

THE POWER OF CLOTHING

Making The World A Better Place



05 WHAT IS A SOCIAL BUSINESS?

Truly Great Clothing for People Around the World

What is a Social Business?

Photos: Yasuo Mikome and Shinsuke Kamioka

There are many people around the world who do not have enough to eat, who are separated from their loved ones, or whose daily lives are a struggle due to poverty, armed conflict and natural disasters. Social businesses, having an approach that is ongoing and market-oriented, are meant to get at the roots of these problems at a deeper level and in a more enduring way than that achieved through occasional donations or volunteer activities that provide temporary support.

UNIQLO and Grameen Bank launched a social business this year in the People's Republic of Bangladesh, one of the world's poorest countries.

Recognizing that the people of Bangladesh face a wide range of problems, including access to clean water, sanitation issues, inadequate education and labor rights abuses, UNIQLO is drawing on its unique expertise as an apparel manufacturer and retailer to address some of these pressing issues. We designed a not-for-profit social business initiative to help improve living conditions in Bangladesh by harnessing the power of clothing.

We are working with local partner factories to develop and establish an entirely local business cycle, spanning sourcing, production and sales. Our aim is to help people achieve economic independence

while addressing the problems that place the greatest strain on Bangladeshi society. UNIQLO's high-quality clothes, sold for less than a dollar per item so that local consumers can afford them, are the key to reaching this goal.

The potential is clear. Faces glowing with excitement as people try on UNIQLO's clothing for the first time and the voices of local employees rising as they discuss how money earned from clothing sales will help send their children to school. As these possibilities become clearer to everyone involved in this initiative, the motivation to sell more clothing to more people grows stronger every day.

The response to this social business initiative points to something more significant than the pleasures of wearing great clothes. Clothing, which can lead to increased incentive to work and educational opportunities, holds an immense power to change lives.

UNIQLO, through the power of clothing that is "MADE FOR ALL", wishes to provide people throughout the world with the joy of wearing truly great clothing.

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UNIQLO's Social Business in Bangladesh

In September 2010, UNIQLO established a joint venture with Grameen Bank and launched a social business in Bangladesh. Through this joint venture, truly great clothing will be produced there at prices that are affordable for local, economically disadvantaged families.

We are working with local partner factories to develop and establish an entirely local business cycle, spanning sourcing, production and sales. "Grameen Ladies" are selling for less than a dollar each. Seven high-quality items, including T-shirts and underwear produced by the social business.

This initiative aims to help people in Bangladesh in their pursuit of financial independence. By giving individuals the opportunity to earn money from the production and sale of clothing, they can provide their children with a good education. At the same time, other deprived individuals will be able to buy well-made clothing.

Grameen Bank:

Grameen Bank, which was founded in 1983 by Muhammad Yunus, is the largest microcredit institution in Bangladesh. It offers non-collateralized loans to unemployed and economically disadvantaged individuals. Yunus, the bank's managing director, along with Grameen Bank, were awarded the Nobel Peace Prize in 2006 for their efforts to create economic and social development from below.

Reinvesting Profits

Our social business will pursue profits and invest them in social business initiatives. The aim is to manufacture and sell 100,000 items in the first year and one million by the third year.

Health and Safety

Potential customers will be told about the importance and benefits of high-quality, clean clothing.

An Active Role for Women

Many women in Bangladesh have little contact with people outside of their families. By selling and purchasing clothing, they will be able to take a more active role in their communities.

A Springboard to Education

Many children do not go to school because they lack proper clothing. Appropriate attire will provide children the motivation to attend classes.

New Product Ideas

The Grameen Ladies are ideally positioned to share feedback from local consumers that can be incorporated into the development of new products.



Buy and Wear

Prices will be 20 to 30 percent higher than local market prices, so it will be vitally important to ensure that local consumers understand the quality and durability of our T-shirts, find their prices agreeable, and wear them for a long time.

01

Product Planning

We aim to achieve both uncompromising quality and affordable local market prices. T-shirts typically sell for about 60 cents each in Bangladesh.

02

Materials Procurement

Our social business will obtain low cost fabric from its partner factories in Bangladesh.

03

Production at Local Factories

We will maintain low prices but will never compromise quality. Production is undertaken at local factories that agree to support our social business objectives and quality standards.



