



**WORKING TOGETHER
TO DO THINGS RIGHT**



MESSAGES FROM OUR EXTERNAL DIRECTORS



Toru Hambayashi
External Director

A Responsible, Accountable Public Company

Fast Retailing CEO Tadashi Yanai is an amazing businessman, and an ethical one, but it is important to continue the transition from a “my company” under Mr. Yanai to a “your company,” a more public corporation. My job is to vigilantly evaluate, on behalf of various stakeholders, whether Fast Retailing is generating sound results, and help the company become the world’s top apparel retailer.

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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 UNITIKA LTD., MAEDA CORP. and DAIKYO INCORPORATED.



Nobumichi Hattori
External Director

Maximizing Corporate Value

I draw on my former career at a leading US financial institution to objectively assess Fast Retailing from a capital markets perspective, and attempt to improve its corporate value. As Fast Retailing continues to expand strongly, the role of the Board of Directors in resolutely highlighting any downside risks is becoming increasingly important. I intend to fulfill that role to the best of my ability.

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Appointed November 2005. Formerly worked at Goldman Sachs. Currently an M&A research specialist. Visiting professor at Waseda Graduate School of Finance, Accounting and Law. External director at Hakuhodo DY Holdings Inc. Special invited professor at the Graduate School of Business Administration at Keio University.



Toru Murayama
External Director

Actively Nurturing Management Skill

One important function of external directors is to put forward proposals based on different viewpoints and ways of thinking. As a true global retailer, Fast Retailing’s management team should strive to foster strong communication across all locations, businesses and operations in order to facilitate the swift resolution of problems. I am committed to helping instill Fast Retailing’s management principles in employees worldwide and nurture new management personnel.

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Appointed November 2007. Previously representative director, chairman and president of Accenture Japan Ltd. Currently a visiting professor in the Faculty of Science and Engineering of Waseda University, specializing in management design. External director at Meiji Holdings Co., Ltd.



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, vice chairman of Special Olympics Nippon Foundation and an external director at Works Applications Co., Ltd.



Takashi Nawa
External Director

Diversity-focused Management Advice

Throughout my career, I have advised many Japanese companies about global expansion. I always try to inject international viewpoints into our management discussion and ensure our debate considers sustainability and diversity. 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. 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 NEC Capital Solutions Limited, DENSO CORPORATION and Ajinomoto Co., Inc.

MESSAGES FROM OUR AUDITORS



Keiko Kaneko
Statutory Auditor

Offering Multifaceted Advice

Fast Retailing is in uncharted waters, facing new issues and unforeseen challenges across all its operations. As statutory auditors, we should support the Group 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 statutory auditor at UNIQLO CO., LTD. and external 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 statutory auditor for UNIQLO CO., LTD., LINK THEORY JAPAN CO., LTD., and external statutory auditor at ASKUL Corp. and FRONTEO, Inc.



Akira Watanabe
Statutory Auditor

At Fast Retailing, the Human Resources, CSR, Disclosure, IT Investment, Code of Conduct, and Business Ethics 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. Lawyer, who also serves as external director for MAEDA CORP, MS&AD Insurance Group Holdings, Inc. Dunlop Sports Co., Ltd. and external 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 such issues 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 a full-sweep 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 broad experience at Fast Retailing to make proactive suggestions in a variety of areas.

Appointed November 2012. Served as director of FR Group Auditing, FR Group Corporate Transformation and FR Group Planning Management, as well as internal auditor of G.U. CO., LTD. and director of Store Operations Support at UNIQLO CO., LTD.

OUR APPROACH TO CORPORATE GOVERNANCE

As we seek to become the world's number one digital-powered apparel 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.

Fast Retailing operates under a delegated authority system, in which the CEO and the Board delegate discretion over the execution of business administration to specific corporate officers. This is designed to separate decision-making and executive functions, and encourage dynamic

management. The majority of directors on the Board are external, to heighten the Board's independence and its surveillance ability.

