

THE POWER OF CLOTHING

— Making The World A Better Place —



08 THE FUTURE OF SOCIAL BUSINESS

The Power of Clothing in Bangladesh Represents the Future of a Social Business

The cycle of poverty continues in Bangladesh, where many children cannot attend school and sanitary conditions are generally poor. In the face of these severe challenges, UNIQLO is engaged in a social business. We have created a complete supply chain within one of the world's poorest nations, from production to sales. The new businesses generated from these links can help to lift people out of poverty, so they can become economically self-reliant. The availability of clean clothing, meanwhile, plays a role in improving sanitary conditions and encouraging children to attend school.

While volunteer and donation efforts can provide mainly material support, our social business gives people the opportunity to improve their lives on their own.

It has been a year and a half since we started our social business in September 2010. Although our challenges to the new business were greater than we had expected, partners who share our goals are steadily jumping on board to give us a hand. And we believe the power of clothing will open the way to a brighter future in Bangladesh.



The Power of Clothing
Making the World a Better Place

08

Cover photo by Shinsuke Kamioka

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The Many Facets of UNIQLO's Social Business

In September 2010, UNIQLO launched a social business in the People's Republic of Bangladesh, in collaboration with the Grameen Bank Group. The business takes advantage of the Grameen Bank Group's extensive network and UNIQLO's expertise in manufacturing and selling high-quality clothing at low prices.



Grameen UNIQLO

Social Business in Bangladesh

produce Manufacturing in Bangladesh

We only work with local factories that support the concept of social business and comply with UNIQLO's quality standards to manufacture clothing. Bangladesh has a flourishing textile industry with a large number of factories that can produce high-quality goods.



sell Selling face to face

The Grameen Ladies sell door to door in rural parts of the country, where most of them come from, but also in urban areas. They use their Grameen Bank microcredit loans to work toward financial independence through these sales jobs. For more information about the Grameen Ladies, see pages 10 and 11.



reinvest Reinvesting sales proceeds for expansion of the business

We pursue profits and reinvest them to expand the social business. Our rather ambitious goal is to manufacture and sell one million items by the third year of operations.

wear Making it possible for more people to wear our clothing

T-shirts typically sell for about 60 cents each in Bangladesh. Through extensive market research, we are able to supply high-quality clothing at affordable local prices. We have set the average price of our core products between one dollar and a little over two dollars, so even people in rural areas can purchase our clothing.



Showing the World Our Social Business



Grameen UNIQLO website in six languages

The Grameen UNIQLO website has been launched in six languages to introduce our social business for people in Bangladesh and around the world. The website describes Grameen UNIQLO's initiatives in an easy-to-understand manner, features interviews with people involved in our social business and shows the products we sell in Bangladesh. We hope to raise public awareness about our social business through the website and thereby expand the circle of people interested in our activities.

www.grameenuniqlo.com/

Fashion in Bangladesh

When do Bangladeshis usually buy clothes, and what colors and designs are most popular? Here we take a look at the culture and way of life in Bangladesh from the perspective of clothing.