04

Face to Face Sales By Grameen Ladies

Grameen Ladies, who are working toward financial independence through loans granted by Grameen Bank, will handle sales. The women, who generally come from disadvantaged rural areas, go door to door explaining and selling the clothing or use their homes as stores.



05

06

Expanded The Social Business



About Bangladesh

Official name: People's Republic of Bangladesh
 Capital: Dhaka
 Population: 160 million
 Poverty rate: 36.3%*
 Literacy rate: 47.9%
 Life expectancy: 60.6 years old
 Religion: Muslim 90%, Hindu 9%, Buddhist/Christian/Other 1%

*Percentage of population living on less than \$1.25 a day

Bringing Value to Society As a Responsible Corporate Enterprise

The mission of UNIQLO is to enrich people's lives through its unique corporate activities and to grow and develop the company in unity with society. We believe that our corporate presence would lack value if we did not contribute to society.

Within its first year, this business initiative is expected to create 250 jobs and up to 1,500 jobs within three years. Of course, this is a newly established business model and very much a work in progress, with many issues still being considered.

UNIQLO, a company under the FAST RETAILING Group, is pursuing social business opportunities in Bangladesh with the aim of addressing some of the country's most pressing issues. Through business activities such as product planning, production and sales, this social business initiative aims to address Bangladesh's greatest social problems including in the areas of poverty, sanitation and education.

Nevertheless, UNIQLO earnestly hopes to change the world for the better through the power of clothing. Although the contributions of each enterprise and person involved in this initiative may be small, the sum of their combined strengths and our shared outlook will drive the development of a network with the potential to become a significant social movement.

The social business is divided into four core areas of focus:

- (1) To create a complete supply chain within Bangladesh, spanning materials procurement, production, distribution and sales
- (2) To improve people's daily lives by offering high-quality products at affordable prices, which can contribute to resolving issues such as by alleviating health and sanitation problems and providing educational opportunities for the poor
- (3) To create employment opportunities for Bangladesh's most economically disadvantaged citizens by providing a platform from which they can achieve independence as entrepreneurs
- (4) To generate profits and reinvest in the expansion of the social business



Production Manufacturing in Bangladesh



Nasir Uddin Ahmed
Managing Director,
Partner Factory

I believe that this social business will be wonderful for Bangladeshi society. We are providing quality products that poor people can afford and we understand what these people truly need. By providing these products, this business is in an ideal position to help improve the quality of life for the poor. It also enables them to save the money they earn, buy other products and find new jobs. Moreover, if those who are economically disadvantaged learn how to make products, we can maintain low production costs, generate higher profits and use that money to further expand the social business.



Tomokiyo Yoshikawa
Production,
UNIQLO Social Business
Bangladesh, Ltd.

Social businesses are not charities; we need to manufacture products that are both attractive to customers and price-competitive. We must find manufacturing facilities that can balance production costs with retail prices. While we explain our goals and purpose to local manufacturers in seeking their cooperation, we understand they need to generate a profit in order to continue production and maintain sustainable businesses. So our primary aim is to keep costs down while producing attractive products. We face all kinds of difficult obstacles, but our strength is the key that has allowed us to manufacture and sell affordable, high-quality clothing while addressing social problems in Bangladesh. In the future, I would like to further our involvement with social businesses in other countries.

Sales Selling in Bangladesh



Takashi Sugiyama
Sales,
UNIQLO Social Business
Bangladesh, Ltd.

Villagers quickly crowd around us after we arrive in rural areas to sell the products. It feels a bit like a clearance sale at a department store. We've started off selling seven kinds of products, each priced between roughly 70 to 80 cents. The prices aren't so low by local standards, but the clothing is worth the cost when you consider quality. These items are already proving to be quite popular, and I feel they can be trusted.

While selling products I always try to remind myself of the goal of the social business, which is to steer society in a positive direction. That's why we want the saleswomen to become professionals at what they do. We work with them directly, conveying UNIQLO standards and helping them put these standards into practice.



Ahtesham Uddin Ahmed
Senior Principal Officer,
International Program
Department, Grameen Bank

The most important elements of a social business are motivation, leadership and perseverance. The motivation of the Grameen Ladies, who are directly involved in sales, is key. I think we need to continually assure them that this business, just like the Grameen Bank loans, has the potential to improve their quality of life.

On the other hand, it is also important to generate feedback from them. Takashi Sugiyama at UNIQLO always listens carefully to the Grameen Ladies. A variety of global companies similar to UNIQLO are now trying to start social businesses. I hope these efforts will help rid the world of poverty in the near future.

