

WORKING TOGETHER TO DO THINGS RIGHT





MESSAGES FROM OUR EXTERNAL DIRECTORS



Toru Hambayashi
External Director

**Fast Retailing:
A Responsible, Accountable Public Company**

It is our task as external directors to vigilantly evaluate, on behalf of various stakeholders, whether Fast Retailing is generating sound results. While CEO Tadashi Yanai is an amazing businessman, and an ethical one, Fast Retailing must continue its transition from a “my company” under Mr. Yanai to a “your company,” a more public corporation. I am also committed to helping Fast Retailing realize its aim of becoming the world’s top apparel retailer.

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



Nobumichi Hattori
External Director

Maximizing Corporate Value

Fast Retailing’s high level of growth is leading to a greater number of potential M&A opportunities. In such an environment, the Board of Directors has the increasingly important role of resolutely highlighting any downside risks. 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.

Appointed November 2005. Formerly worked at Goldman Sachs. Currently an M&A research specialist. Visiting professor at the Graduate School of International Corporate Strategy at Hitotsubashi University and the Waseda Graduate School of Finance, Accounting and Law. External director at Miraca Holdings Inc. and Hakuholdo DY Holdings Inc.



Toru Murayama
External Director

**Conflict and Challenge
Reveal Sources of Growth**

The most important function of external directors is to put forward proposals that come from different viewpoints and ways of thinking. Fast Retailing’s management team must strive to swiftly identify and resolve conflicts in the manner of a true global retailer, across all geographical locations, businesses and operations. I am committed to helping instill Fast Retailing’s management principles in employees worldwide and to nurturing new management personnel.

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.



Masaaki Shintaku
External Director

A Clear Path to Faster Globalization

I believe that Fast Retailing’s executive management and other employees are united in their aspirations, and that the Group has laid the necessary groundwork for successful growth across all global operations. Thanks to the successful integration of its personnel and systems, Fast Retailing is now more adept at pinpointing and overcoming issues, and pursuing growth with speed and conviction. I am eager to continue contributing to Fast Retailing’s growth as a member of its board.

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.



Takashi Nawa
External Director

Incorporating Global Approaches to Business

Throughout my career, I have advised many Japanese companies about global expansion. Diversity of opinion and experience is important in any management discussion, and so I always try to consider international perspectives and incorporate them into our debate. As an external director, it is my job to point out any misguided decisions, and to offer appropriate, objective advice regarding new business areas.

Appointed November 2012. Previously a director of McKinsey & Company, he is currently a 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, Denso Corporation and Ajinomoto Co., Inc.

MESSAGES FROM OUR AUDITORS



Keiko Kaneko
Statutory Auditor

Offering Multifaceted Advice

As its rapid globalization progresses, Fast Retailing is in uncharted waters, facing new issues and unforeseen challenges across all its operations. As statutory auditors, we should support Fast Retailing in its swift, determined pursuit of future growth opportunities, but our overriding priority must always be to minimize risk by offering advice from various specialist standpoints. The best way I can help Fast Retailing is to be vigilant and consistent in supporting the formation of solid systems and procedures.

Appointed November 2012. Currently a partner in the Anderson, Mori & Tomotsune law firm. Also serves as internal auditor at UNIQLO Co., Ltd. and statutory auditor at The Asahi Shimbun Company.



Takaharu Yasumoto
Statutory Auditor

Mr. Yanai's management style involves setting challenging targets and nurturing large numbers of capable managers and employees to achieve rapid growth. Managers must allocate resources effectively, from people and physical goods to infrastructure, finances and information. There is never a single right answer, but, as a strict and conscientious auditor, I can offer advice and support to help Fast Retailing grow into an even better company.

Appointed November 1993. Currently president of the Yasumoto CPA Office. Serves as internal auditor for UNIQLO Co., Ltd. and Link Theory Japan Co., Ltd., and statutory auditor at ASKUL Corp. and UBIC, Inc.



Akira Watanabe
Statutory Auditor

At Fast Retailing, the Business Ethics, Human Resources, CSR, Disclosure, IT Investment, and Code of Conduct Committees complement the functioning of the Board. An auditor is always present at committee meetings to contribute measured and earnest observations. We intend to offer consistent, solid support by voicing forthright opinions in our capacity as auditors.

Appointed November 2006. Currently a partner in the Seiwa Meitetsu Law Office. Also serves as external director for Maeda Corp, MS & AD Insurance Group Holdings and Dunlop Sports Co., Ltd., and statutory auditor at Kadokawa Dwango Corporation.



Akira Tanaka
Full-time Internal
Corporate Auditor

Our stores are the most important part of our business, so I always make a point of speaking directly to store managers and staff. I will continue to offer proactive advice on issues such as personnel training to promote company growth and maximize employee satisfaction.

Appointed 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.



Masaaki Shinjo
Full-time Internal
Corporate Auditor

My role is to act as an antenna that picks up risks and problems in each of our businesses. I work closely with our external statutory auditors as well as our accounting auditor and Internal Audit Department. I always aim to use my varied experience at Fast Retailing to make proactive suggestions.

Appointed November 2012. Served as director of FR Group Auditing, FR Group Corporate Transformation, Store Operations Support at UNIQLO Co., Ltd. and FR Corporate Management and Control, and also as internal auditor of G.U. Co., Ltd.

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.

Under our entrusted operating officer system, the Board devolves power over a given area of business to a specific entrusted officer. This separates 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.