New clothing for celebrations and festivals

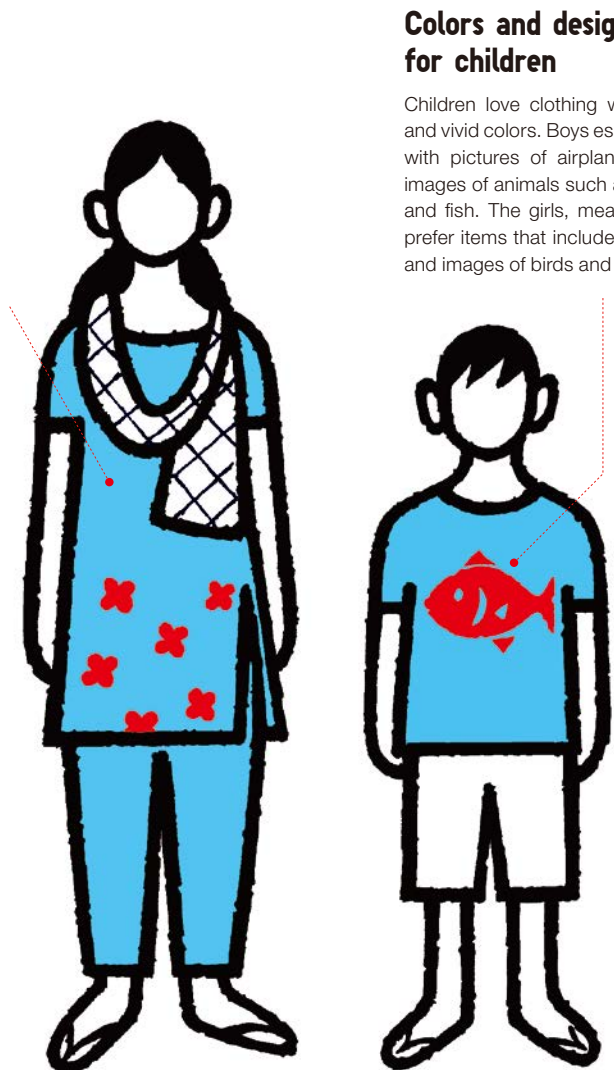
Many festive events are held throughout the year in Bangladesh. Eid ul-Fitr, which marks the completion of Ramadan, the Islamic month of fasting, and a festival kicking off the Bengali year in April are two of the country's biggest celebrations. Bangladeshis customarily purchase clothing in preparation for these and other important events.

Traditional clothing for girls

Almost all women in Bangladesh wear traditional attire, starting with the shalwar kameez, which is usually worn by unmarried women and young girls. Working married women also appreciate the practical design of this dress. Shalwar kameez for children consists of a hip-length shirt and a pair of pants.

Shirts with collars –essential for men

Men in Bangladesh generally wear collared shirts in public, so it's not surprising that polo shirts and collared cotton shirts are among the most popular items sold by Grameen UNIQLO.



Girls

Kids

Colors and designs for children

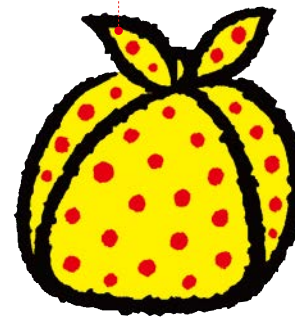
Children love clothing with fun patterns and vivid colors. Boys especially like items with pictures of airplanes and cars, or images of animals such as tigers, giraffes and fish. The girls, meanwhile, generally prefer items that include flowers, sequins and images of birds and cats.

The sari: traditional attire for women

The sari is a length of cloth which is wrapped around the body over a T-shirt and pettislip. Bangladeshi women also wear the traditional three-piece dress known as shalwar kameez.

The many uses for sari

After they are used as clothing, saris are cut into pieces and reused, often as towels or handkerchiefs. The material is also used as bags for carrying personal belongings such as keys and wallets.



Women

Brightly colored fashions

Bangladeshis are fashion-conscious people. Striking colors such as red, orange and bright green are popular among women, and many people like to wear accessories such as earrings and bracelets.

Choosing a sari

Saris are indispensable garments for the women of Bangladesh, because they are worn as both day-to-day items and formal attire. Due to the wide range of colorful designs and fabrics that are available, some women will visit more than 20 shops over the course of several days before buying a new sari. Material is also an important consideration when choosing a sari, which are usually carefully scrutinized for quality before purchases are made.



About Bangladesh

Official Name: People's Republic of Bangladesh
Capital: Dhaka
Population: 160 million
Literacy Rate: 47.9% (adults aged 15 and above)
Life Expectancy: 69.8 years old
Religion: Muslim 89.5%, Hindu 9.6%, other 0.9%

Reference: The World Factbook

Poverty Rate: 49.6%* (in 2005)

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

Reference: World Development Indicators of The World Bank



Products the People of Bangladesh Want Today

We offer products that reflect the needs and preferences of local people by gathering information from Grameen Ladies and asking school children and other people about their favorite colors and designs.