The True Value of a T-Shirt

Kawran Bazar is a large marketplace near the cluster of foreign hotels and high-rise office buildings in the heart of Dhaka, Bangladesh's capital. The markets in this area feature hundreds of stores and stalls, with local merchants hawking a wide array of fresh produce and fish as well as assorted sundries, daily staples and clothing.

The people who work in Kawran Bazar are very friendly, and one might be inclined to attribute their genuine friendliness to the lack of foreigners in this warren of stalls and stores. "Hey, bondhu (friend)! Where are you from?" Voices call out from all directions. "Take our picture," a group of children urge, jumping in front of my camera and posing. Smiles greet me at every turn, and as I weave my way through Kawran Bazar and past the market stalls, I quickly fall in love with this country.

Bangladesh is trying to pull itself out of poverty. Because of poverty, many children still receive little in the way of education, particularly in rural areas, and the literacy rate is low. Sanitary conditions are poor and the infant mortality rate is high. Children who grow up in this environment face bleak futures; something needs to be done to break the cycle of poverty.

To do this, job creation is essential. People need a system with which they can earn a living on their own and attain financial independence. Give a man a fish, as the expression goes, and you feed him for a day; teach him to fish and you feed him for a lifetime. The cycle of financial independence cannot be established through government intervention. Rather, companies can draw on their expertise and channel the power of business into a desire to bring positive changes to society.

The job of selling products requires knowledge and skills. Many basic duties are needed such as care in handling products, regularly washing one's hands, greeting customers with a smile, managing inventory, and properly collecting and retaining payments. All of these actions entail a certain level of know-how.

This is where the Grameen Ladies come in, who have launched initial sales of UNIQLO products in Bangladesh. As active participants in the UNIQLO/Grameen joint initiative, these women will acquire the knowledge and skills they need to stand on their own feet. Social businesses are often similar to schools in that they provide an environment in which individuals can acquire the skills that lead to financial independence. Of course it is important to make money, but the acquisition of business skills is of a considerably greater value.

These women strongly believe that by selling clothing, priced at less than a dollar per T-shirt, they can raise the living conditions of their families and transform their lives. When I ask them how they plan to spend their earnings, the answer is invariably the same: "To send my children to school," indicating a strong awareness that education is a clear path out of poverty.

Nobuhiko Tanaka, Business Journalist

After graduating from Waseda University School of Political Science and Economics and studying Chinese at The Institute of Chinese-Japanese Studies, Nobuhiko Tanaka worked as a reporter for the Mainichi Shimbun, a major newspaper in Japan. Subsequently, he worked as a translator and interpreter before transitioning to a freelance writing career in 1988. He currently divides his time between Japan and Shanghai.



Bangladesh: Teeming with Energy

A colorful sea of friendly people, warm, inviting smiles, art and unbridled energy.

Here we take a look at daily life in Bangladesh.

Beautiful Saris

Many women wear the sari, a five- to eight-meter long strip of unstitched cloth, which they wrap around themselves. They cost around US\$4.00 (2.50 GBP), making them luxury items for many Bangladeshis. Sari function as special, formal attire, which is why many women buy a new sari once a year despite the expense.



Bustling Bazaars

Huge bazaars throughout Dhaka, the Bangladeshi capital, offer a wide range of everyday products. The stalls that line the streets of these bustling outdoor markets are divided by what they sell, with everything from vegetables to meat to fabric on offer. The bazaars buzz with activity throughout the day, as locals navigate the side streets in search of daily necessities.



Streets Abuzz with Art

Rickshaws are a ubiquitous feature of city life in Bangladesh. Characterized by their colorful decorations, they provide a popular, roughly ten-cent means of transportation here, so much so that most market entrances are usually thronged with these three-wheeled cycles.



Massive Malls and Amusement Parks

In addition to lively, outdoor bazaars, Bangladeshi cities are dotted with huge shopping malls. These bustling commercial centers sell everything, including sundries, food, clothing and luxury brands. With food courts, cinemas and amusement parks all on the top floors, crowds of people surge through these malls all day long. The crowds, particularly during the Eid ul-Fitr celebrations marking the end of Ramadan, are an incredible sight.



