Retailing, where globalization is not just a concept, but an essential part of its quest to become the world's best. FR employees understand that to become World No.1 you have to globalize, and they are all working towards that goal.

Over the past few years, radical improvements in IT have helped encourage greater managerial awareness. Thanks to new inventory management systems, all employees can instantly access data on in-store inventory, and make executive decisions on store operations in a way they never could before. Fast Retailing has always believed that its employees are its true source of power, and the new regional employee system will encourage greater autonomy. Mr. Yanai is a dynamic leader who heeds the advice of external directors. I am eager to keep contributing to Fast Retailing's growth as a member of the Board.



Takashi Nawa
External Director

Thinking Globally

During my career at a large consulting firm, I advised many Japanese companies about global expansion. Diversity of opinion and experience is important in any management discussion, and so I always consider the international perspective and work to include that in the debate.

Fast Retailing's comprehensive business model, which spans clothing design, production and retail, is very successful. However, the company tends to focus narrowly on optimizing individual functions, rather than developing strong links across the entire organization. It needs to take a step back. It also needs to consider how to best combine UNIQLO's business on the internet and its physical store network. Given its origins as a brick-and-mortar retailer, FR discusses real-world operations confidently, but has yet to fully exploit opportunities in the virtual world. It is my job to point out any misguided decisions, and offer appropriate, objective advice on new business areas.

Auditor Message



Takaharu Yasumoto
Statutory Auditor

Helping Fast Retailing Grow and Evolve

In FR's Board meetings, auditors are encouraged to participate on an equal footing with directors, so the discussions are always extremely lively and fruitful. Governance committees complement the functioning of the Board, and auditors attend all committee meetings (either as committee members or observers) in order to confirm the legality, appropriateness, and, at times, even the validity of everything we discuss. This lively debate and full participation ensures healthy corporate governance and strict compliance.

Mr. Yanai is an effective leader, setting challenging targets and nurturing large numbers of capable managers and employees to achieve rapid growth. Good teamwork and open communication help to keep the company moving in the right direction. Managers must always consider how to allocate their resources most effectively, from people to physical goods and infrastructure, finances and information. There is no single right answer, but, as a strict auditor, I can offer advice, proposals and support to help FR grow and develop into an even better company.