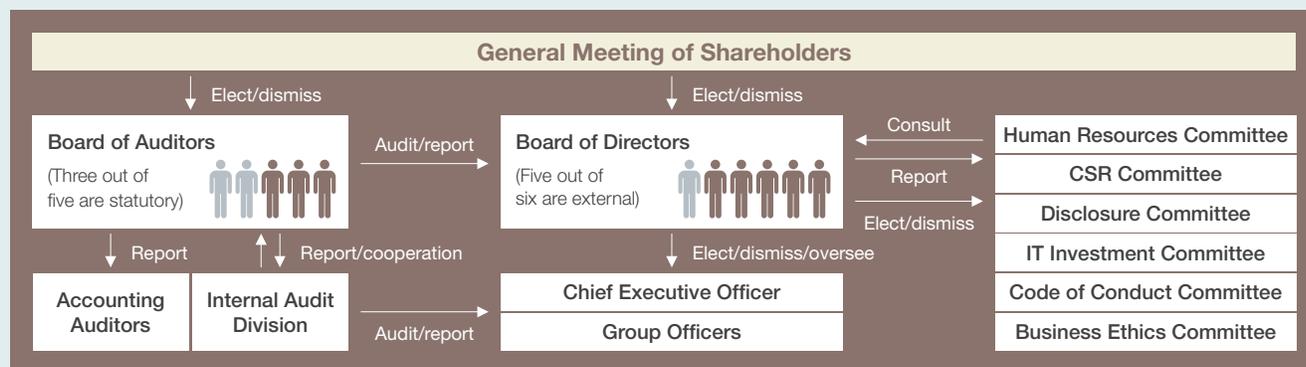
The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to a Board of Auditors. It also has separate governance committees which support the decision-making duties of the Board on human resources, corporate social responsibility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

Outline of Corporate Governance (Year ended 31 August 2016)

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 2016	• Number of Meetings	13
	• Director Attendance*1	97.5%
	• 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 2016	• 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 2016 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 2016 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 12, 2017)



ROLES AND ACTIVITIES OF THE COMMITTEES

■ Human Resources Committee

The Human Resources Committee, chaired by an external director 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 Sustainability Report to promoting environmental protection, social responsibility, compliance and diversity. The head of the Sustainability Department chairs the committee. Members include outside experts, external statutory auditors and Group officers.

■ Disclosure Committee

The Disclosure Committee, chaired by the individual in charge of disclosing information to the Tokyo Stock Exchange (TSE), boosts management transparency by “disclosing information that is timely, accurate, fair and easy to understand.” The committee is responsible for timely disclosure to the TSE and the Stock Exchange of Hong Kong, and for voluntary disclosure of information that may materially impact shareholder and investor decisions.

■ IT Investment Committee

This committee debates and advises on IT investments that will best achieve the Group's digital innovation targets, deliberating on the efficacy of individual investments and checking whether IT investment budgets submitted by external specialist organizations are reasonable and appropriate.

■ Code of Conduct Committee

The Code of Conduct Committee considers how best to resolve violations of the Fast Retailing Group Code of Conduct (CoC), and make improvements. It advises on educating executives and employees about the CoC, and on operating the internal reporting system (hotline). The committee is chaired by the head of 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 head of the Sustainability Department chairs the committee. Members include auditors and legal advisors.

Composition of Committees (As of January 12, 2017)

●=Committee Member

		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	●	●			●	Observer
	Shinjo			●	●		●
External Statutory Auditors	Yasumoto		●				●
	Watanabe						●
	Kaneko	●				●	
Number of Group Officers, External Experts, etc.		1	9	4	2	6	4

Notes:

The head of the Sustainability 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 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 improve its corporate ethics and compliance through a number of internal controls designed to ensure strict adherence to Group policies and rules, including the Group's management principles, the Fast Retailing Way and the Fast Retailing Group Code of Conduct (CoC). Fast Retailing is committed to developing Group-wide

compliance systems and problem resolution mechanisms. The Internal Audit Department oversees the Fast Retailing Group internal control system. The Legal Department deals with compliance issues, and the executive officer for legal affairs is responsible for overall compliance.

Fast Retailing Code of Conduct (CoC) for Officers and Employees

We teach the Fast Retailing Group CoC principles to all officers and employees via a mandatory online course, and strongly encourage everyone to sign a written commitment to them. Anyone can report a potential violation of the CoC or discuss work concerns via our internal reporting system (hotline). 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. The Code of Conduct Committee regularly monitors the compliance system and hotline operation, and may offer advice or recommendations to relevant departments if necessary.

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 3,160 stores worldwide and has annual sales of 1.79 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 advises the relevant departments if any issues arise.

Stronger Compliance Training for Officers and Employees

The Legal Department aims to cultivate stronger ethical values and crisis response capabilities among all Group officers and employees by offering online courses and other training opportunities. The courses offer detailed, step-by-step advice on concrete considerations that are likely to

emerge in daily business activities. Online courses in fiscal 2016 focused on a variety of topics, including information handling, important points to consider when creating contracts, insider trading regulations, the use of social media, preventing harassment, and intellectual property.