Men and Women

We provide popular items for men such as polo shirts and other collared shirts, as well as short T-shirts for women, who wear them under their saris. All the items are manufactured at reliable factories. Some people purchase our products to show their support for the social business concept.



Kids

Parents in every country want to buy clothing for their children, even under the most severe economic conditions. This is why children's wear accounts for 40% of the total sales of our social business. T-shirts with cat prints are especially popular with girls.



Sari

We currently sell saris that we have selected and purchased from local markets, but we are looking into the possibility of also producing saris under our social business brand.



Products that Open New Directions for the Future of Bangladesh

Our products, which we introduce and sell to local people, all address social concerns in Bangladesh, such as poor sanitary conditions and the large number of children who do not attend school.

Health

We produce women's underwear and sanitary products. Few women in rural parts of Bangladesh are used to wearing underwear. Potential customers learn about how underwear and sanitary products can help to improve hygiene.



Education

Our "T-shirts for Learning" have illustrations with descriptions in Bengali, so children can have fun as they learn to read. This could help to raise the country's 47.9% literacy rate*. *Aged 15 and above, based on The World Factbook.



T-shirts for Learning come with study books that include all the illustrations and Bengali descriptions printed on the T-shirts.

From the Illustrator



Photo by Shinya Aizawa

Boojil Illustrator, T-shirts for Learning

The T-shirts for Learning project gave me the opportunity to visit Bangladesh for the first time. I was most impressed by the positive outlook on life the people there have, despite the harsh conditions, and I also liked the brightly colored saris and rickshaws. The illustrations I selected to print on the T-shirts were of everyday things I observed, and I was influenced by the ideas that children gave me. I hope the T-shirts, with the vivid color combinations that the locals really like, will be fun to look at and wear.

Profile

Boojil was born in Yokohama in 1984. She is known for her full-color, peaceful works created during and after her travels alone overseas. Her book, "A Girl with Bobbed Hair on a Journey," published in paperback by Shogakukan, has been made into a movie, with the author herself in the starring role. Last year she made her debut as a *mangaka* with her comic essay, "A Girl with Bobbed Hair Always Falls in Love with a Guy with Problems," published by Shueisha Inc. She creates illustrations and designs for various areas including advertising, apparel, CD jackets and music videos. (<http://boojil.com/>)

Meeting the Grameen Salespeople

Traveling from door to door in rural and urban areas, the Grameen Ladies work to achieve their dreams by selling clothing.



Who are Grameen Ladies?

The Grameen Ladies are building a path to financial independence by using their Grameen Bank loans for business purposes, just as other borrowers obtain loans to raise livestock or maintain farms. They also serve as the sales force for UNIQLO's social business. In addition to face-to-face sales, they receive and share customer feedback with other staff members toward improving production planning. For these reasons, they are key partners for growing this business.



Begum (13 months as a Grameen Lady)
Enthusiastic customer service is the key to becoming a top sales lady.

Begum, a wife and mother of two children, is dedicated to serving her customers. She confidently calls out and gestures excitedly as people walk by, enthusiastically explaining her products. In addition to door-to-door sales, she also takes advantage of a permit she received for a previous job that allows her to sell products at a military base. She is proud of being the top salesperson in the area and enjoys the challenges of the job. "My dream," she said, "is to save up enough money to buy land for farming."



Shahida Ahmed (15 months as a Grameen Lady)
I want to keep this job for my family.

Shahida is a seasoned Grameen Lady who has been working for Grameen UNIQLO since its establishment. She likes that she didn't need to make an initial investment to work as a Grameen Lady, because the products are sold on consignment. She also thinks the product lineup is good. "Sometimes," she says, "selling can be hard, because prices are higher than at the local market. But I want to keep this job to support my family."



Tania Ferdous (Nine months as a Grameen Lady)
Successfully balancing college studies with work as a Grameen Lady

Tania runs a tailor shop with her mother and younger sister while she studies business at college. She started working as a Grameen Lady with her sister just nine months ago. She says it is hard to combine work and study, but she feels it's worth the effort. Hygienic napkins are popular items among the products she recently sold. She says, "As women, we can talk frankly and openly with our female customers about hygiene products."