Serious Poverty in the Face of Rapid Economic Growth

Bangladesh's economy grew 5.9 percent in 2009, a rate faster than that experienced by Japan during its bubble period. While industry in Bangladesh, particularly the textile industry, is expected to significantly drive economic growth going forward, more than one-third of the population lives on less than US\$1.25 a day and the literacy rate is below 50 percent. Poverty, poor sanitation and access to education are still common social problems in Bangladesh, particularly in rural areas.





The Grameen Ladies: Ready for Business

“If profits increase, I want to use the money I earn on education for my two children,” said one Grameen Lady. With excitement and hope, bags provided by UNIQLO are carried by the women with merchandise inside them. Among the eight million who have benefited from Grameen Bank microcredit loans are those who have voluntarily expressed their desire to participate in UNIQLO’s social business in Bangladesh.

It is not uncommon to see people selling clothing door to door here. Current participants in UNIQLO’s social business initiative include sales experts who have already proven they can sell more than 10,000 Bangladeshi taka (US\$140, 88 GBP) worth of clothing per month. The average T-shirt sells on the local market for about 50 cents—about 20 to 30 cents lower than the usual price of a UNIQLO product—yet the Grameen Ladies are confident they can sell them. They have come to realize that UNIQLO’s products are durable and come in many sizes, agreeing that they also offer a lot of value over the long term.

There is of course more to sales than having good products. The Grameen Ladies must acquire many things such as product knowledge, customer relations skills and business manners.

“It was so difficult in the beginning because we are unable to read and we couldn’t balance the books; the UNIQLO people were very patient and kind. When we told them that we had difficulty understanding the product sizes and styles, they started categorizing the products using different colored stickers. Even then we had trouble peeling them off because we had never used stickers before. We quickly figured out the prices though, with the help of the UNIQLO people, who put drawings of our currency on our product price lists.”

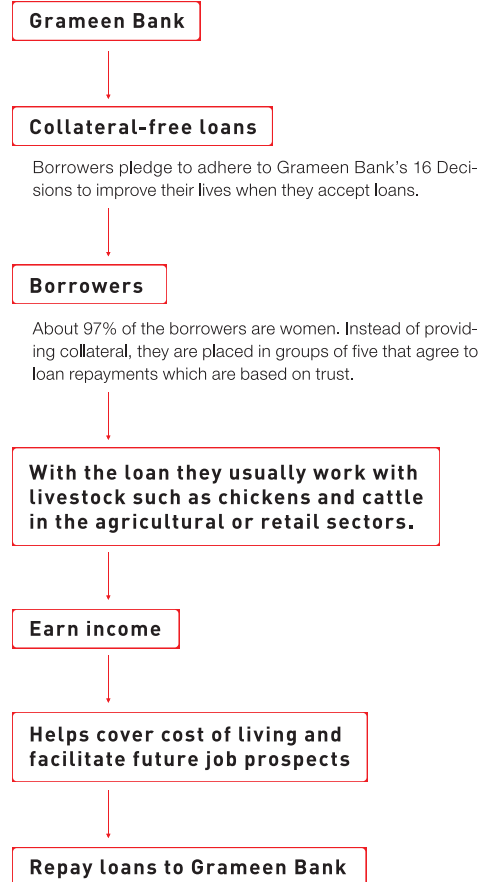
The Grameen Ladies then began a long-awaited test run of selling UNIQLO products in September 2010.

“As part of the test run we held a fitting event, which was a big success,” according to one participant. “Since all who took part were women, the event was quite cheerful. Everyone was inter-

ested in the products and seemed to be having a good time. We also learned the importance of properly explaining those products that people aren’t familiar with. Few people in the rural areas are accustomed to wearing underwear, for example, but it’s probably better to wear it, at least from a hygienic, work-related perspective. UNIQLO’s clothing may actually change the way women here live.”

As the Grameen Ladies sell clothes that bring smiles to customers, they can afford to put their children in school, and their children can envision new futures for themselves—futures made possible through the power of clothing.

How the Grameen Bank System Works



Professor Muhammad Yunus

Founder and managing director of Grameen Bank



Professor Yunus, a noted Bangladeshi banker and economist, won the Nobel Peace Prize in 2006 for his efforts to help the poor. With the establishment of Grameen Bank, he pioneered the concept of micro-credit, the practice of extending small loans to the poor.

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In this era of increased globalization, companies need to be aware of the impact that their work has on an international scale. The developing world is particularly affected by the actions of multinational corporations, and social businesses provide a way for these companies to help society on an ongoing, sustainable basis.