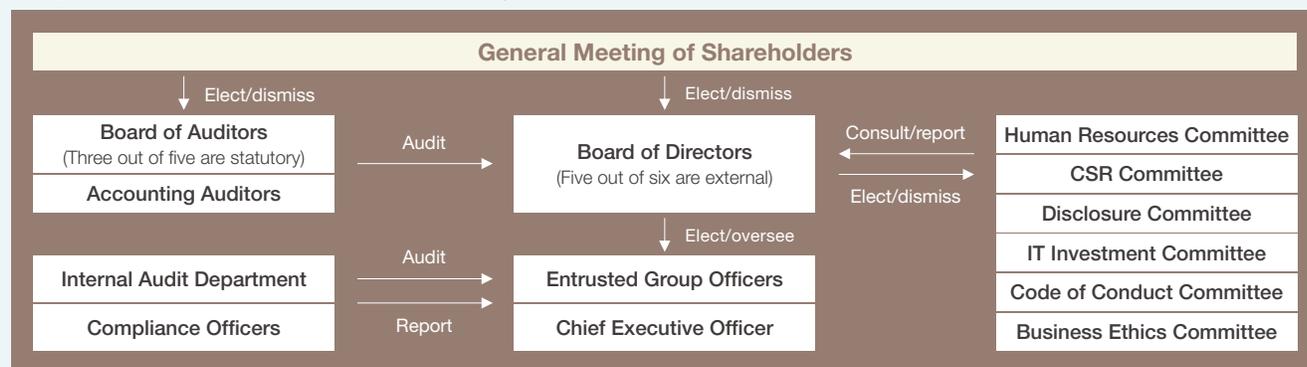
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. At the same time, governance committees support the decision-making duties of the Board of Directors. Separate governance committees oversee human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

Outline of Corporate Governance (Year ended August 31, 2015)

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 2015	• Number of Meetings	13
	• Director Attendance*1	100%
	• Auditor Attendance*2	98.5%
	• Sample Agenda	Fiscal year budget, Approval of corporate results, Approval of group officer appointments, UNIQLO USA business, Ariake project
Board of Auditors Meetings in Fiscal 2015	• Number of Meetings	13
	• Auditor Attendance*2	98.5%
	• Sample Agenda	Auditing policy, Auditing planning, Discussion with Executive Board, Efforts to nurture FR employees, 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, IT Investment Committee, Code of Conduct Committee, Business Ethics 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 2015 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 2015 compensation to the five auditors totaled 65 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 January 7, 2016)



ROLES AND ACTIVITIES OF THE COMMITTEES

■ Human Resources Committee

The Human Resources Committee, chaired by external director Toru Hambayashi, discusses important organizational changes and adjustments to human resource systems across the Group, and offers views and suggestions to the Board.

■ CSR Committee

The CSR Committee discusses and directs Fast Retailing's overall CSR strategy, from compiling and publishing the annual CSR report to promoting environmental protection, social responsibility, compliance and diversity. The head of the CSR department chairs the committee. Members include outside experts, external statutory auditors and Group officers.

■ Disclosure Committee

The Disclosure committee, chaired by the company official in charge of disclosing information to the Tokyo Stock Exchange (TSE), is tasked with boosting management transparency by "disclosing information that is timely, accurate, fair and easy to understand." The Committee is responsible for both timely and voluntary disclosures to the TSE and the Stock Exchange of Hong Kong regarding matters that may materially impact investor and shareholder investment decisions. The Committee met 16 times in fiscal 2015.

■ IT Investment Committee

This Committee debates and advises on the IT investments that will best achieve our targets for sweeping changes to our information systems and business operations. That means deliberating the efficacy of each individual investment, and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate. The committee met eight times in fiscal 2015.

■ Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct (CoC), and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the Legal Department, and includes auditors and legal advisors.

■ Business Ethics Committee

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The committee met 14 times in fiscal 2015.

Composition of Committees (As of January 7, 2016)

●=Committee Members

		Human Resources Committee	CSR Committee	Disclosure Committee	IT Investment Committee	Code of Conduct Committee	Business Ethics Committee
Internal Director	Yanai	●		●	Chairperson		
	Hambayashi	Chairperson					
External Directors	Hattori						
	Murayama				Observer		
	Shintaku				Observer		
	Nawa	●					
Internal Full-time Auditors	Tanaka	●	●			●	●
	Shinjo			●	●		●
External Statutory Auditors	Yasumoto		●				●
	Watanabe						●
	Kaneko	●				●	
Number of Group Officers, External Professionals, etc.		4	12	6	3	7	4

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 Legal 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.



Fast Retailing Head Office, Yamaguchi

INTERNAL CONTROL

Fast Retailing seeks to consistently improve its corporate ethics and compliance through a number of internal controls. These are meant to ensure 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 established an internal control system overseen by our Internal Audit Department and our Legal Department, which is responsible for compliance issues.

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 power given that it operates approximately 3,000 stores worldwide and has annual sales of 1.68 trillion yen. 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 from us.

The Business Ethics Committee sends surveys to the Group's principal business partners on an annual basis, and then holds discussions and advises the relevant departments if any issues arise.

The CoC and Monitoring Workplace Conditions at Partner Factories

Fast Retailing 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 garment factories and fabric suppliers, which are now monitored* by specialized external institutions.

*For more information on monitoring activities, see p.56-57.