Muhammad Khokon Mia (13 months as a Grameen Man)
My dream is to open a store filled with Grameen UNIQLO products.

Although we have been describing the work of the Grameen Ladies, many "Grameen Men" also participate in sales. One of them, a man named Muhammad, had been working for a clothing sales business that was suffering from a lack of funds. He heard about Grameen UNIQLO and thought it would be a great place to utilize his skills while developing his other business. And so he took on the sales position. "Someday," he said, "I want to have my own shop of Grameen UNIQLO products."

"If you are open and sincere, people will respond" Uphill Struggle for Production and Sales

A look at our staff's daily efforts as they visit the markets, factories and rural villages of Bangladesh

Dhaka, the capital of Bangladesh, is full of large bazaars teeming with shops. Small sewing factories nestled within these bazaars manufacture their own clothing and sell them in the markets. Tomokiyo Yoshikawa, who oversees production for UNIQLO Social Business Bangladesh, Ltd., visits each of these factories with his colleagues and the help of various connections to discover new production partners.

First, he always introduces himself with a smile before explaining the concept of social business and its market potential. Then he carefully listens to what the managers have to say about the business before reviewing factory working conditions, technical competence and product quality. We need partners who recognize the value of this business and are willing to work with us to produce high-quality products at prices that are affordable in rural areas.

"Social business is a commercial endeavor, not a nonprofit project," Yoshikawa says. "Factories cannot cooperate simply because they mean well; they need to make money from us. Price and quality negotiations are therefore very challenging."

If an agreement cannot be reached, Yoshikawa moves on to the next factory on his list. He has done this time and time again, and his efforts are starting to pay off. Cooperative relationships with seven factories are now producing shirts with collars, printed T-shirts and women's undergarments.

He has also become good friends with some of the factory workers and often eats with them. "If you

are open and sincere to the people of Bangladesh and ask for their cooperation, they are very willing to respond to you," Yoshikawa says. "The technical level of their factories has been steadily improving. It may take time, but we're looking forward to growing together. And I'm feeling far more confident about the future."

The Grameen Ladies are sometimes quite outspoken about expressing their views to Takashi Sugiyama, who is in charge of sales. "This product doesn't usually sell in rural areas," one tells him. "These are too small, so we need bigger sizes," another woman says. Every two weeks, Sugiyama visits the Grameen Ladies to thank them for their daily efforts and to provide encouragement. He also replenishes their inventories, collects payments and pays sales commissions. One important aspect of his visits is to listen for the kinds of items, prints and colors that are selling well, so this information can be used in product planning.

Since the first test marketing phase in September 2010, the number of Grameen Ladies has grown from 30 to more than 100 individuals, and the product lineup has expanded. The spring 2011 addition of traditional, high-demand clothing such as saris and shalwar kameez (a three-piece outfit mainly worn by unmarried women) has raised volumes and the value of sales. Some Grameen Ladies have even invited Sugiyama for tea to express their gratitude, while others joke that "I've sold so much, you should invite me to dinner!"

Of course, not everything has been going well. Some women

have quit after having a hard time with sales. "That's the most painful part," says Sugiyama. "We don't have a broad enough product selection yet and we haven't quite reached the lower price range we'd initially projected. It's really frustrating to not be able to meet the expectations of these women."

Nevertheless, Sugiyama shows no signs of giving up. He is always busy meeting people in the villages, which he does with the same smile and courtesy he was known for during his days as a UNIQLO store manager. "We still have lots of problems, but we wouldn't have even learned about them if we hadn't tried," he says. "This is just something we have to go through before we can take the next step forward."

Yoshikawa and Sugiyama, as well as other staff members, strongly believe that even modest moves toward the creation of a better society are worth the effort, which is why they are continuing their efforts in the sweltering heat of South Asia.