Our partnership with UNIQLO is the first social business of its kind. Grameen Bank and UNIQLO will combine social business ideals with UNIQLO's technical expertise to target social problem areas such as poverty, sanitation and education. UNIQLO will take its social impact one step further by employing women in rural areas as sales staff and offering them a chance to earn a steady income and lift themselves and their families out of poverty.

UNIQLO is the first Japanese company to sign a memorandum of understanding for a social business with Grameen, and other businesses are already following its lead. In fact, Japan is a key player and valued partner in the future of social business. The support that the Japanese people have shown for social business has been exceptional, and there are many partnerships in development between the Japanese government and businesses. Through our long-standing partnerships with Kyushu University and Rikkyo University, we have been educating students on social business concepts so that younger generations understand this new kind of business before they start their careers.

Corporate social responsibility is now a standard part of company policy and it provides a way for companies to use some of their profits for socially

beneficial work. They can help solve many problems by channeling that money into social businesses and uniting their unique business knowledge with their desire to identify solutions. In traditional CSR, money is given away, but with social businesses, money is returned to a fund to invest in other social businesses, multiplying the power of each dollar. Investors do not receive dividends; they only receive repayments for their original investments.

Social businesses fill a gap in the free market economic structure by addressing the needs of the poor in a sustainable way. They operate in parallel to conventional, profit-maximizing businesses. The current economic system assumes that human beings are one-dimensional and only interested in amassing profit, but the reality is that there are many other dimensions to human nature: social, familial, spiritual and more. Social businesses express the urge to do good for people.

As social businesses become larger and more widespread, the poor can become increasingly empowered to lift themselves out of poverty. They have the same potential as the rest of us; we need to provide them with the opportunities to unleash that potential.

I hope that social businesses will change Bangladeshi society and put forward a new kind of global business aimed at solving social problems. Social businesses are still businesses, and the sense of competition, innovation and efficiency encouraged in the business world can be harnessed to target social problems, without concern for personal gain.

There are challenges to be faced in starting any new business. With the expertise of UNIQLO, coupled with the support and guidance provided by the Yunus Center and the rest of the Grameen family, I am confident we can meet any challenges head on.

Dr. Kiyoshi Kasahara

Director, Asian Institute for Intellectual Collaboration (AIIC)
Professor of Management, Rikkyo University (Ph.D. in Sociology)



The logic that fuels market systems creates winners and losers, which contributes to the growing gap between the rich and the poor. When governments intervene to solve these problems, government spending increases, which can lead to a nation's financial collapse. The problems that modern society is dealing with can be attributed to the failure of governments and market systems. Clearly aware of these limitations, non-profit organizations and non-governmental organizations are increasingly stepping in to encourage greater cooperation between governments and businesses. The concept of social business, solving social problems

through business, arose out of these efforts. UNIQLO and the globally respected Grameen Bank have started collaborating on an international level as part of this trend, and I believe their joint effort did not come about as a matter of coincidence. UNIQLO originally had the strong will to bring positive change to the world through the power of clothing, and I feel that it is already well-prepared to launch a social business initiative. I therefore have high expectations for the work that will be done by Grameen Bank and UNIQLO, and I think that it will serve as a model for advancing the social business concept in Japan.

Making the world a better place

The fundamental philosophy underpinning FAST RETAILING's approach to corporate social responsibility hinges on making the world a better place by planning, producing and selling clothing, which are among the basic necessities of life. To continue to be a company that creates enduring value for the world, we will strive to manage our business in an appropriate manner while growing with society and endeavoring to raise the bar for the world—this is what CSR means to us.

To realize this vision of CSR, we want to inform as many people as possible about our activities and increase the number of people contemplating these issues with us. This CSR booklet, *The Power of Clothing*, is one means toward this end. As individuals, we are limited in what we can do. However, there is power in numbers and by increasing the number of people who share our vision of how to help the world, we aspire to create a substantial force for positive change. This begs the question: What can be accomplished through clothing? We think a lot can. In fact, at FAST RETAILING we are convinced that the potential "power" in clothing is limited only by our imagination.

Note: This is our fifth volume of *Fuku no Chikara* (*The Power of Clothing*) in Japanese and the first in English. For more information about FAST RETAILING's CSR activities, please visit : <http://www.fastretailing.com>