Photos on the right: Staff members of Grameen UNIQLO

- Tomokiyo Yoshikawa's key mission is to find reliable production partners.
- Takashi Sugiyama took on the challenge of working in Bangladesh after having been a UNIQLO store manager in Japan. He is now exploring ways to expand business as the person in charge of sales.
- Ahtesham Uddin Ahmed (Grameen UNIQLO) joined the company after working at Grameen Bank for 21 years. His unconventional approach generally leads to creative ideas.
- Mohammad Mijanur Rahman (Grameen UNIQLO) dreams of becoming a manager of this social business in Bangladesh.
- Najmus Sadat (Grameen UNIQLO) maintains good working relationships with the Grameen Ladies and can clearly identify their needs.



A Worthwhile Endeavor with Promise for the Future

The first year of our social business has been a journey of trial and error, with promising signs for the future.

Looking at our first year and a half of full-scale operations in Bangladesh, we have been able to reaffirm the great potential our social business has there. We have met many challenges, but believe the business will stay on track.

A lot of the obstacles we've come up against were unexpected and there are a number of problems that still require creative solutions. For example, we cannot lower prices as a result of low production volumes, and products at higher prices often don't sell as well. And when we started out, sales were weak because of our limited product selection.

The goal of earning enough money to support oneself is not easy for the Grameen Ladies to achieve. On some occasions, they have carried an armful of items to sell, only to be turned away at every door. Some-

times payments are miscalculated, or their actual inventories do not match their records. At one point, a number of workers even gave up.

A ray of hope did appear, however, when we were spending time in local communities listening to customers and the Grameen Ladies and patiently gaining experience through trial and error. This led to our decision to add polo shirts, other collared shirts, and printed T-shirts to our product lineup in the spring of 2011. It also contributed to our decision to sell cloth sanitary napkins and traditional garments such as saris. The number of items being sold is now starting to rise.

On the production side, we visited every small and medium-sized sewing factory in one town to ask whether they would cooperate with us. These factories were asked about the possibility of join-

ing the large-scale factories that we already work with. As a result, we now have a larger number of reliable partners staffed by highly skilled craftspeople.

The number of Grameen Ladies has also increased to over 100 people, from an initial group of 30 women. "It was hard at first to manage the expenses and the products, but now I know how to do it," one of them told us. "My income is higher and I'm enjoying my work."

Everything, of course, hinges on having good products. We must start by offering products manufactured by reliable factories and sold in good faith to win the hearts of customers, create more jobs and pave the way for a better quality of life. This cycle is something we are thoroughly committed to establishing as soon as we possibly can.



A worker at our new partner sewing factory in Dhaka says he is proud to be making clothing for Grameen UNIQLO.



We asked local women to share their feelings about cloth sanitary napkins, and new versions of this product that reflect their voices are scheduled to go on sale.

From Fast Retailing

What Should the Public Expect from Companies Today?

We believe every company faces the same fundamental question: How are we making the world a better place? UNIQLO's business operations around the world must benefit communities in every country and they must be well received by people. These are essential points when doing business.

The rapid pace of globalization is further transforming public expectations of companies. A business cannot fully justify its existence by simply making money. And although conventional social contributions such as cash or in-kind donations and volunteer services remain important, they are also not considered sufficient by society, which has come to expect far more.

What, then, does the public want from corporate enterprises in this day and age? And what is the role that companies, which are different from government institutions and nongovernmental organizations, can play? Companies are uniquely capable of addressing social issues through their business operations. They can also establish the means for people in a society to thrive and maintain financial independence, which ultimately sets the stage for overcoming such persistent social problems as poverty and environmental degradation.

This is the concept underlying our social business in Bangladesh. Clothing has the power to give people confidence and joy. And a socially responsible business has the power to generate new value anywhere in the world, changing society for the better. This is what we believe.

Previous issues of *The Power of Clothing*

- Vol. 1: Spotlight on Employees with Disabilities
- Vol. 2: Where UNIQLO Products Come From
- Vol. 3: UNIQLO's All-Product Recycling Initiative
- Vol. 4: The Setouchi Olive Foundation and UNIQLO
- Vol. 5: What is a Social Business?
- Vol. 6: Truly Great Clothing for People Around the World
- Vol. 7: How Clothing is Changing Japan and the World



Vol. 05 | What is a Social Business?

The Power of Clothing can be viewed online at the URL below:

www.uniqlo.com/en/csr
www.grameenuniqlo.com/